

Audit Committee

Thursday 30 March 2017
10.00 am Luttrell Room - County Hall,
Taunton



To: The Members of the Audit Committee

Cllr D Hill (Chairman), Cllr D Ruddle (Vice-Chairman), Cllr Coles, Cllr S Crabb, Cllr H Davies, Cllr A Dimmick, Cllr J Edney, Cllr M Healey and Cllr D Yeomans

Issued By Julian Gale, Strategic Manager - Governance and Risk - 22 March 2017

For further information about the meeting, please contact Michael Bryant or 01823 359048 or mbryant@somerset.gov.uk

Guidance about procedures at the meeting follows the printed agenda.

This meeting will be open to the public and press, subject to the passing of any resolution under Section 100A (4) of the Local Government Act 1972.

This agenda and the attached reports and background papers are available on request prior to the meeting in large print, Braille, audio tape & disc and can be translated into different languages. They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers



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AGENDA

Item Audit Committee - 10.00 am Thursday, 30 March 2017

*** Public Guidance notes contained in agenda annexe ***

1 **Apologies for absence**

2 **Declarations of Interest**

Details of all Members' interests in District, Town and Parish Councils will be displayed in the meeting room. The Statutory Register of Member's Interests can be inspected via the Community Governance team.

3 **Minutes from the meeting held on 26 January 2017** (Pages 9 - 12)

The Committee is asked to confirm the minutes are accurate.

4 **Public Question Time**

The Chairman will allow members of the public to present a petition on any matter within the Committee's remit. Questions or statements about any matter on the agenda for this meeting will be taken at the time when each matter is considered.

5 **External Audit Update** (Pages 13 - 76)

To consider the report.

6 **Internal Audit Update and Healthy Organisation Report** (Pages 77 - 154)

To consider the reports.

7 **Internal Audit Plan 2017/18 and Charter** (Pages 155 - 176)

To consider the report.

8 **Partial Assurance Audit - Corporate Health and Safety Premises Management** (Pages 177 - 200)

To consider the report.

9 **Partial Assurance Audit - Early Years** (Pages 201 - 218)

To consider the report.

10 **Service Spotlight - Travel Plans** (Pages 219 - 222)

To consider the report.

11 **Annual Report to Council** (Pages 223 - 226)

To consider the report.

Item Audit Committee - 10.00 am Thursday, 30 March 2017

12 **Any other urgent items of business**

The Chairman may raise any items of urgent business.

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Guidance notes for the meeting

1. Inspection of Papers

Any person wishing to inspect Minutes, reports, or the background papers for any item on the Agenda should contact the Committee Administrator for the meeting – Michael Bryant on Tel (01823) 359048 or 357628; Fax (01823) 355529 or Email: mbryant@somerset.gov.uk
They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers

2. 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: <http://www.somerset.gov.uk/organisation/key-documents/the-councils-constitution/>

3. 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.

4. Public Question Time

If you wish to speak, please tell Michael Bryant, the Committee's Administrator, by 12 noon the (working) day before the meeting.

At the Chairman's invitation you may ask questions and/or make statements or comments about any matter on the Committee's agenda – providing you have given the required notice. You may also present a petition on any matter within the Committee's remit. The length of public question time will be no more than 30 minutes in total.

A slot for Public Question Time is set aside near the beginning of the meeting, after the minutes of the previous meeting have been signed. However, questions or statements about any matter on the Agenda for this meeting may be taken at the time when each matter is considered.

You must direct your questions and comments through the Chairman. You may not take direct part in the debate. The Chairman will decide when public participation is to finish.

If there are many people present at the meeting for one particular item, the Chairman may adjourn the meeting to allow views to be expressed more freely. If an item on the Agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group.

An issue will not be deferred just because you cannot be present for the meeting. Remember that the amount of time you speak will be restricted, normally to two minutes only.

5. 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.

6. Committee Rooms & Council Chamber and hearing aid users

To assist hearing aid users the following Committee meeting rooms have infra-red audio transmission systems (Luttrell room, Wyndham room, Hobhouse room). To use this facility we need to provide a small personal receiver that will work with a hearing aid set to the T position. Please request a personal receiver from the Committee's Administrator and return it at the end of the meeting.

7. 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 and a designated area will be provided for anyone wishing to film part or all of the proceedings. No filming or recording may take place when the press and public are excluded for that part of the meeting. As a matter of courtesy to the public, anyone wishing to film or record proceedings is asked to provide reasonable notice to the Committee Administrator so that the relevant Chairman can inform those present at the start of the meeting.

We would ask that, as far as possible, members of the public aren't filmed unless they are playing an active role such as speaking within a meeting and there may be occasions when speaking members of the public request not to be filmed.

The Council will be undertaking audio recording of some of its meetings in County Hall as part of its investigation into a business case for the recording and potential webcasting of meetings in the future.

A copy of the Council's Recording of Meetings Protocol should be on display at the meeting for inspection, alternatively contact the Committee Administrator for the meeting in advance.

8. Operating Principles for Audit Committee

Reports

- i. The reports should be clearly and concisely written. The report template available to officers on the intranet will be used.
- ii. Reports should highlight issues for Member consideration, no matter how difficult or complex, for example:
 - All reports should detail current performance levels.
 - All reports should identify cost implications.
- iii. No report should contain a recommendation “to note” the report.
- iv. Any report, which outlines clear priorities for improvement, should contain recommendations and a detailed action plan with timescales and resources.

Members

- i. Members should be clear about cost and resourcing issues highlighted in clearly and concisely written reports.
- ii. Members should seek to understand the impact of reports on Council performance.
- iii. Members can refer reports / issues back to the Cabinet where there are constructive concerns about services and/or performance.

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AUDIT COMMITTEE

Minutes of a Meeting of the Audit Committee held in the Luttrell Room - County Hall, Taunton, on Thursday, 26 January 2017 at 10.00 am

Present: Cllr D Hill (Chairman), Cllr Coles, Cllr S Crabb, Cllr H Davies and Cllr A Dimmick

Other Members present: None

Apologies for absence: Cllr D Ruddle, Cllr J Edney, Cllr M Healey and Cllr D Yeomans

220 Declarations of Interest - Agenda Item 2

Members of the Audit Committee declared the following personal interests in their capacity as a Member of a District, City/Town or Parish Council:

Cllr S Coles	Taunton Deane District Council
Cllr S Crabb	Marston Magna Parish Council
Cllr H Davies	West Somerset District Council
Cllr D Hill	Sedgemoor District Council

Cllr Simon Coles further declared his membership of the Devon and Somerset Fire Authority.

Cllr Sam Crabb further declared his membership of Exmoor National Park Authority.

221 Minutes from the meeting held on 29 November 2016 - Agenda Item 3

The Committee **agreed** that the minutes of the meeting held on 29 November 2016 were accurate and the Chairman signed them.

222 Public Question Time - Agenda Item 4

There were no members of the public present.

223 External Audit Update - Agenda Item 5

The Committee **considered** this report that was introduced by the Engagement Manager – Grant Thornton who began by providing a summary of the report, noting: the scale audit fee for 2016/17; that the 2017/18 audit plan would be available in March; that value for money work was on-going; that details of the audit of the Council's accounts would be brought to the July Audit Committee meeting; and that the Annual Audit letter would be brought to the October Audit Committee meeting.

The Engagement Manager – Grant Thornton also highlighted on-going work including 'round table' events on Mental Health and Sustainability along with a number of sources of useful information within Grant Thornton publications.

Members discussed the potential for their attendance at Grant Thornton events and workshops.

Members also discussed: timescales for the completion of the Council's accounts; changes to highways network asset accounting; changes to the 2016/17 CIPFA Code; and the continued availability of details of earmarked reserves within the primary statements, with further explanation and context being added by Engagement Lead – Grant Thornton.

Members requested that their thanks be passed to the finance officers involved in the completion of the Council's accounts.

It was further noted that the clerk would circulate the Grant Thornton publication 'Delivering new homes – Routes for development for Local Authorities'.

The Committee accepted the report.

224 **Internal Audit Update** - Agenda Item 6

The Committee considered this report that summarised the work completed since the last meeting by the Internal Auditors in delivering the 2015/16 Audit Plan. The Assistant Director – SWAP highlighted the summary of partial opinion audits as detailed in the report, and informed the Committee of on-going work to share expertise and become more effective. In addition, the Director of Finance and Performance informed the Committee of work being undertaken regarding out of county placements.

Members expressed concern at the findings of the Corporate Health & Safety – Premises Management Audit, and requested that the audit findings be highlighted to the Senior Leadership Team and the Cabinet. Members also requested a progress update at the next meeting of the Audit Committee. Members further noted their dissatisfaction at the progress made regarding the audit Early Years Entitlement Claims 15/16 Themed Report & Follow-up and requested this be brought to the next meeting of the Audit Committee. The Assistant Director – SWAP informed the committee on on-going work with the Early Years Commissioning Team, and that a system had been agreed to revisit the partial assurance audits.

Member discussion further included: the level of surplus balances held by schools; borrowing money from school reserves; and Academy funding.

The Committees attention turned to controls regarding the cost of out of county placements for children looked after. The Assistant Director – SWAP informed the Committee of the issues identified, and the Director of Finance and Performance highlighted: the lack of available accommodation within Somerset; and the work of the Scrutiny for Policies, Children and Families Committee.

The Strategic Manager – Financial Governance also informed the Committee of the loss of Audit days due to delays in officer responses, and Members noted their dissatisfaction, but were pleased to hear of the on-going work in this area.

The Committee accepted the report.

225 Risk Management Update - Agenda Item 7

The Committee considered this report in detail and held a discussion of the latest risk management update.

The Service Manager – Governance informed the Committee that ORG0043 Maintain a Sustainable Budget remained the Council's critical risk. The Service Manager further highlighted the reduction in the number of risks rated as high, noting that ORG0038 – disruption to back office services at the end of the SWOne contract, and ORG0035 – school place planning had been moved from Corporate / Strategic risks to Commissioning / Service Delivery risks. The Ofsted monitoring visit letter as appended to the report was also highlighted.

Given the 'partial assurance' rating of the Corporate Health & Safety – Premises Management Audit, Members questioned if the risk score for ORG0011 Health and Safety should be increased. The Service Manager – Governance assured the Committee that he would raise with the risk owners.

The Committee accepted the update.

226 Appointment of External Auditors - Agenda Item 8

The Strategic Manager – Financial Governance introduced the report, noting that the Audit Committees opinion was being sought in advance of a full Council decision. The Strategic Manager highlighted the three options considered, and informed the Committee that officers recommend option 1 'to opt into a sector lead body' as the preferred way forward. It was further noted that this was the Local Government Associations preferred option.

The Committee unanimously agreed to support the officer recommendation to progress option 1 'to opt into a sector lead body'.

227 Anti-Fraud and Corruption Review - Agenda Item 9

The Committee considered and discussed this report that provided information about continuing anti-fraud work being undertaken across the Council and also new initiatives to protect against corruption. Attention turned to on-going fraud cases, with further detail being provided by the Strategic Manager – Financial Governance. The Committee noted that the majority of Local Authority fraud was Council Tax related.

Members thanked officers for their work, and noted their continued support for a zero tolerance policy with regard to fraud.

228 Debt Management - Agenda Item 10

The Committee considered this report that provided an update regarding the current position in regard to recovery of outstanding money owed to the Council. Members were pleased to note that short term debt had fallen, but were concerned to see that there was an increase in debts over 90 days old.

The Strategic Manager – Financial Governance informed the Committee of the initial findings on the “Partial” Debt Management audit that he had commissioned and pointed out some of the key problems that had been found. It was agreed that the management actions for the audit would come back to June’s Audit Committee when they had been addressed.

The Committee were further informed of on-going work to ensure that debts are passed to the Council’s Debt Recovery Officer more promptly, and noted that letters detailing legal action often prompt payment.

Members discussed NHS debts, and noted that this represented a large proportion of the total debt owed to the Council, and questioned the number of debts ‘on hold’. The Strategic Manager – Financial Governance informed the Committee of work to limit the number of staff who have authority to put debts ‘on hold’.

229 Committee Future Workplan - Agenda Item 11

The Committee considered this report that provided an opportunity to update the current work programme.

Members reiterated that they would like the following items to be added to the Committee forward work programme:

- Corporate Health & Safety – Premises Management Audit
- Early Years Entitlement Claims 15/16 Themed Report & Follow-up

230 Any other urgent items of business - Agenda Item 12

There were no other items of business.

(The meeting ended at 11.57 am)

CHAIRMAN

External Audit Update

Service Director: Kevin Nacey, Director of Finance and Performance

Lead Officer: Martin Gerrish, Strategic Manager – Financial Governance

Author: Martin Gerrish, Strategic Manager – Financial Governance

Contact Details: tel (01823) 355303 or e-mail: mgerrish@somerset.gov.uk

Cabinet Member: Mr Harvey Siggs

Division and Local Member: All

1. Summary/link to the Annual Plan

- 1.1. The 2 reports attached as Appendices are from Grant Thornton, our External Auditors, and our responses to audit questions that they have already asked.

These comprise their Audit Plan for our Statement of Accounts and Value For Money for 2016/2017 (Appendix A) and their regular Committee Update on progress (Appendix B). These reports also include the key emerging national issues that Somerset County Council will need to consider carefully in both its Statement of Accounts work and in its on-going governance arrangements.

As was started last year, to be publically transparent and to keep members informed about our on-going work with Grant Thornton, we have again included responses from the Director of Finance and Performance (Appendix C) and the Chair of Audit Committee (Appendices D and E) in response to the auditor's "ISA 240" fraud query.

- 1.2. Staff from Grant Thornton will attend the Audit Committee meeting to take members through the documentation.

2. Issues for consideration

- 2.1. Members are asked to:-

- i) Comment on the External Auditors' Plan for the forthcoming audit process and their understanding of the County Council's business (Appendix A).
- ii) Consider the progress made to date by the External Auditors in the Audit Committee Update report and the interim findings (Appendix B).
- iii) Consider whether they wish to have any further information provided on any of the emerging topics referred to in the Audit Committee Update report (Appendix B).
- iv) Consider the responses by the Director of Finance and Performance (Appendix C), and the Audit Chair (Appendix D and E) in relation to SCC's anti-fraud arrangements, and whether these responses accord with their own understanding.

3. Background

- 3.1. Grant Thornton is our external auditor. Much of their work is concentrated on the Statement of Accounts and Value For Money conclusions, which directs their efforts as set out in the attached reports. The planning stage of the audit work is critical to a successful audit cycle.
- 3.2. Regular meetings with our external auditors and early sight of their forthcoming Audit Plan has always been appreciated, as it allows officers to understand the audit needs and prepare papers as required. It has also allowed officers to discuss potential emerging accounting treatments with the external auditor.
- 3.3. Under the International Standard on Auditing 240 (ISA 240), the external auditor has a responsibility relating to fraud in an audit of financial statements.

Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional. Although fraud is a broad legal concept, for the purposes of ISA 240, the auditor is concerned with fraud that causes a **material misstatement** in the financial statements.

The primary responsibility for the prevention and detection of fraud rests with both “those charged with governance” of the entity, and with management. As part of the audit, the external auditor will therefore request responses from the Director of Finance and Performance and the Chair of Audit Committee to gain assurance that they “**place a strong emphasis on fraud prevention**”. Clearly from the responses included, both do.

4. Consultations undertaken

- 4.1. The Audit Plan and interim work is shared with key officers at a 6 weekly meeting, and is discussed regularly by the Finance and Performance Management Team. This is seen as highly beneficial to both parties.

5. Implications

- 5.1. All as contained within the Grant Thornton report.

6. Background papers

- 6.1. Previous Audit Committee papers.

Note For sight of individual background papers please contact the report author

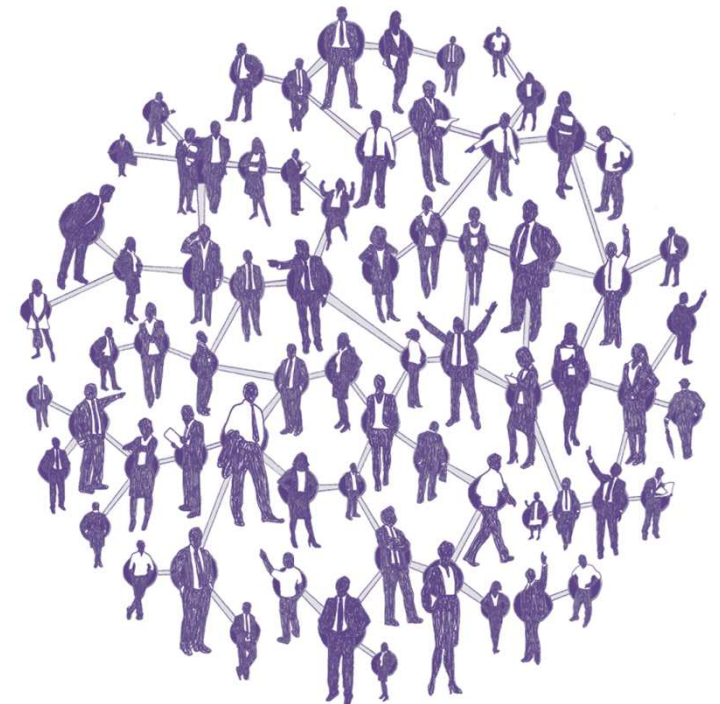
The Audit Plan for Somerset County Council

Year ended 31 March 2017
20 March 2017

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20 March 2017

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Dear Members of the Audit Committee

Audit Plan for Somerset County Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Somerset County Council, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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. 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. 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.

We look forward to working with you during the course of the audit.

Yours sincerely

Peter Barber

Engagement Lead

Chartered Accountants

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Understanding your business and key developments

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Developments

Highways network asset (HNA)
 On the 14 November, 2016 CIPFA/LASAAC announced a deferral of measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements for 2016/17. This deferral is due to delays in obtaining updated central rates for valuations. CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18. It currently anticipates that the 2017/18 Code will be on the same basis as planned for 2016/17, i.e. not requiring restatement of preceding year information.

Heart of the South West Devolution (HotSW)
 To maintain the momentum achieved to date by the partnership a HotSW Productivity Plan to develop the strength of the Heart of the South West's economy is being created together with a Joint Committee of the HotSW partners to drive the development and delivery of the Plan. The Productivity Plan will replace the LEP's Strategic Economic Plan.

This will maximise what can be achieved within existing structures and resources through new ways of working as well as continue negotiations with Government over a range of policy agendas to help deliver the partnership's productivity ambitions.

Key challenges

Autumn Statement
 The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved powers to Local Authorities. No plans were announced to increase funding for adult social care.

Medium term financial plan
 The Council's revenue Strategy 2017/18 to 2020/21 maintains a cautious approach to estimating resources to achieve self-financing by 2020/21 by achieving efficiencies across seven themes of £18.1m in 17/18, with a further £6m in 18/19, £5.7m in 2019/20 and £3.4m in 2020/21. Whilst a balanced budget has been set for 2017/18 it is on the basis that all targets included against each MTFP theme are achieved. The Council has recognised service pressures of £5.6m in 17/18 but it is facing revenue budget shortfalls of £12.8m in 18/19, £4.6m in 19/20, £4.6m in 19/20 and £2.1m in 20/21. This is a cumulative shortfall of £19.5m for the MTFP period.

Key performance indicators

Measure	Value £m	Risk
Q3 2016/17 Forecast Outturn (revenue budget) Overspend	£7.472m	Red

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)
 Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements. The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier shutdown
 The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. Following on from the early closure achieved in 2015/16 the Council plans to have the draft 2016/17 accounts completed by 31st May. Our intention is to complete our field work by the end of June, with the accounts formally approved at the Audit Committee on 27 July 2017.

Our response

- We aim to complete all our substantive audit work of your financial statements by 28th June 2017
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops
- We will discuss with you your progress in implementing the HNA requirements, highlighting any areas of good practice or concern which we have identified
- We will continue to liaise with senior officers to support the Council's development of alternative delivery models, including local government companies

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. 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. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £14.559 million (being 1.8% of gross revenue expenditure in the prior year's accounts). In the previous year, we also determined materiality to be £15.07million (being 1.8% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £0.728 million.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000
Disclosures of members allowances in the notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000
Disclosure of the audit fee in the notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment 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.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Somerset County Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <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 Therefore we do not consider this to be a significant risk for Somerset County Council
Management over-ride of controls	Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	Work completed to date: <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management Further work planned: <ul style="list-style-type: none"> • Review of assurances from the Audit Committee and management in relation to fraud, law and regulations • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant 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 and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

Significant risk	Description	Audit procedures
<p>The expenditure cycle includes fraudulent transactions</p>	<p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.</p>	<p>We have considered this risk and do not consider it to require additional audit procedures because, of the 2015/16 financial statements expenditure</p> <ul style="list-style-type: none"> • 35% relates to employee remuneration, which is addressed by our procedure in response to the identified risk in this area • 65% relates to operating expenditure which is addressed by our procedures in response to the identified risk in this area <p>We do not consider this to be a risk to the audit as our experience is that expenditure is well controlled and monitored.</p>
<p>Valuation of pension fund net liability</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
<p>Valuation of property, plant and equipment and Investment property</p>	<p>The Council revalues its PPE assets on a rolling basis with assets revalued at least every five years . The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>The CIPFA Code of Practice implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include Investment property its financial statements at fair value, as defined by IFRS13. There are also extensive disclosure requirements under IFRS 13 which the Council needs to comply with.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used • Review of the instructions issued to valuation experts and the scope of their work <p>Further work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the carrying values of property, plant and equipment, and investment property, are not materially different from fair value at the year end. We will also assess whether these controls were implemented as expected, and whether they are sufficient to mitigate the risk of material mis-statement. • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding • Review and challenge the reasonableness of the proposed revaluations, including reference to national trends • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of 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 • Review of the disclosures made by the Council in its financial statements to ensure they are in accordance with the requirements of the CIPFA Code of Practice and IFRS 13.

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period.	<p>Work completed to date</p> <ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle • Undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively • Documentation of the processes in place for year end accruals • Further work planned • We will test a sample of operating expenses to ensure they have been accurately accounted for and in the correct period • We will undertake cut off testing of expenditure, including a review of payments made after the year end to identify unrecorded liabilities • We will review estimates, judgements and decisions made by management for unusual and large accruals
Employee remuneration	Employee remuneration accruals are understated	<p>Work completed to date</p> <ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle • Undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively and in line with our understanding • Review of monthly trend analysis of employee costs from April 2016 to December 2016 to identify any unusual or irregular movements • Early substantive testing on a sample of employees covering the period April 2016 to December 2016 <p>Further work planned</p> <ul style="list-style-type: none"> • We will complete our substantive testing of employees for accuracy of payment and the agreement of employee remuneration disclosures to supporting documentation • We will review the year end payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and the financial statements • We will review the monthly trend analysis of employee costs from January 2017 to March 2017 to identify any unusual or irregular movements.

Other risks identified (continued)

Other risks	Description of risk	Audit procedures
<p>Changes to the presentation of local authority financial statements</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work planned</p> <ul style="list-style-type: none"> • We will document and evaluate the process for the recording the required financial reporting changes to the 2016/17 financial statements. • We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.
<p>Change in supplier of SAP system</p>	<p>There is a change of supplier for the ledger system SAP in 16/17 – changeover with effect from 20 January 2017.</p>	<ul style="list-style-type: none"> • Further work planned: • We will need to review and evaluate the controls in place for this changeover to ensure that the data transfer was complete and accurate. • We will need go gain assurance over the accuracy and objectivity of data migration.

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Going concern

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

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 the previous sections but will include:

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- Assets held for sale
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including the Care Quality Commission and Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

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Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by the end of July 2017.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

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Significant risk	Link to sub-criteria	Work proposed to address
<p>Sustainable Resource Deployment</p> <p>During 2016/17 the Council has experienced significant pressure on its budgets for Adult and Children's services resulting in significant in-year overspends. These have been offset by underspends elsewhere and a draw down on its reserves.</p> <p>The Medium Term Financial Plan (MTFP) approved by Full Council in February 2016 covered the period 2016/17 to 2020/21. The plan showed a balanced budget for 2016/17 with a shortfall of £37.292m for the next four years. An update on the MTFP position was provided to Cabinet on the 26 September 2016. This showed that the position had moved on to a shortfall of £35.616m covering the period 2017/18 to 2020/21.</p> <p>As part of the budget setting process for 2017/18 the MTFP was updated as at 6 February 2017 with target savings values identified across seven themed areas. Each theme is led by a Director and a Cabinet Member, supported by a dedicated Strategic Finance Manager. The 2017/18 budget has now been set with agreed savings of £18.119m. The cumulative shortfall over the remainder of the MTFP period is now £19.5m as follows:</p> <p>2018/19 - £12.8m 2019/20 - £4.6m 2020/21 - £2.1m</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions and managing assets effectively to support the delivery of strategic priorities.</p>	<p>We will review the assumptions behind the MTFP, including the robustness of savings plans.</p>

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Page 29

Significant risk	Link to sub-criteria	Work proposed to address
<p>Ofsted inspection of children's services</p> <p>Following Ofsted's inspection of Children's Services in June 2013 and February 2015 'inadequate' ratings were given. The Department for Education has subsequently issued a direction notice to the Council. Improvement is now being monitored against nine priority areas.</p> <p>Arrangements with Essex County Council as Improvement Partners continue and are resulting in quarterly Quality and Performance Review meetings focussed on both operational and strategic improvement. The first of these took place in November 2015 and dates were scheduled until August 2016.</p> <p>There was an Ofsted monitoring visit to Somerset County Council Children's Services on 2/3 November 2016. Ofsted commented that SCC had "responded well" to its recommendations in 2015; Children and young people in need of help and protection receive a timely and effective response; and that partnerships are effective and strengthening. The overall findings from this monitoring visit indicated that the Local Authority was making adequate progress in improving services for children and young people in need of help and protection in Somerset.</p> <p>A second Ofsted Monitoring visit on 24-25 January focussed on safeguarding/children in need. A further visit is planned for early May 2017 focussing on 'children looked after'.</p> <p>However, until there is a re-inspection the overall rating remains as 'inadequate'.</p>	<p>This links to the Council's arrangements for managing risks effectively and maintaining a sound system of internal control, demonstrating and applying the principles and values of good governance, and planning, organising and developing the workforce effectively to deliver strategic priorities.</p>	<p>We will review update reports to the Council on the progress against the improvement plan. We will also review any further updates from Ofsted as they become available and take these into account in forming our conclusion.</p>

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State
- We certify completion of our audit.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements.	Our work has not identified any issues which we wish to bring to your attention.
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Review of information technology controls	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.

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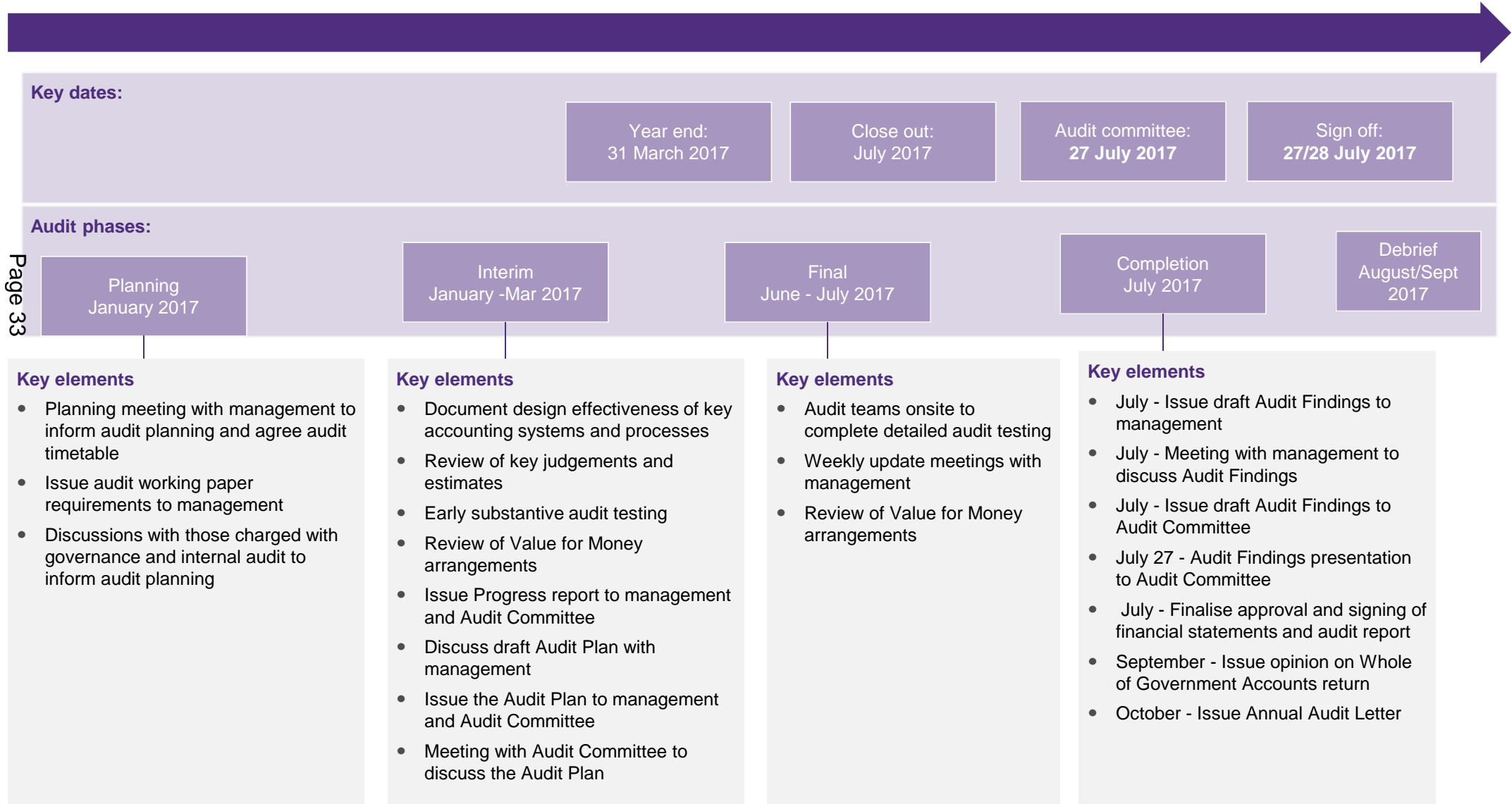
Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in the following areas where we consider that there is a risk of material misstatement to the financial statements:</p> <ul style="list-style-type: none"> • Property Plant and Equipment • Employee Remuneration • Operating Expenses <p>Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	Our work has not identified any other weaknesses which impact on our audit approach.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	As in prior years there is no requirement for journal inputs to be authorised by a second person as reported in the 2015/16 Audit Findings Report. Although no material issues have been noted and the Council consider that appropriate mitigating controls are in place to address this issue we will continue to report this matter through our reports to those charged with governance.
Early substantive testing	<p>We have carried out some early substantive testing on:</p> <ul style="list-style-type: none"> • Payroll M1-9 and carried out a trend analysis M1-9 • Depreciation – tested a sample of 10 items – no issues • Reviewed the basis for the significant estimates used in the financial statements • Agreed opening balances brought forward into the current year's accounts to the closing balances audited in the 2015/16 financial statements 	No issues have been identified at this stage that require reporting.

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The audit cycle

The audit timeline



Audit Fees

Fees

	£
Council audit	99,873
Total audit fees (excluding VAT)	99,873

- Fee remains indicative until work is agreed and completed

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular Audit Committee Progress Reports
- Regular sector updates
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular contact to discuss strategy and other important areas

Independence and non-audit services

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 Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Client Name. The following audit related and non-audit services were identified for the Council for 2016/17:

Fees for other services

Service	Fees £	Planned outputs
Audit related		
Grant certification - Certification of Teachers Pension Return	*4,200	Grant certification
Grant certification – School centred initial teacher training	*3,750	Grant certification
Non-audit related		
None	Nil	

* Fee remains indicative until work is agreed and completed

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit 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 above services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Communication of audit matters with those charged with governance

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

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 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 a report to the Council.

Respective responsibilities

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

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the CCG's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their 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.

	Audit Plan	Audit Findings
Our communication plan		
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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
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	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendix 1: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
Page 37	Authorisation of Journals To reduce the risk of material error from journal adjustments made in the general ledger, we recommend that the Council includes in its journal policy the requirement that all journals should be authorised by a second person	Medium		



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Audit Committee Update
Somerset County Council
Year ended 31 March 2017

20 March 2017

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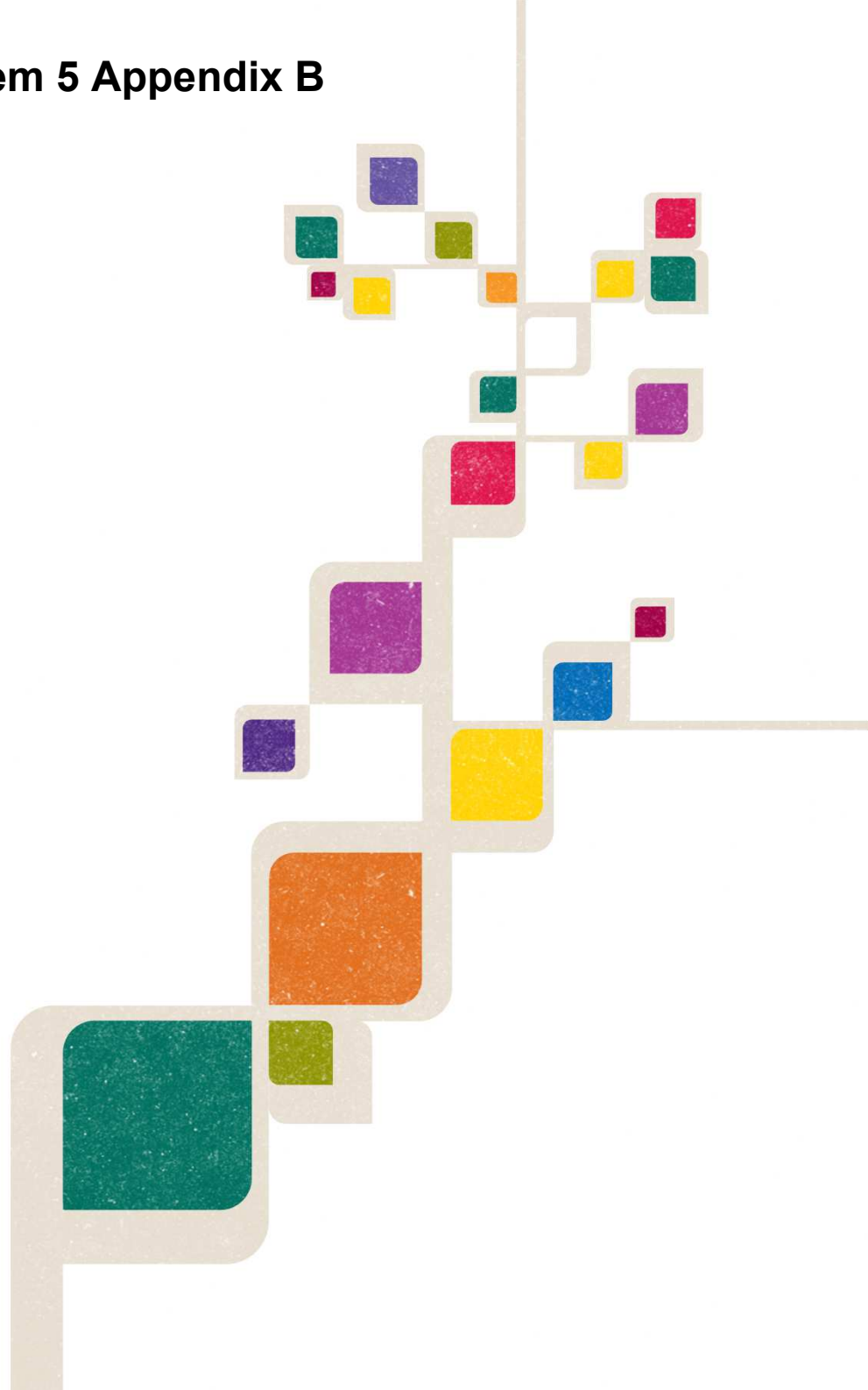
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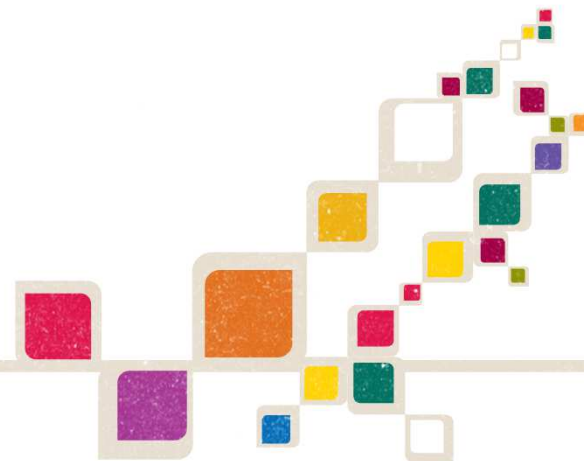
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any 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.



Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

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We have included an overall summary of progress in delivering this year's audit. We have also taken the opportunity to include short briefings on current issues and our latest publications.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



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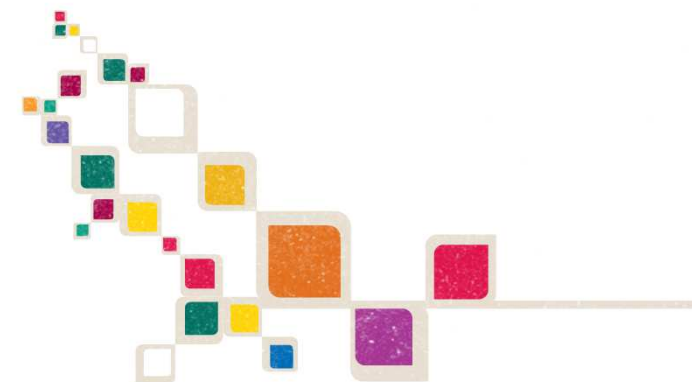
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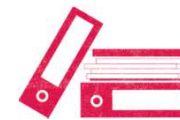
Progress at 20 March 2017



 **Progress against 2016/17 plan**
 Planning started, interim audit visit in February 2017



 **Opinion and VfM conclusion**
 Target Completion 28 July 2017
 Deadline 30 September 2017

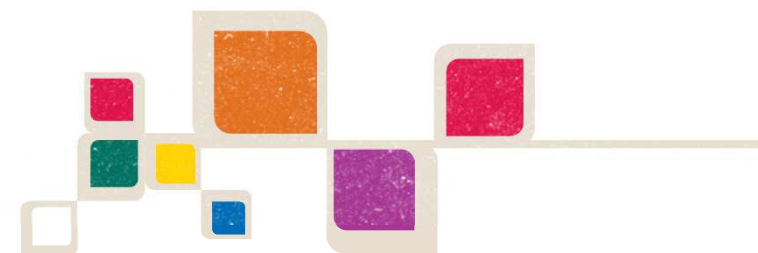


 **Outputs delivered**
 Fee letter & Progress Reports delivered to plan

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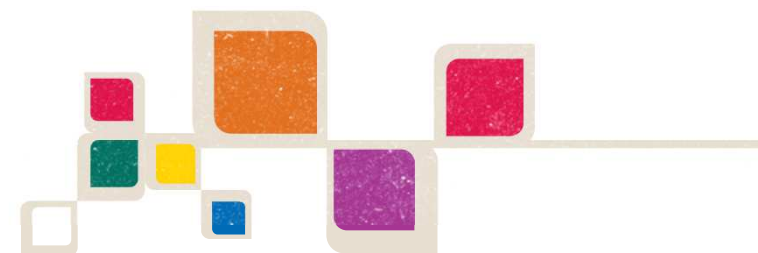
2016/17 work	Planned Date	Complete?	Comments
<p>Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016</p>	April 2016	Completed to plan	We issued our fee letter for 2016/17 on 13 April 2016. The 2016/17 scale audit fees were set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set at £99,873. There is no scale fee applicable for certification work in 2016/17.
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016/17 financial statements.</p>	March 2017	Completed	We have prepared our Audit Plan following completion of our interim audit visit as detailed below. The Audit Plan will be presented to the Audit Committee on 30 March 2017.
<p>Interim accounts audit Our interim fieldwork visit will include:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing. 	February 2017	Completed	We have built on our knowledge of the Council following our audits over the last three years. Our work to date has not identified any issues which we wish to bring to your attention. The findings from our interim audit work are set out in our detailed Audit Plan.

Progress at 20 March 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is set out in the guidance issued by the National Audit Office in November 2016. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion:</p> <p><i>In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</i></p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p>Jan - July 2017</p>	<p>No</p>	<p>We have carried out an initial risk assessment to determine our approach and report this in our Audit Plan.</p> <p>In our initial risk assessment, we considered:</p> <ul style="list-style-type: none"> • our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements. • the findings of other inspectorates and review agencies, for example Ofsted. • any illustrative significant risks identified and communicated by the NAO in its Supporting Information. • any other evidence which we consider necessary to conclude on your arrangements. <p>Our focus will be around risks in respect of:</p> <ul style="list-style-type: none"> • the Council's financial position and longer term financial sustainability, and • the arrangements for securing improvements in Children's Services following the 'inadequate' Ofsted assessment. <p>During 2016/17 the Council has experienced significant pressure on its budgets for Adult and Children's services resulting in significant in-year overspends. These have been offset by underspends elsewhere and a draw down on its reserves. The 2017/18 budget has now been set with agreed savings of £18.119m. The cumulative shortfall over the remainder of the Medium Term Financial Plan period is now £19.5m.</p> <p>We will review the assumptions behind the Medium Term Financial Plan including the robustness of savings plans</p> <p>We will report the results of the work in our Audit Findings Report at the July 2017 Audit Committee and give our value for money conclusion.</p>

Progress at 20 March 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> audit of the 2016/17 financial statements proposed opinion on the Council's accounts proposed Value for Money conclusion review of the Council's disclosures in the accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	May - July 2017	Not yet due	We anticipate receiving the Draft Financial Statements for audit at the end of May 2017. We will report our findings to the July Audit Committee in our Audit Findings Report.
<p>Other areas of work</p> <p>In previous years we were asked to audit the Teachers' Pensions Return, the School Centred Initial Teacher Training Annual Return(SCITT) and the Transport Claim. These were undertaken as separate audit engagements with additional fees charged as appropriate.</p>	Oct– Dec 2017	Not yet due	We will discuss the audit arrangements for the 2016/17 returns with your officers to ensure that they are submitted within the necessary reporting deadlines.
<p>Other activities</p> <p>We provide a range of workshops for officers and publications to support the Council.</p> <ul style="list-style-type: none"> Final Accounts Workshops – Date 1 March 2017 <p>Regular liaison meetings with your senior officers</p>	Ongoing	No	<p>As part of our commitment to you we produce various workshops/seminars throughout the year. The Council are sent invites for to all our events.</p> <p>We held a final accounts workshops in March 2017 which your staff attended.</p> <p>We will hold regular liaison meetings with your officers throughout the year to ensure we are in touch with the latest developments and our audit programme fully reflects these.</p>

Grant Thornton Sector Issues

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Local Government Finance Settlement

The final local government settlement for 2017/18 was published on 20 February. The settlement reflects the Government's aim that all councils will become self funding, with central government grants being phased out. This is year two of the four year offer, which has been accepted by 97% of councils.

There is an expectation that councils will continue to improve efficiencies with measures including further developments in digital technology, new delivery models and innovative partnership arrangements.

100% business rates retention

The announcement has an increased focus on business rates, with the expectation that by the end of the current Parliament, local government will keep 100% of the income raised through business rates. The exact details of the reforms are yet to be determined. This includes confirming which additional responsibilities will be devolved to local government and funded through these retained rates. Pilots of the reforms are taking place across the country from April 2017.

The results of a recent Municipal Journal survey *2017 State of Local Government Finance* have recently been published.

http://downloads2.dodsmonitoring.com/downloads/Misc_Files/LocalGovFinance.pdf

Respondents expressed concern about the lack of detail in the proposals, uncertainty around equalisation measures and the scale of appeals.

Nearly 50% of Councils responding believe they will lose from the transition to 100% retention of business rates. Views were evenly split as to whether the proposals would incentivise local economic growth.

Social Care Funding

Funding allocations reflect increased funding of social care with a stated £3.5 billion of funding for social care by 2019/2020.

In this year's settlement £240 million of new homes bonus has been redirected into the adult social care grant. In addition councils are once again be able to raise the precept by up to 3% for funding of social care.

Recognising that funding is not the only answer, further reforms are to be brought forward to support the provision of a sustainable market for social care. There is an expectation that all areas of the country move towards the integration of health and social care services by 2020.

Paul Dossett Head of Local Government in Grant Thornton LLP has commented on the Government proposals for social care funding (see link for full article).

"The government's changes to council tax and the social care precept, announced by the Secretary of State for DCLG as part of the latest local government finance settlement, will seem to many as nothing more than a temporary fix. There is real concern about the postcode lottery nature of these tax-raising powers that are intended to fund our ailing social care system."

"Our analysis on social care shows that the most deprived areas in the UK derive the lowest proportion of their income from council tax."

"Conversely, more affluent areas collecting more council tax will potentially receive a bigger financial benefit from these measures."

"Our analysis shows that the impact and effectiveness of the existing social care precept is not equal across authorities. So any further changes to tax raising powers for local government will

National developments

"Social care precept changes will not help those living in more deprived areas"

"The UK has a long tradition of providing care to those who need it most. If that is to continue, the government must invest in a robust social care system that can cater for all based on needs and not on geography. From a taxpayer's perspective this is a zero sum game. For every £1 not invested in social care, the cost to the NHS is considerably more"

not tackle the crisis of social care in our most disadvantaged communities and arguably make only make a small dent in the cost demands in our more affluent communities."

Links:

<https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2017-to-2018>

<http://www.grantthornton.co.uk/en/news-centre/local-government-financial-settlement-comment-social-care-precept-changes-will-not-help-those-living-in-more-deprived-areas/>

<http://www.grantthornton.co.uk/en/insights/council-tax-alone-wont-solve-the-social-care-crisis/>

Pooling of LGPS

From 1 April 2018 £200bn of assets from 90 LGPS funds across England and Wales will be merged into six 'British Wealth Funds'. By pooling investment, costs can be reduced through economies of scale and through sharing of expertise, while the schemes can maintain overall investment performance. Pension funds will continue to be managed and maintained by the separate administering authorities. The selection of fund managers will be made by the investment pool operator on behalf of a pool of co-operating administrative authorities, while individual investment strategies, including asset allocation, will remain the responsibility of the individual administrative authority.

Potentially eight pools are to be established across the country with total assets ranging from £13bn in both the LPP and Wales pool, to £36bn in the Border to Coast pool. It is expected that assets will be transferred to the pools as soon as practicable after 1 April 2018.

Tasks to be completed by April 2018 include:

- creating legal structures for pools
- transferring staff
- creating supervisory boards/ committees
- obtaining FCA authorisations
- appointing providers
- assessing MiFID II implications
- determining pool structures for each asset type

The funds themselves will retain responsibility for:

- investment strategy
- asset allocation

- having a responsible investment strategy
- reporting to employers and members

Governance arrangements

There is no mandatory membership of oversight structures. It is for each pool to develop the proposals they consider appropriate. The majority of decision making remains at the local level and therefore the involvement of local pension boards in those areas would not change. Scheme managers should consider how best to involve their pension boards in ensuring the effective implementation of investment and responsible investment strategies by pools, which could include representation on oversight structures.

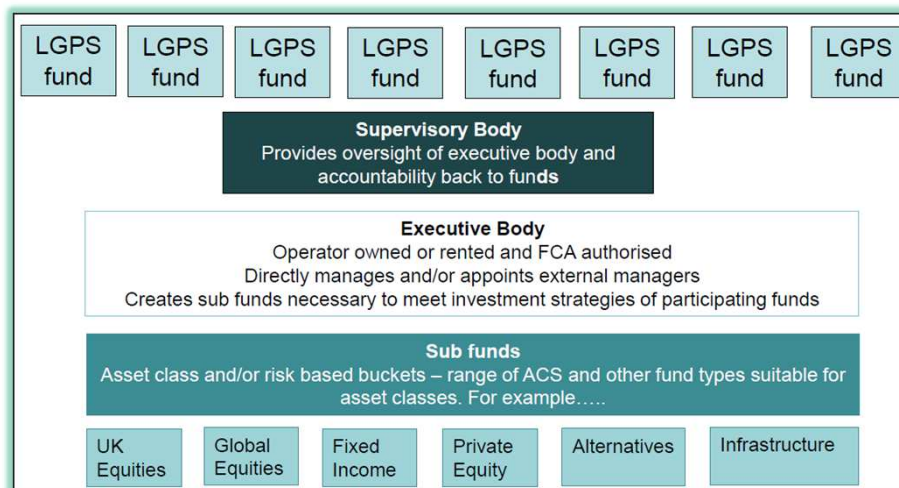
CIPFA in the recent article *Clear pools: the future of the LGPS* highlights the need for good governance particularly in view of the complex web of stakeholders involved in investment pooling. Robust governance will be vital to ensuring a smooth transition and continuing operation of the funds

National developments

Challenge question:

- Is your CFO keeping you up to date on developing arrangements in your area?

Link:
<http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/clear-pools-the-future-of-the-lgps/>



typical structure of LGPS Pool

Fixing our broken housing market

DCLG published its housing White Paper on 7 February 2017. It opens with the statement:

“The housing market in this country is broken, and the cause is very simple: for too long, we haven’t built enough homes.”

It goes on to summarise three key challenges in the housing market.

1. Over 40 per cent of local planning authorities do not have a plan that meets the projected growth in households in their area.
2. The pace of development is too slow. There is a large gap between permissions granted and new homes built. More than a third of new homes that were granted planning permission between 2010/11 and 2015/16 have yet to be built.
3. The structure of the housing market makes it harder to increase supply. Housing associations have been doing well – they’re behind around a third of all new housing completed over the past five years – but the commercial developers still dominate the market.

The proposals in the White Paper set out how the Government intends to boost housing supply and, over the long term, create a more efficient housing market whose outcomes more closely match the needs and aspirations of all households and which supports wider economic prosperity.

It states that the challenge of increasing housing supply cannot be met by the government acting alone and summarises how the government will work with local authorities, private developers, local communities, housing associations and not for profit developers, lenders, and utility companies and infrastructure providers.

For local authorities, the government is:

- offering higher fees and new capacity funding to develop planning departments, simplified plan-making, and more funding for infrastructure;
- will make it easier for local authorities to take action against those who do not build out once permissions have been granted; and
- is interested in the scope for bespoke housing deals to make the most of local innovation.

The government is looking to local authorities to be as ambitious and innovative as possible to get homes built in their area. It is asking all local authorities to:

- develop an up-to-date plan with their communities that meets their housing requirement (or, if that is not possible, to work with neighbouring authorities to ensure it is met);
- decide applications for development promptly; and
- ensure the homes they have planned for are built out on time.

The White Paper states that it is crucial that local authorities hold up their end of the bargain. It goes on to say that where local authorities are not making sufficient progress on producing or reviewing their plans, the Government will intervene. It also notes that where the number of homes being built is below expectations, the new housing delivery test will ensure that action is taken.

The White Paper goes on to consider in more detail:

- Planning for the right homes in the right places
- Building homes faster
- Diversifying the market
- Helping people now

National developments

Challenge questions:

- Have you been briefed on the White Paper and the implications for your statutory housing function?
- Is the Council planning to respond to the consultation?

Consultation on the White Paper will begin on 7 February 2017. The consultation will run for 12 weeks and will close on 2 May 2017.

The White Paper is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf

Integrated Thinking and Reporting

Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders*.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.

CIPFA Publications

Challenge question:

- Have you reviewed the CIPFA guide to Integrated Reporting in the public sector?



Grant Thornton Technical update

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Accounting and audit issues

Highways network asset accounting update

Highways Network Asset Code (HNA Code). At its meeting on 9 November 2016, the CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) decided to postpone the full implementation of the move to measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements.

CIPFA's Code of Practice on the Highways Network Asset (Highways Code) was developed to promote effective asset management and use the same information for financial reporting of the Highways Network Asset within local authorities. For a number of years local authorities have been developing detailed inventory data on their network assets and beginning to use this data to develop the underlying valuation of the asset with a view to full implementation of the new measurement requirements in the 2016/17 financial statements, using centrally provided models and Gross Replacement Cost (GRC) rates. It is estimated that full implementation will result in a revaluation increase of approximately £1trillion to the UK public sector balance sheet in respect of local authority Highways Network Assets. mentation of the move to measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements.

On 8 March 2017 the following update Statement was issued by CIPFA/LASAAC on the Implementation of the Highways Network Asset Code into the Financial Reporting Requirements of Local Authorities

At its meeting on March 8th, the CIPFA/LASAAC Code Board decided NOT to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.

The Board recognises the work undertaken by accounts preparers, auditors and highways engineers in preparing for the planned changes and would encourage continued improvement of the management of the highways network asset through better inventory and cost information.

Grant Thornton Publications and events

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The income spectrum

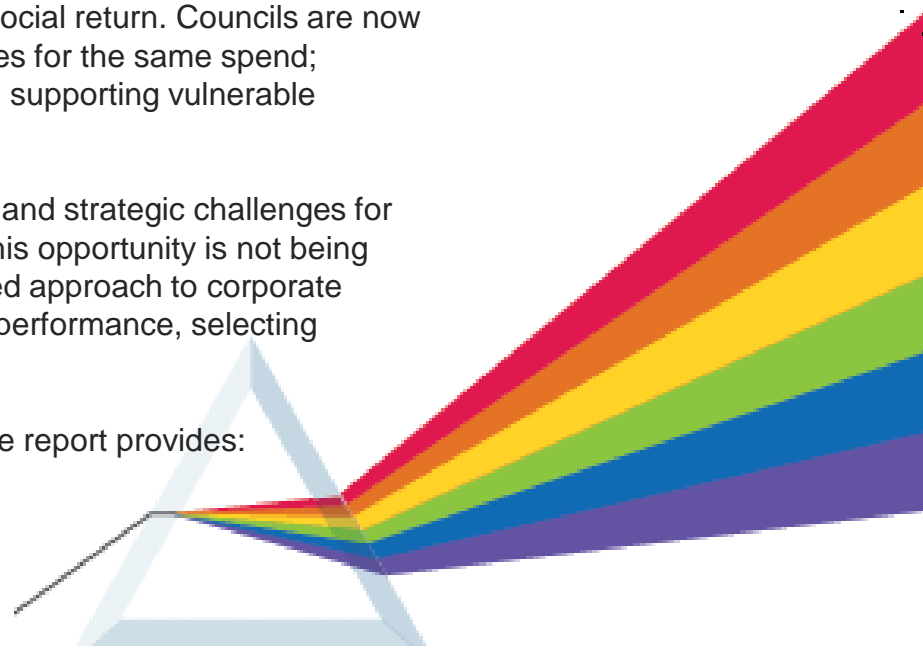
Helping local authorities to achieve revenue and strategic objectives to create a vibrant economies

Grant Thornton market insight

Income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency. Our report gives local authorities the tools needed to maximise their ability to do so.

Our new research on income generation which includes our CFO Insights too suggests that:

- councils are increasingly using income generation to diversify their funding base, and are commercialising in a variety of ways. This ranges from fees and charges (household garden waste, car parking, private use of public spaces), asset management (utilities, personnel, advertising, wifi concession license) and company spin-offs (housing, energy, local challenger banks), through to treasury investments (real estate development, solar farms, equity investment).
- the ideal scenario to commercialise is investing to earn with a financial and social return. Councils are now striving to generate income in way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.
- stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. Whilst there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development (a common vision for success, understanding current performance, selecting appropriate new opportunities, the capacity and culture to deliver change).
- To support local authorities as they develop income generation strategies, the report provides:
 - case study examples
 - local authority spend analysis
 - examples of innovative financial mechanisms
 - critical success factors to consider



Apprentice Levy-Are you prepared?

Grant Thornton update

What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

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What is the levy?

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on paybill in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors.

Paybill will be calculated based on total employee earnings subject to Class1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Paybill: $250 \times £20,000 = £5,000,000$

Levy sum: $0.5\% \times = £25,000$

Allowance: $£25,000 - £15,000 = £10,000$ annual levy

How can I spend my levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider-team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

What do I need to start thinking about now?

- How much is the levy going to cost and have we budgeted for it?
- How do we ensure compliance with the new system?
- Which parts of my current spend on training are applicable to apprenticeships?
- Are there opportunities to mitigate additional cost presented by the levy?
- How is training in my organisation structured?
- How do we develop and align to our workforce development strategy

Off-payroll working and salary sacrifice in the public sector

Off-payroll working

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the Chancellor announced that the measures that were proposed in Budget 2016 that could affect services supplied through personal service companies (PSCs) to the public sector will be implemented.

At present, the so-called IR35 rules require the worker to decide whether PAYE and NIC are due on the payments made by a PSC following an engagement with a public sector body. The onus will be moved to the payer from April 2017. This might be the public sector body itself, but is more likely to be an intermediary, or, if there is a supply chain, to the party closest to the PSC.

The public sector body (or the party closest to the PSC) will need to account for the tax and NIC and include details in their RTI submission.

The existing IR35 rules will continue outside of public sector engagements.

HMRC Digital Tool – will aid with determining whether or not the intermediary rules apply to ensure of “consistency, certainty and simplicity”.

When the proposals were originally made, the public sector was defined as “those bodies that are subject to the Freedom of Information rules”. It is not known at present whether this will be the final definition. Establishing what bodies are caught is likely to be difficult however the public sector is defined.

A further change will be that the 5% tax free allowance that is given to PSCs will be removed for those providing services to the public sector.

This will increase costs, move responsibility to the engager and increase risks for the engager

Salary sacrifice

The Chancellor's Autumn Statement 2016 speech also introduced changes to salary sacrifice arrangements. In particular, the proposals from earlier this year to limit the tax and NIC advantages from salary sacrifice arrangements in conjunction with benefits will be implemented from April 2017.

Although we await the details, it appears that there is a partial concession to calls made by Grant Thornton UK and others to exempt the provision of cars from the new rules (to protect the car industry). Therefore, the changes will apply to all benefits other than pensions (including advice), childcare, Cycle to Work schemes and ultra-low emission cars.

Arrangements in place before April 2017 for cars, accommodation and school fees will be protected until April 2021, with others being protected until April 2018.

These changes will be implemented from April 2017.

As you can see, there is a limited opportunity to continue with salary sacrifice arrangements and a need also to consider the choice between keeping such arrangements in place – which may still be beneficial – or withdrawing from them.

Grant Thornton update

Issues to consider

- Interim and temporary staff engaged through an intermediary or PSC
- Where using agencies ensure they're UK based and operating PAYE
- Update on-boarding / procurement systems, processes and controls
- Additional take on checks and staff training / communications
- Review of existing PSC contractor population before April 2017
- Consider moving long term engagements onto payroll
- Review the benefits you offer - particularly if you have a flex renewal coming up
- Consider your overall Reward and Benefit strategy
- Consider your Employee communications

Brexit

Planning can help organisations reduce the impact of Brexit

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States.

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

Existing EU legislation will remain in force

We expect that the Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

Taking back control is a priority

It appears that the top priority for government is 'taking back control', specifically of the UK's borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

The UK wants a 'bespoke deal'. Given the rhetoric coming from Europe, our view is that this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.

This is of course, all subject to change, and, politics, especially at the moment, moves quickly.

Where does this leave the public sector?

The Chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

Grant Thornton update

For regular updates on Brexit, please see our website:

<http://www.grantthornton.co.uk/brinsights/brexit-planning-the-future-shaping-the-debate>

Staffing – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

Financial viability – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

Market volatility – for example pension fund and charitable funds investments and future treasury management considerations.

International collaboration – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.



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SCC/SPF Responses from Management:

Auditor question	Response
<p>What do you regard as the key events or issues that will have a significant impact on the financial statements for 2016/17?</p>	<p>Continued decline in funding available for Somerset County Council, reflected in the expenditure for all service areas. Significant demographic pressures in adult social care requirements.</p> <p>The end of the contract with Southwest One and transfer of services and staff from that entity. The carve out of system and data from legacy SAP system previously provided by Southwest One to a new platform.</p>
<p>Have you considered the appropriateness of the accounting policies adopted by the Somerset County Council and Somerset Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>In light of the annual revisions to the CIPFA Code of Practice and other “best practice” guidance, we continually review our accounting policies and consider how they affect the Council’s and Pension Fund Accounts. This year we are disclosing our Accounting Policy for the Collection Fund to provide additional visibility of this more significant funding stream.</p> <p>In addition, we continually assess the Group Accounts boundary in the light of prevalent guidance and to accommodate any changes to governance arrangements at the County Council through a flowcharting process.</p>
<p>Are you aware of any changes to the regulatory environment that may have a significant impact on the financial statements of the Council and Pension Fund?</p>	<p>We have shared our current proposal for the changes applied as a result of the presentational changes to the Comprehensive Income and Expenditure Statement, the presentation of the General Fund reserves and the new disclosure for the Expenditure Funding Analysis.</p>
<p>How would you assess the quality of the internal control processes for the Council and Pension Fund?</p>	<p>(Please let me know if there is a requirement to provide detailed information on any of the processes referred to here, and I will alert the relevant officers. I am mindful that in previous years we have rather swamped the auditors with information, and there is a great deal of supporting evidence available. We are aware that Grant Thornton has audited SCC for a few years, and will know much of the detail).</p> <p>Our internal controls remain very strong. Many of these will be well known to Grant Thornton, but I would particularly like to draw your attention to the following examples of internal controls in place:-</p> <p>i) We produce regular budgetary and performance information (on our Performance Wheel), for Cabinet to show our progress against targets. We</p>

	<p>take the necessary action, such as the in-year spending freeze in order to manage any adverse variations.</p> <ul style="list-style-type: none"> ii) We still operate our Core Council Programme, which has a very strong governance and reporting process in order to control the work, the expenditure and to measure the outcomes. iii) We publish our County Plan and our Vision aspirations and work towards these agreed aims. iv) Key Boards are in place to manage key risks, activity and projects, such as the Commissioning Board and the Governance Board, and project-specific reporting. v) All Decisions are taken within the delegated requirements set down for decision-making and guided by Community Governance. We ensure that all pre-requisites for Decisions are undertaken, such as the 66 consultations undertaken. vi) All necessary HR policies are in place for management of our business. vii) All necessary financial controls and delegations are in place around our SAP financial system. (The Somerset Pension Fund has adopted the SCC Financial Regulations and Procedures). viii) We continue to operate a Strategic Risk Management Group meeting bi-monthly that comprises specialist officer leads to look at key risk issues ix) We have a fully independent Internal Audit plan, delivered by the South West Audit Partnership (SWAP), who works for a number of local councils in the region. x) The use of Core Brief and other means to inform staff of key issues.
<p>How would you assess the process for reviewing the effectiveness of internal control?</p>	<p>As above.</p> <p>One of the actions that the officer Governance Board is currently reviewing is the County Council's response to the new requirements of the Annual Governance Statement that apply from 2016/2017 in accordance with the new CIPFA / SOLACE publication "Delivering Good Governance". This work confirms that SCC has suitable examples in place to meet the overwhelming majority of these principles.</p> <p>Also, we have just received a Healthy Organisation report from SWAP which is designed to review our overall framework in 8 key areas. Officers, including the Governance Board and Chief Executive, have reviewed the findings and taken confidence from the findings. We will also use this work in informing future audit plans and internal reviews.</p>

<p>How do the risk management processes link to financial reporting?</p>	<p>Like many senior officers, I continue to be responsible for a number of risks across the whole of financial services, and these risks are included on JCAD, our dedicated risk management software. Risk review is a regular item on my Senior Management Team agenda for financial risks. In terms of reporting to members and senior officers, we continue the established twin processes of performance information (through the Performance Wheel) and financial information (through budget monitoring) to Cabinet and SLT.</p>
<p>How would you assess the arrangements for identifying and responding to the risk of fraud for the Council and Pension Fund?</p>	<p>I would refer you to the recent report to the Audit Committee on the anti-fraud work undertaken for both the County Council and the Pension Fund (Agenda Item 9).</p> <p>http://democracy.somerset.gov.uk/ieListDocuments.aspx?CId=160&MId=196&Ver=4</p> <p>This report sets out the varied measures that SCC takes to safeguard itself from fraudulent or corrupt activities, through such means as the National Fraud Initiative and Single Person Discount work.</p> <p>During 2016/2017, work continues to measure SCC against the CIPFA self-assessment tool and to set out what additional measures might be usefully employed. No weaknesses have been found in the control environment that would necessitate any immediate additional controls being added to our current anti-fraud measures.</p>
<p>What has been the outcome of these arrangements so far this year?</p>	<p>The above report details those local suspected frauds and the actions that have been taken.</p>
<p>What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The above report sets out the national picture with regard to types of fraud. There are no "Somerset specific" areas of high fraud risk, and we are not the responsible local authority for areas where the fraud risks are traditionally highest (benefits and housing).</p> <p>Like every organisation with a multitude of financial transactions, there is always a risk of fraud or corruption. The NFI database reviews confirmed that we already had processes in place to review potential issues ahead of this control, particular around areas such as Accounts Payable.</p>
<p>Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There is one relating to an allegation that there has been some impropriety in the scope of a small highway scheme which we are investigating.</p>
<p>Have any reports been made under the Bribery Act?</p>	<p>None</p>

<p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Risk management is a standing quarterly item at the public Audit Committee. The latest link is attached here (Agenda Item 7).</p> <p>http://democracy.somerset.gov.uk/ieListDocuments.aspx?CId=160&MId=196&Ver=4</p> <p>The Audit Committee has also had specific reports from areas that have a high risk score, such as Children’s Social Care, Health and Safety and the financial position.</p>
<p>As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?</p>	<p>The communication methods remain varied and substantial as they have in previous years.</p> <p>This continues to be carried out through various communication channels that include the Core Brief process, with key messages to Strategic Managers which are required to be cascaded to all staff. The Core Brief process is used by HR and governance officers to launch policies with our staff and to remind them of how they are expected to act.</p> <p>We also have Our Somerset, which is a weekly e-mail update to staff from the Leader and SLT, and numerous roadshows and “meet the leader” sessions to communicate with our staff.</p> <p>We have also recently had our Staff Awards to highlight and honour those staff who have excelled against our “4Cs” values.</p> <p>We have continued to develop our electronic Learning Centre for our staff.</p> <p>In addition, we have a full range of policies on key ethical behaviours such as Anti-Fraud and Corruption and Whistle Blowing.</p>
<p>What are your policies and procedures for identifying, assessing and accounting for litigation and claims?</p>	<p>Generally speaking within Legal Services, we are instigating claims rather than defending them. Claims are assessed on an individual basis as they are known.</p>
<p>Is there any use of financial instruments, including derivatives?</p>	<p>All financial instruments are disclosed in our notes to the accounts within our 2015/16 Statement of Accounts. There have been no new vehicles used this year.</p>
<p>Are you aware of any significant transaction outside the normal course of business?</p>	<p>None</p>
<p>Are you aware of any changes in circumstances that would lead to impairment of non-current assets?</p>	<p>An assessment is made annually by our valuers of our non-current assets and whether any impairment has occurred in the year.</p>

Are you aware of any guarantee contracts?	Guarantee bonds that are in place have been assessed as not material. We will be considering the requirements for disclosing an Event after the Balance Sheet Date for the agreement that will be in place for the new LD provider for pension costs.
Are you aware of allegations of fraud, errors, or other irregularities during the period?	Only those reported above.
Are you aware of any instances of non-compliance with laws or regulations or is the Council and Pension Fund on notice of any such possible instances of non-compliance?	None
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	HMRC undertook a VAT inspection during 2016/17.
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	We are not aware of any new events or conditions that would give rise to further disclosure this year. Disclosure of existing critical judgements is made within the notes to the accounts within our Statement of Accounts.
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	Where significant estimates are made, we ensure that for both the County Council's and the Pension Fund Accounts these come from the relevant professional staff, and that the data is reliable and applicable. All uncertainties are disclosed within the notes to the accounts within our Statement of Accounts.
Are you aware of the existence of loss contingencies and/or unasserted claims that may affect the financial statements?	Yes, we are aware of all outstanding legal cases which are assessed for any loss contingencies as part of our Statement of Accounts processes.
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	As a local authority, Somerset County Council is an emanation of the state, as opposed to a private sector organisation, where the risk of failure and closure is much more possible. There remain 2 potential areas to consider in terms of going concern to a local authority – adequacy of reserves and enforced change from central government.

	<p>As I reported to the County Council meeting on 15th February 2017, our reserves are adequate for an authority of our size and structure (agenda item 6).</p> <p>http://democracy.somerset.gov.uk/ieListDocuments.aspx?CId=137&MId=208&Ver=4</p> <p>You will be aware from our previous meetings of the challenges ahead for the Medium Term Financial Plan and the measures that SCC already has in place to address them, and the potential savings gaps to find for the forthcoming years.</p> <p>The 2016/2017 CIPFA Code of Practice (paragraph 2.1.2.6) sets out the “underlying assumption” around going concern, namely that “an authority’s financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future”.</p> <p>There are, to my knowledge, no proposed changes to the “machinery of government” that would necessitate a change to the financial Statements, and even if that were to be a change, the Code confirm that “Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern”.</p>
<p>The public sector interpretation of IAS1 means that unless services are being transferred out of the public sector, the financial statements should be prepared on a going concern basis. Management is required to consider whether there are any material uncertainties that cast doubt on the organisations ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern for Somerset County Council and Pension Fund? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisations and their operations? How will you ensure that all available information is considered when concluding each organisation is a going concern at the date the financial statements are approved?</p>	<p>Although the County Council faces substantial financial pressures in the short and medium term, there are no specific material concerns in relation to the ability to continue as an organisation.</p> <p>Please also see comments above about the adequacy of the reserves and the relevant Council report.</p> <p>Our previous year’s assessment is that the Somerset Pension Fund currently had sufficient assets to meet all of its estimated liabilities for up to the next 14 years. This calculation was without any further investment returns or employer and employee contributions. Therefore we are satisfied that the financial statements should be prepared on a going concern basis.</p>

<p>Can you provide details of those solicitors utilised by the Council and Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>A detailed list will be provided under separate cover. As previously notified, we do use external solicitors for some matters, drawing down from appropriate framework agreements.</p>
<p>Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>Numerous advisors or consultants are used by the various services within the County Council across a wide range of issues. Pulling together such a list would be a significant task, and we would want to discuss the need to do so before commencing. For finance, we use advice for various specialisms such as specific VAT advice and insurance brokers.</p>
<p>Have any of the service providers used by Council and Pension Fund, reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?</p>	<p>No</p>

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Somerset County Council
County Hall
Taunton

March 2017

Mr Peter Barber
Associate Director
Grant Thornton

Dear Peter

Financial Statements for the year end 31 March 2017
Understanding how the Audit Committee gains assurance from management

Thank you for the letter in regard of this topic. As Chair of Somerset County Council's Audit Committee, I am pleased to provide below the information and assurance you require into how we gain assurance over management processes and arrangements.

I am aware that in writing to you now, in order to be able to publicise my response at the Audit Committee on 30th March, that the financial year in question is not quite complete. If there is anything else that does arise in the remainder of the year, (not that I am anticipating anything), then I may have to update my response at that time.

My opinion remains that the Audit Committee is working well and challenging officers and auditors in an effective but appropriate manner. I am aware from your previous comments and from discussions with my officers that this is widely held to be the case.

During 2016/2017, you will have noticed that the Audit Committee will have met 8 times by the end of the year. The additional meetings have been instigated by the members as we have sought to catch up on "Partial" assurance audits. It has been an instruction by Audit Committee members that we call in managers who have received only Partial assurance within a quarter of their receiving a Partial audit, and we are very much catching up on this time period. This process has allowed the Audit Committee to gain a greater understanding of the internal audit findings and for us to require managers to demonstrate their progress and plans to implement the agreed actions.

We continue in our anti-fraud work, and the report to the January 2017 Audit Committee on this topic was well received by members. I am very happy with the actions and efforts of the officers concerned and particularly the specialist anti-fraud staff who investigate these matters. I am confident that my officers, SWAP specialists and the Police have dealt with these cases in accordance with our publically stated Anti-Fraud and Corruption Policy.

We also continue to have regular risk management reports brought quarterly to the Audit Committee, which highlights areas of concern. Where appropriate, officers have highlighted key risks (such as the overall financial position and the OSTED findings on safeguarding) and the Audit Committee has sought further assurance from managers on these risks.

Please note that whilst Audit Committee has the overall role in reviewing risks and ensuring good governance, my responses are generally in relation to the County Council and not the Pensions Fund. I understand from officers that the Chair of the Pensions Committee will be responding specifically in relation to his area. However, it is worth noting that I am also a member of the Pension Committee, so links across the 2 areas remain very strong.

In summary, to answer your main questions:

1. How does the Audit Committee oversee management's processes in relation to:

- i) carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error**
- ii) identifying and responding to the risk of breaches of internal control**
- iii) identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)**
- iv) communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)?**

In terms of fraudulent activity, I would again refer you to the annual reports received by the Audit Committee on this topic. The last such report came to the ^{January} 2017 meeting, and is available on the County Council's website. Alternatively, please contact the author, Martin Gerrish for the reports and further background information. The County Council appears to be in good shape and officers have undertaken significant work in terms of the National Fraud Initiative in particular. All the necessary controls appear to be in place. We are grateful that SWAP has anti-fraud specialists that we can call upon as needed.

In terms of the Statement of Accounts, you have previously noted that there was little incentive to manipulate revenue recognition, fewer opportunities and a strong cultural and ethical framework to make it clear that we do not tolerate fraud. I agreed with your statement then and I am still confident that this remains the case. I continue to take comfort from a number of sources, not least the professionalism of the Chief Accountant and her staff and previous positive comments about the quality of the work in compiling the accounts and supporting papers. I am sure you know that the Audit Committee receives a training session on the accounts, especially around any new requirements, between the draft accounts being published and the

final accounts coming to the Committee meeting for approval. I also know that individual members have, from time to time, contacted the Chief Accountant with specific questions of interest about the accounts. The Audit Committee was delighted that we managed to agree the Statement of Accounts by the end of July 2016, and are already achieving the new statutory reporting requirements ahead of when we need to do so, and without sacrificing any of the quality.

Our main method for reviewing internal controls remains through the South West Audit Partnership, and we have a report at nearly every Audit Committee detailing their recent work. The Internal Audit Plan is always set according to careful principles that have been agreed with members to ensure that it examines areas where there is more potential risk to the County Council.

In terms of bringing fraud risks brought to our attention, this would occur through the mechanisms set out in the Anti-Fraud and Corruption Policy, or through the reporting avenues in the internal audit Charter. I also have catch-up meetings with the Director of Finance and Performance and the Strategic Manager – Financial Governance as required.

The Audit Committee is not responsible for all codes of conduct in the authority, but where it is responsible it gives clear and robust guidance, such as the zero tolerance policy on fraud and corruption. Again, at our January meeting this year we have affirmed that zero tolerance remains our approach to any such activity.

I understand that the response from the Director of Finance and Performance will respond in some detail in relation to how we communicate key governance messages to our staff.

2. Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.

Details of frauds are set out in the report to the January 2017 Audit Committee meeting, and I would direct you to that document and its author.

I take comfort from the fact these are few in number and that officers have always investigated these thoroughly.

3. How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?

Assurance comes from a variety of measures. The Internal Audit Plan, delivered by SWAP, covers the majority of the services and expenditure within the authority. We are aware through the actions in the Annual Governance Statement that contracted services are subject to tendering controls, such as anti-collusion, and strong contract management. External regulatory bodies regularly monitor and audit our services, and we have had reports at the Audit Committee where appropriate.

4. Are you aware of any actual or potential litigation or claims that would affect the financial statements?

I have spoken to the relevant officers and understand that a list will be provided of such matters. These are all reviewed by the key managers and suitable assessments made. I am aware of no particular actions that need to be considered under this heading.

The attached checklist demonstrates how the Audit Committee achieves all these responsibilities in some detail. I trust that these comments will help reassure you in your current audit review.

Yours sincerely

Councillor Dawn Hill
Chair
Audit Committee
Somerset County Council

SCC Response from Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
<p>Has the risk of material misstatement in the financial statements for Somerset County Council and Pension Fund due to fraud been assessed?</p>	<p>Yes. There are some specific anti-fraud actions that I refer to below, which greatly reduce the risk of any successful significant fraudulent activities against the County Council.</p> <p>In terms of the general control environment around fraud, and what the Audit Committee and members have seen, I would consider the following points to be relevant:-</p> <p>The County Council continues to operate a zero tolerance policy, which the Audit Committee has absolutely endorsed again at the January 2017 public meeting. There are a number of relevant policies in place that we again reviewed in January and remain suitable for anti-fraud, bribery and money laundering purposes. (These have previously been supported by the HR Policy Committee). Staff are firmly encouraged to come forward with any potentially concerns, and we offer a number of avenues to report suspicions and would obviously treat such concerns with suitable confidentiality.</p> <p>Our financial systems have the necessary built-in controls to prevent fraud such as segregation of duties on order and receiving goods, and only very senior officers having the ability to order goods or services of higher values. From SWAP internal reports on what we term Key Control audits that my Audit Committee has received, I am not aware of any control weaknesses that would expose the County Council to fraud. I am aware from previous reports from yourselves that you have also reached a similar conclusion in your “walkthrough” testing of our systems.</p> <p>As was reported to the Audit Committee in January 2017, there are a number of anti-fraud activities that are undertaken by officers such as participation in the officer’s work on the National Fraud Initiative, CUE in insurance and work with Districts to combat fraudulent claims on Single Person Discount on Council Tax. Whilst there have been some potentially fraudulent activities, I know that officers take great comfort in the fact that many “matches” around Accounts Payable in particular have merely highlighted issues that we already knew about and have resolved.</p> <p>I take further comfort from the knowledge that all fraud concerns are immediately acted upon by officers and by specialised anti-fraud officers in SWAP. The “zero tolerance”</p>

	<p>policy is clearly carried out in all cases. Having seen your audit reports, I can confirm that the sums involved in possible fraud cases are certainly below the levels that you deem “material” in terms of the financial statements.</p> <p>Other controls during the financial year are also relevant. Budget monitoring is carried out by officers and reported to senior budget-holding managers monthly and to Cabinet on a quarterly basis. Active review of income and expenditure by trained finance officers will inevitably unearth any anomalies within the figures and would be strongly investigated. Senior finance staff within the authority are qualified officers with suitable and significant experience in their roles, particularly around compiling the financial statements. Again, I take a great deal of confidence from the previous audits on the Statement of Accounts, and the very positive reactions from the auditor to our work. Key staff attend relevant seminars and workshops.</p>
<p>What are the results of this process?</p>	<p>I do not see any risk of such misstatement because of the controls and processes outlined above, and the anti-fraud activities listed below.</p>
<p>What processes do the Council and Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>I would refer you to the recent Audit Committee paper on this topic, which sets out our actions in combatting fraud. This includes the current and re-endorsed policies. (Please contact Martin Gerrish directly for further information on this topic.</p> <p>http://democracy.somerset.gov.uk/ieListDocuments.aspx?CId=160&MId=196&Ver=4</p> <p>In addition, Audit Committee can place reliance on the work undertaken by SWAP, as our independent internal auditors. This has not changed since I previously wrote to you on this matter, and the same 4 controls are in place, being:-</p> <p>i) SWAP’s work includes providing assurance on the key financial systems that are in place, with 5 individual audits in the 2016/2017 Audit Plan and a total of 175 days allocated.</p> <p>ii) The 2016/2017 Audit Plan also included 9 audits with a total of 215 days allocated for general Fraud and Governance audits. There were also 55 days dedicated to the Prevention of Fraud in Schools, and 39 days on Financial Governance (SFVS) in schools.</p> <p>iii) Specialist officers within SWAP are effectively “on call” to help our officers to investigate potential frauds. The Strategic Manager – Financial Governance included thanks to SWAP in the fraud report.</p>

	<p>iv) Overall, audit coverage in the plan is specifically and deliberately targeted at high risk and high budget areas. This has been stated in recent internal audit plan papers as a specific approach to setting the plan.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>There are no fraud risks that are specific to Somerset County Council, as reflected in the Audit Committee reports above. Some of the traditional fraud risk areas are more a concern for District Councils (housing, benefits, Council Tax).</p> <p>Because the County Council would suffer financially from Council Tax evasion, (such as Single Person Discount fraudulently claimed), I understand that the County Council has again made significant funds available to our District Councils to investigate.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p>	<p>Yes. The relevant SWAP internal audits have given Audit Committee no reason to suggest that these are not working effectively.</p>
<p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>We have had a recent debt management audit completed (commissioned by the Strategic Manager – Financial Governance) that only achieved Partial Assurance and will return to Audit Committee at a later date. Whilst these pointed out a number of areas for improvement in terms of debt management, it did not suggest any failure on segregation of duties or any particular risks of fraud to be concerned about.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>I am not aware of any cases where undue pressure has been brought on a budget holder to act inappropriately to remain on budget.</p> <p>A number of measures collectively termed the Ten Point Plan were introduced by the Chief Executive in order to address the current year's budget overspend, but this was simply a directive to cease spending on non-essential areas and to introduce some controls to that effect.</p>
<p>Are there any areas where there is a potential for misreporting?</p>	<p>No.</p>
<p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?</p>	<p>See audit reports and SWAP information above.</p>

<p>What arrangements are in place to report fraud issues and risks to the Audit Committee?</p>	<p>Our Anti-Fraud and Corruption Policy paper sets out the ways in which fraud can be reported, with a number of potential officers and members to whom an allegation could be raised (including myself as Chair).</p> <p>I would expect that any necessary fraud reporting would come through the Strategic Manager – Financial Governance, as the Lead Officer for the Audit Committee. He has kept myself, as Chair, and my Vice-Chair aware of progress on individual cases as they progress.</p>
<p>How do the Council and Pension Fund communicate and encourage ethical behaviour of its staff and contractors?</p>	<p>Staff are mainly informed through HR activities and campaigns, such as the 4Cs and staff awards. All staff get key messages in a monthly Core Brief. The Director of Finance’s response will detail many of these initiatives. There are also a number of specific HR policies that set out acceptable behaviour as officers, and a Code of Conduct and Standards Committee for members.</p> <p>Officers have confirmed that our procurement processes have built-in processes, such as Anti-Collusion declarations.</p>
<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<p>The Anti-Fraud and Corruption Policy specifically states every effort will be made to keep allegations anonymous. By giving many alternative contact points, an officer would not have to approach their line manager if that was a potential problem. Anyone outside the County Council would not have to address concerns back to their normal contacts, again if that was a sensitive issue or the source of the allegation. Similar provisions are to be found in the Whistleblowing Policy.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>No. Officers and Members are both governed by their respective Codes. Members are required to declare interests at all relevant meetings.</p>
<p>Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2016?</p>	<p>I am aware that the Strategic Manager – Financial Governance and key staff are continually reviewing data from the National Fraud Initiative, but that other than the case reported above in the Audit Committee reports there are no other current allegations under investigation.</p>

Law and regulation

Auditor Question	Response
What arrangements do the Council and Pension Fund have in place to prevent and detect non-compliance with laws and regulations?	Anti-fraud and corruption measures as outlined above. There is also strong procurement and contract monitoring arrangements when the service is delivered by other parties. We have SWAP as an internal audit function who covers the majority of services through the Audit Plan. There is also the role of the Monitoring Officer.
How does management gain assurance that all relevant laws and regulations have been complied with?	By employing staff with the correct professional qualifications, skills and knowledge to the relevant posts. From the results of various inspections and audits of services. Our risk management processes would also flag up noncompliance.
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	As above. The Audit Committee has the right to “call in” services where there is concern. “Partial” assurance results are subject to an automatic call-in, as above.
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016?	None that I am aware of.
What arrangements do the Council and Pension Fund have in place to identify, evaluate and account for litigation or claims?	Generally speaking, I understand that our lawyers will be initiating litigation rather than defending it. Details of individual cases are, I understand, being compiled and sent with the Director of Finance’s response.
Is there any actual or potential litigation or claims that would affect the financial statements?	All outstanding legal cases against the Council are assessed at year end for their potential impact and treated in accordance with prudent accounting policies to ensure that the full extent of our liability exposure is understood.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	None that I am aware of.

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Somerset County Council

Report of Internal Audit Activity

Plan Progress 2016/17- March Update

Contents

The contacts at SWAP in connection with this report are:

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Summary

Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **School and Early Years Reviews**
- **Follow-up Reviews**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for Somerset County Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 24th March 2016.

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

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- School and Early Years Reviews
- Follow-up Audits
- Other Special or Unplanned Review

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action



Internal Audit Work programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2016/17. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

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

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a ‘Partial Assurance Opinion’ is given as part of this report. There are three such reviews included within this progress update.

In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised. There are none identified within this progress update.

Summary of Audit Work 2016/17

Significant Corporate Risks

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



Significant Corporate Risks

We provide a definition of the 4 Risk Levels applied within audit reports. For those audits which have reached report stage through the year, we have assessed the following risks as 'High' or 'Very High'.

In this update no final reports have been included with significant corporate risks.

1. SWAP Performance - Summary of Partial Opinions

- These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee

2. SWAP Performance – Healthy Organisation



Summary of Partial Opinions

Adults AIS System – Data Quality – ‘Partial’

Although there are resources in place to validate and ensure data quality is managed, weaknesses were identified in relation to the following:

- user rights being clearly defined and subject to regular review;
- training and guidance in place to support staff in editing system data;
- the use of validation reports to improve data quality;
- the ability to monitor individual/team data input quality to improve processes; and
- the use of system audit data.

The opportunity to review system capability against business need has not been undertaken, and although system reporting has been developed using scorecard data, long-term outcomes have not been identified and there is no strategy in place to ensure that the full use of the AIS system is realised.

It is noted that the AIS system contract has previously been managed by South West One, with the re-integration of services from December 2016 there is opportunity to review how the contract has previously been managed and to establish a new relationship with Northgate.

ICT Benefits Management– ‘Partial’

Although the processes, ideas and remunerations of Benefits Realisation Management (BRM) are understood within the ICT service there was a lack of evidence of it being embedded as part of ICT project management. Where initiatives that have shown to deliver the intended benefits, these are not investigated so the elements of good practice can be identified and repeated in future projects. Likewise, IT projects that have not delivered their intended benefits it has not been determined what went wrong so these actions can be avoided in the future.

BRM practice does exist within the Council and is provided by Business Change under the Core Council Programme (CCP) portfolio. However, this audit has identified that these methodologies are not being mandated outside of the CCP in relation to other significant projects.

Debt Management – ‘Partial’

Maximising income collection is important to the overall financial performance of the Authority. Weaknesses were reported at a corporate but more particularly at a service level.

The main issues identified through this audit can be summarised as follows:

- a lack of assigned responsibility for debt management within services;
- the framework for performance monitoring includes insufficient targets at both corporate and service levels;
- variances in debt performance are subject to only limited challenge;
- current arrangements for corporate and service level reporting and monitoring do not go far enough in identifying root causes when variances occur;
- there is insufficient focus on recovery action in the immediate period after debts have reached an age of 30 days;
- there are insufficient controls for debts placed on hold; and
- current arrangements for referral of debts for legal recovery require review and improvement.

Recommendations to address the above include strengthening and updating the Income Management Code of Practice as well as training for staff involved in debt management to ensure that they are clear of their responsibilities and procedures to follow.

The Strategic Manager – Financial Governance brought the headline issues to the previous Audit Committee as part of the Debt Management update, and the full response to this Partial Audit will return to June’s meeting.

1. SWAP Performance - Summary of Partial Opinions

- **These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee**

2. SWAP Performance – Healthy Organisation



Healthy Organisation – A Strategic Review

The concept of a Healthy Organisation review is to provide an objective assessment of the management control framework or ‘health’ of an organisation. The review framework assesses against eight corporate themes; Corporate Governance; Financial Management; Risk Management; Performance Management; Commissioning and Procurement; Information Management; Programme & Project Management; and finally, People and Asset Management. A Red, Amber and Green (RAG) rating is applied to each theme reviewed. For each of the corporate themes the strength of the management control framework in place is assessed against a benchmark model by identifying the presence or otherwise of key controls.

The draft report was presented to the Governance Board on the 28th February and positive comments were received on the work undertaken and the contents of the report agreed. This has enabled a final report to be produced which has been included at Appendix C. A medium assurance opinion has been given overall, with the sections relating to corporate governance, risk management and corporate projects green and the remainder amber.

Most of the ‘areas for attention’ have already been recognised as such by services and work is either ongoing or planned to address them. It has been agreed that the most significant areas will be included as part of the 2017/18 Internal Audit Plan which will provide the opportunity for a more in-depth review and to give assurance that needed improvements in control frameworks have been made.

This high level review of the control framework has produced a strategic overview as well as an action plan to address areas of weakness identified. The Governance Board intends to prioritise these actions and will review progress made with the aim being to moving the assurance opinion to low. It was agreed to repeat this review in 2018/19.

Summary of Audit Work 2016/17

Update 2016/17

Completed Assignments in the Period



Internal Audit Work Programme Progress to Date

Delivery of the plan is progressing well and is summarised below:

- 31 final reports
- 4 draft reports
- 1 discussion document
- 17 in progress
- 2 not started

In addition, 28 school visits and 23 early years visits have taken place. A further eight school visits are planned for March.

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



SWAP Performance

SWAP performance is subject to regular monitoring review by both the Board and at Member Meetings. The respective performance results for Somerset County Council and other SWAP partners, using data to the end of February 2017 is as follows:

Performance Target	SCC Performance	Partners Performance
<p><u>Audit Plan – Percentage Progress</u></p> <p>Final, Draft and Discussion In progress</p>	<p>64%</p> <p>93%</p>	<p>61%</p> <p>87%</p>
<p><u>Draft Reports</u></p> <p>Issued within 5 working days</p>	<p>59%</p>	<p>66%</p>
<p><u>Final Reports</u></p> <p>Issued within 10 working days of discussion of draft report</p>	<p>52%</p>	<p>53%</p>
<p><u>Quality of Audit Work</u></p> <p>Customer Satisfaction Questionnaire</p>	<p>88%</p>	<p>82%</p>

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



Approved Changes to the Plan

Members will note that a number of changes to the plan have been made to date; any changes made have been subject to agreement with the appropriate service manager and the Strategic Manager – Finance Governance. These changes ensure that our focus continues to be directed to key risk areas.



Conclusion

Overall delivery of the plan is progressing well despite some delays experienced, particularly in recent times in relation to agreeing audit reports. Healthy Organisation has been a major piece of work this year and has provided a valuable corporate overview and will help ensure next year's plan is focused on key areas of risk.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ☆	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ☆ ☆	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲ ☆ ☆ ☆	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Adult Services	Follow Up	Deferred Payments	Q1	Final	n/a	24/05/2016	0	0	0	0	0	0	Sufficient progress made to be removed from JCAD
ECI	Grant Certification	Growth Hub	Q1	Final	n/a	16/05/2016	0	0	0	0	0	0	
ICT	Follow Up	Asset Management - Software	Q1	Final	Partial	11/05/2016	7	0	3	4	0	0	Insufficient progress in relation to recommendations – still partial
ICT	Follow Up	Asset Management - Hardware	Q1	Final	Partial	20/05/2016	4	0	2	2	0	0	
Childrens Services	Follow Up	Retention of Foster Carers	Q2	Final	n/a	25/07/2016	0	0	0	0	0	0	Not all recommendations implemented – further work required
Childrens Services	School	School Theme - The Planned Use of School Balances	Q1	Final	Partial	27/06/2016	5	0	1	4	0	0	See individual school listing below
Finance and Performance	Governance, Fraud & Corruption	Cash Handling	Q1	Final	Advisory	19/05/2016	13	0	1	12	0	0	Assurance and best practice advice
Childrens Services	Follow Up	Multi Agency Safeguarding Board (MASH)	Q1	Final	n/a	01/08/2016	0	0	0	0	0	0	Not all recommendations implemented – further work required
Business Development	Governance, Fraud & Corruption	Corporate Health & Safety -Premises Management	Q1	Final	Partial	25/07/2016	12	0	6	6	0	0	
Finance and Performance	Follow Up	Anti-Bribery & Money Laundering	Q2	Final	n/a	29/07/2016	0	0	0	0	0	0	Satisfactory follow-up progress
ICT	ICT	Business Continuity & Disaster Recovery	Q1	Final	Substantial	08/08/2016	3	0	1	2	0	0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Childrens Services	School	Early Years 15/16 Themed Report & Follow Up	Q2	Final	Partial	15/08/2016	5	0	4	1	0	0	
Childrens Services	Advice	1610 Leisure Services – Use of School Based Funding	Q2	Final	Advisory	08/08/2016	0	0	0	0	0	0	
Childrens Services	Advice	Schools Financial Value Standard Moderation Exercise	Q2	Final	Advisory	06/09/2016	0	0	0	0	0	0	
Childrens Services	Operational	Independent Placements for Children Looked After - Financial Controls	Q4	Final	Partial	08/08/2016	13	0	13	0	0	0	Audit brought forward at request of Director of Childrens Services
Childrens Services	Operational	Independent Education Placements – Financial Controls	Q3			21/09/2016							Report findings combined with review of CLA placements above.
Adult Services	Follow Up	Deprivation of Liberty	Q3	Final	n/a	14/10/2016	0	0	0	0	0	0	Not all recommendations implemented – revised dates agreed
ECI	Follow Up	Passenger Transport	Q3	Final	n/a	16/08/2016	0	0	0	0	0	0	Not all recommendations implemented – further work required
Childrens Services	School	School Theme - Schools Financial Value Standard (SFVS)	Q3	Final	Reasonable	03/10/2016	15	0	2	13	0	0	See individual schools below
Childrens Services	Special Investigation	Business Quick Deposit Difference	Q2	Final	Advisory	09/09/2016	0	0	0	0	0	0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Childrens Services	Follow Up	Prevention of Fraud in Schools	Q3	Final	n/a	17/10/2016	0	0	0	0	0	0	Sufficient progress made to be removed from JCAD
ICT	ICT	AIS - Data Quality	Q2	Final	Partial	08/09/2016	8	0	3	5	0	0	
ICT	ICT	Benefits Management	Q2	Final	Partial	15/08/2016	4	0	4	0	0	0	
ECl	Follow Up	LEP Governance Arrangements	Q3	Final	n/a	24/11/2016	0	0	0	0	0	0	Sufficient progress made to be removed from JCAD
EC1	Follow Up	Concessionary Fares	Q3	Final	n/a	01/08/2016	0	0	0	0	0	0	Not all recommendations implemented – further work required
Finance and Performance	Key Control	Debt Management	Q3	Final	Partial	20/10/2016	0	0	0	0	0	0	
ICT	ICT	Incident/Problem/Change Management	Q1	Final	Advisory	08/08/2016	4	0	0	3	0	0	
ICT	ICT	Asset (Hardware/Software) /Lifecycle Management	Q2	Final	Advisory	08/08/2016	8	0	1	7	0	0	
ECl	Follow Up	Section 106 agreements	Q4	Final	n/a	21/02/2017	0	0	0	0	0	0	New system yet to be implemented -additional follow-up scheduled for 17/18
Business Development	Follow Up	Corporate Contracts Follow Up	Q1	Final	n/a	01/02/2017	0	0	0	0	0	0	Work in progress and will be picked up further as part of 17/18 audit work.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Childrens Services	Operational	Education of Children Looked After in Care	Q1	Final	Non opinion	09/09/2016	17	0	10	7	0	0	Non opinion agreed due to significant developments in the year. Opinion based audit scheduled for 2017/18.
Corporate	Governance, Fraud & Corruption	Healthy Organisation – a strategic review	Q1	Final	Medium Assurance	04/07/2016	n/a	0	0	0	0	0	Areas for attention form part of next years plan
Adult Services	Follow Up	Personal Budgets	Q3	Draft		17/10/2016	0	0	0	0	0	0	Client delays have slowed report progress.
Finance and Performance	Governance, Fraud & Corruption	Fraud - Compliance with CIPFA Counterfraud Assessment	Q2	Draft		08/08/2016	0	0	0	0	0	0	
Adult Services	Operational	Adults - Placements	Q2	Draft		24/10/2016	0	0	0	0	0	0	Client delays have slowed report progress.
Adult Services	Operational	Income Collection – Personal Finance Contributions	Q3	Draft		17/10/2016	0	0	0	0	0	0	Client delays have slowed report progress
Business Development	Governance, Fraud & Corruption	Procurement – Home Care	Q2	Discussion document		16/10/2016	0	0	0	0	0	0	Delay due to need to wait until project sufficiently advanced for audit
Childrens Services	School	School Theme - Safeguarding in Schools	Q4	Fieldwork Completed		04/01/2017	0	0	0	0	0	0	School visits January/February
ECl	Advice	Concessionary Fares	Q1	In Progress		01/04/2016	0	0	0	0	0	0	
ICT	ICT	SAP Migration	Q1	In Progress		18/06/2016	0	0	0	0	0	0	Ongoing advice
Childrens Services	Key Control	Troubled Families - Phase 2 Claims	Q1	In Progress		29/04/2016	0	0	0	0	0	0	Claim periods spread over the year

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Adult Services	Operational	Adults - Safeguarding	Q1	In Progress		09/01/2017	0	0	0	0	0	0	Request made to defer the work until Q4
Business Development	Governance, Fraud & Corruption	Performance Management	Q2	In Progress		01/08/2016	0	0	0	0	0	0	Interim report March, final end of April
EC1	Follow Up	SEN - High Needs Transport	Q3	In Progress		09/01/2017	0	0	0	0	0	0	Close-out meeting booked for 21 st March
Childrens Services	Follow Up	Governance Arrangements - Educational Outcomes	Q3	In Progress		24/11/2016	0	0	0	0	0	0	Client delays have slowed progress of this audit
Childrens Services	School	School Theme - Prevention of Fraud in Schools	Q4	In Progress		01/03/2017	0	0	0	0	0	0	School visits taking place in March.
Childrens Services	Operational	The Building of Schools	Q2	In Progress		05/12/2016	0	0	0	0	0	0	Close-out meeting scheduled for 12 th April
Childrens Services	Operational	Libraries – Consortium Arrangements	Q4	In Progress		12/01/2017	0	0	0	0	0	0	
Childrens Services	Follow Up	Schools - Health & Safety	Q4	In Progress		08/11/2016	0	0	0	0	0	0	
Education	Operational	Team Around the School	Q4	In Progress		09/01/2017	0	0	0	0	0	0	
Business Development	Governance, Fraud & Corruption	Strategic Commissioning	Q4	In Progress		16/01/2017	0	0	0	0	0	0	
Finance and Performance	Key Control	Creditors	Q4	In Progress		23/01/2017	0	0	0	0	0	0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
ICT	ICT	Information Sharing	Q4	In Progress		26/01/2017	0	0	0	0	0	0	
Adult Services	Operational	Better Care Fund	Q4	In Progress		9/03/2017	0	0	0	0	0	0	Terms of Reference now agreed.
Business Development	Follow Up	Hard FM	Q4	Not Started			0	0	0	0	0	0	Delayed until 20/03 pending a decision re future of contracting arrangements.
Childrens Services	Follow Up	Residential Units	Q4	Not Started			0	0	0	0	0	0	Initial Meeting delayed until 14/03
Customers and Communities	Operational	Data Subject Access Request (DSAR)	Q4	Deferred			0	0	0	0	0	0	Deferred to 17/18
Adult Services	Operational	The Efficiency & Effectiveness of the new Operating Model	Q2	Deferred			0	0	0	0	0	0	Request for deferral until 2017/18. Replaced with Adults Placements.
Business Development	Governance, Fraud and Corruption	Social Value Policy	Q4	Deferred			0	0	0	0	0	0	Deferred to 17/18. Days added to Healthy Organisation review.
ICT	ICT	User Access/Active Directory Arrangements	Q3	Deferred			0	0	0	0	0	0	Request for this audit to be deferred to 2017/18
ICT	ICT	Threat Management	Q3	Deferred			0	0	0	0	0	0	Request for this audit to be deferred to 2017/18
Adult Services	Follow Up	Direct Payments	Q3	Deferred			0	0	0	0	0	0	Due to restructure of local finance teams deferred to 17/18. Days used for other follow-up audits.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Business Development	Governance, Fraud & Corruption	Corporate Contracts	Q4	Deferred			0	0	0	0	0	0	Much work ongoing on corporate contract toolkit that needs to embed, defer to 17/18.
Adult Services	Non Opinion	LD Change Programme Assurance	Q1	Removed			0	0	0	0	0	0	Replaced with DSAR.
Finance and Performance	Key Control	Budget Management and Monitoring	Q3	Removed			0	0	0	0	0	0	Days used for concessionary fares work.
Childrens Services	Operational	Tripartite Funding Panel	Q2	Removed			0	0	0	0	0	0	Replaced with Independent Education Placements – Financial Controls
Childrens Services	Operational	Impact & Effectiveness of Non Maintained Special Schools	Q2	Removed			0	0	0	0	0	0	Replaced with Team around the School.
Business Development	Governance, Fraud & Corruption	Human Resources Security	Q4	Removed			0	0	0	0	0	0	Days used for Healthy Organisation.
ECl	Grant	Growth Deal	Q1	Removed			0	0	0	0	0	0	Audit removed as SCC able to complete the audit certification themselves.
ECl	Advice	Broadband Programme	Q1	Removed			0	0	0	0	0	0	Removed as audit work completed in 15/16. Days used for 1610 Leisure Services.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
ECI	Grant	Review of Grants as they arise through the year	Q2	Removed			0	0	0	0	0	0	Plan to engage outside of the audit plan. Days added to cash handling audit to allow sufficient site visits to take place.
ECI	Grant	Interreg IVB Project - Triple C Funding	Q2	Removed			0	0	0	0	0	0	Removed and plan to engage outside of the audit plan.
ECI	Advice	Contract Audit - Broadband	Q2	Removed			0	0	0	0	0	0	Removed as audit work completed in 15/16. Days used to create concessionary fares review.
Childrens Services	Operational	The Effectiveness of Early Years Funding	Q3	Removed			0	0	0	0	0	0	Days used for Team Around the School.
Childrens Services	Operational	The Effectiveness of Post 16 Education Support for Children with Additional Needs	Q4	Removed			0	0	0	0	0	0	Audit removed from plan and not replaced as insufficient time to programme a further audit.
Schools													
Schools - Primary	School	The Planned Use of School Balances - Hamp Infants	Q1	Final	Substantial	14/07/2016	3	0	0	2	1	0	
Schools - Primary	School	The Planned Use of School Balances - Ashill Community	Q1	Final	Reasonable	06/07/2016	4	0	0	4	0	0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Schools - Secondary	School	The Planned Use of School Balances - Robert Blake Science College	Q1	Final	Reasonable	18/07/2016	4	0	0	4	0	0	
Schools - Special	School	The Planned Use of School Balances - Penrose	Q1	Final	Partial	18/07/2016	3	0	1	2	0	0	
Schools - Primary	School	The Planned Use of School Balances - Evercreech	Q1	Final	Reasonable	04/07/2016	4	0	0	3	1	0	
Schools - Primary	School	The Planned Use of School Balances - St Mary & St Peter's CofE First	Q1	Final	Reasonable	14/07/2016	3	0	0	3	0	0	
Schools - Primary	School	The Planned Use of School Balances - South Petherton Junior	Q1	Final	Substantial	01/07/2016	2	0	0	2	0	0	
Schools - Primary	School	The Planned Use of School Balances - St Lawrence's CofE Primary	Q1	Final	Reasonable	11/07/2016	5	0	0	5	0	0	
Schools - Primary	School	The Planned Use of School Balances - Elmhurst	Q1	Final	Reasonable	29/06/2016	5	0	0	5	0	0	
Schools - Primary	School	School theme – The Planned Use of	Q1	Final	Substantial	06/07/2016	0	0	0	3	0	0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
		School Balances - Mark First											
Schools - Middle	School	School theme – SFVS Swanmead Community School	Q3	Final	Reasonable	04/10/2016	9	0	1	8	0	0	
Schools - Primary	School	School theme – SFVS Churchstanton	Q3	Final	Partial	10/10/2016	13	0	1	12	0	0	
Schools - Primary	School	School theme – SFVS Our Lady of Mount Carmel Catholic	Q3	Final	Reasonable	19/10/2016	8	0	1	7	0	0	
Schools - Primary (School	School theme – SFVS St Dubricius Church of England VA School	Q3	Final	Substantial	17/10/2016	4	0	0	4	0	0	
Schools - Primary (School	School theme – SFVS Stoke St Michael	Q3	Final	Partial	11/10/2016	16	0	1	15		0	
Schools - Primary	School	School theme – SFVS Wellsprings	Q3	Final	Reasonable	14/10/2016	8	0	0	8		0	
Schools - Primary	School	School theme – SFVS Catcott	Q3	Final	Reasonable	07/10/2016	11	0	0	11		0	
Schools - Primary	School	School theme – SFVS St Johns First	Q3	Final	Reasonable	18/10/2016	10	0	0	10		0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Schools - Primary	School	SFVS follow-up Hinton St George	Q3	Final	n/a	29/09/2016							
Schools - Primary	School	SFVS follow-up North Curry	Q3	Final	n/a	12/12/2016							
Schools - Primary	School	SFVS Follow-up St Bartholomew's Church of England First	Q3	Final	n/a	02/12/2016							
Schools	Schools	School theme - Safeguarding Wincanton	Q4	Final	Reasonable	09/02/2017	4	0	0	4	0	0	
Schools	Schools	School theme - Safeguarding Non SCC Establishment 1	Q4	Final	Substantial	26/01/2016	3	0	0	3	0	0	
Schools	Schools	School theme - Safeguarding Barwick and Stoford	Q4	Final	Reasonable	23/01/2017	9	0	1	8	0	0	
Schools	Schools	School theme - Safeguarding Non SCC Establishment 2	Q4	Final	Substantial	06/02/2017	0	0	0	0	0	0	
Schools	Schools	School theme - Safeguarding Selworthy	Q4	Final	Reasonable	24/01/2017	9	0	1	7	1	0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Schools	Schools	School theme - Safeguarding PRU South Somerset	Q4	Final	Reasonable	27/01/2017	4	0	0	4	0	0	
Schools	Schools	School theme - Safeguarding Non SCC Establishment 3	Q4	Final	Substantial	01/02/2017	4	0	0	4	0	0	
Schools	Schools	School theme - Safeguarding Non SCC Establishment 4	Q4	Draft		31/01/2017							
Schools	Schools	School theme - Safeguarding Fiveways	Q4	Draft		18/01/2017							
Schools	Schools	School theme - Safeguarding Non SCC Establishment 5	Q4	Draft		8/02/2017							
Early Years													
Early Years	Early Years	Sampford Arundel Pre-School	Q1	Final	Reasonable	05/07/2016	2	0	0	2	0	0	
Childrens Services	Early Years	Samantha Stone	Q1	Final	Substantial	21/06/2016	2	0	0	2	0	0	
Childrens Services	Early Years	Wyvern at The Levels Children's Centre	Q1	Final	Partial	15/06/2016	3	0	1	2	0	0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Childrens Services	Early Years	The Young Ones, Yeovil	Q1	Final	Substantial	06/06/2016	1	0	0	1	0	0	
Childrens Services	Early Years	Shepton Beauchamp Playgroup	Q1	Final	Partial	27/06/2016	4	0	3	1	0	0	
Childrens Services	Early Years	Explorers Day Nursery, Wells	Q1	Final	No Assurance	06/07/2016	5	0	3	2	0	0	
Childrens Services	Early Years	Beckington Pre-School	Q1	Final	Reasonable	05/07/2016	3	0	1	2	0	0	
Childrens Services	Early Years	Little Acorns Pre-School, Oake	Q1	Final	Substantial	27/06/2016	2	0	0	1	1	0	
Childrens Services	Early Years	Holy Trinity Nursery	Q3	Final	Reasonable	17/11/2016	2	0	0	2		0	
Childrens Services	Early Years	Nynehead Under Fives Pre-School	Q3	Final	Substantial	23/11/2016	2	0	0	2	0	0	
Childrens Services	Early Years	Kickers and Dribblers Day Nursery	Q3	Final	Partial	23/11/2016	3	0	2	1	0	0	
Childrens Services	Early Years	South Petherton Infants and Pre-school	Q3	Final	Reasonable	06/12/2016	5	0	1	4	0	0	
Childrens Services	Early Years	Sunbeams Nursery	Q3	Final	Reasonable	24/11/2016	3	0	1	2	0	0	
Childrens Services	Early Years	Home from Home Nursery	Q3	Final	Reasonable	24/11/2016	3	0	0	3	0	0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Childrens Services	Early Years	Taunton School Pre-Prep & Nursery	Q3	Final	Partial	16/11/2016	3	0	2	1	0	0	
Childrens Services	Early Years	Smarteets	Q3	Final	Reasonable	06/12/2016	4	0	0	4	0	0	
Childrens Services	Early Years	Blackdown Children's Day Nursery	Q4	In Progress									
Childrens Services	Early Years	Butterflies Day Nursery (The Exchange)	Q4	In Progress									
Childrens Services	Early Years	Dunster Pre-School	Q4	In Progress									
Childrens Services	Early Years	Ladybird Playgroup (Bruton)	Q4	In Progress									
Childrens Services	Early Years	Little Steps Nursery	Q4	In Progress									
Childrens Services	Early Years	Norton Fitzwarren Pre-School	Q4	In Progress									
Childrens Services	Early Years	St Mary's Pre-School Ilchester	Q4	In Progress									
Childrens Services	Early Years	Yeovil Teenies Day Nursery	Q4	In Progress									



Healthy Organisation – A Strategic Review

Final Report



Issue Date: 20th March 2017

Working in Partnership to Deliver Audit Excellence

Executive Summary

- This section provides an overview of the approach taken in relation to the Healthy Organisation strategic review, as well as the overall assurance assessment.

Summary Assessment

- This section contains the summary assessment by theme and the key strengths and Areas for Attention identified are highlighted.

Detailed Assessment

- This section contains a more detailed assessment of each area considered by theme.

Appendices:

- Appendix A – Mapping Areas for Attention to 2017/18 Internal Audit Plan
- Key Contacts and Distribution
- Statement of Responsibility

Executive Summary

Overview

The concept of a Healthy Organisation review was developed by the South West Audit Partnership and the West of England Chief Internal Auditors Group to provide an objective assessment of the management control framework or 'health' of an organisation. In 2015/16 a Healthy Organisation review was carried out at Dorset County Council and Wiltshire Council and was well received at both and it was agreed to complete one for Somerset County Council as part of this year's audit plan.

The review framework assesses against eight corporate themes; Corporate Governance; Financial Management; Risk Management; Performance Management; Commissioning and Procurement; Information Management; Programme & Project Management; and finally, People and Asset Management. A Red, Amber and Green (RAG) rating is applied to each theme reviewed. These eight themes together contribute towards an overall assessment and understanding of the Council as a 'Healthy Organisation'.

For each of the corporate themes the strength of the management control framework in place was assessed against a benchmark model by identifying the presence or otherwise of key controls. This included the use of assurance from other sources, such as external audit, as well as recent internal audit reports. The work was carried out during 2016 with testing completed by the end of November 2016. A senior manager from SCC was appointed as a key contact for each theme and outcomes were agreed with them ahead of producing this overall report.

The SCC Internal Audit Plan is very much focused towards the high risk areas of the Council. The range of services delivered by the Council, by itself and in partnership with others, is very large and therefore this approach makes the best use of the audit days available. This does mean however that we may not achieve a balanced view of risk management across the organisation. Each audit report includes an assurance rating and what we have found, as a consequence of our risk based approach, is a relatively high number of partial assurance opinions. As the Healthy Organisation review is a high level corporate overview, it will help ensure that we all have a balanced view of the control framework in operation across the Council. It has not checked for 'compliance' with the control framework at a Service level.

To stay 'healthy', the Council, like all organisations, must undergo periods of change to remain current, but such change will introduce uncertainty. The existing control framework itself will be challenged by the new demands brought about by the very change needed to move the Council forward. At the start of this change, this framework is in part unproven. Consequently, all healthy organisations must move between periods of green and amber as they set new priorities which are then subsequently reflected in their governance and service structures. This lifecycle is an ongoing, iterative process.

This is the case at Somerset County Council as it continues to undergo major change across the Authority, including the ending of the South West One Contract as well as a new contract being put in place for the provision of learning disability services. It is also facing significant ongoing budgetary

pressures which means the way that services are delivered is continually being reviewed. This is reflected in the 'amber' stage that the Council is moving into as its present control framework must evolve to support the Council's new priorities, governance, and so on.

This report identifies those areas which will support the Council as it returns to 'green' and are key to its success in doing so. Most of these 'areas for attention' have already been recognised as such by services and work is either ongoing or planned to address this. The intention is for the main areas of weakness to be included in the 2017/18 internal audit plan, to provide assurance that improvements are made and achieve expected outcomes.

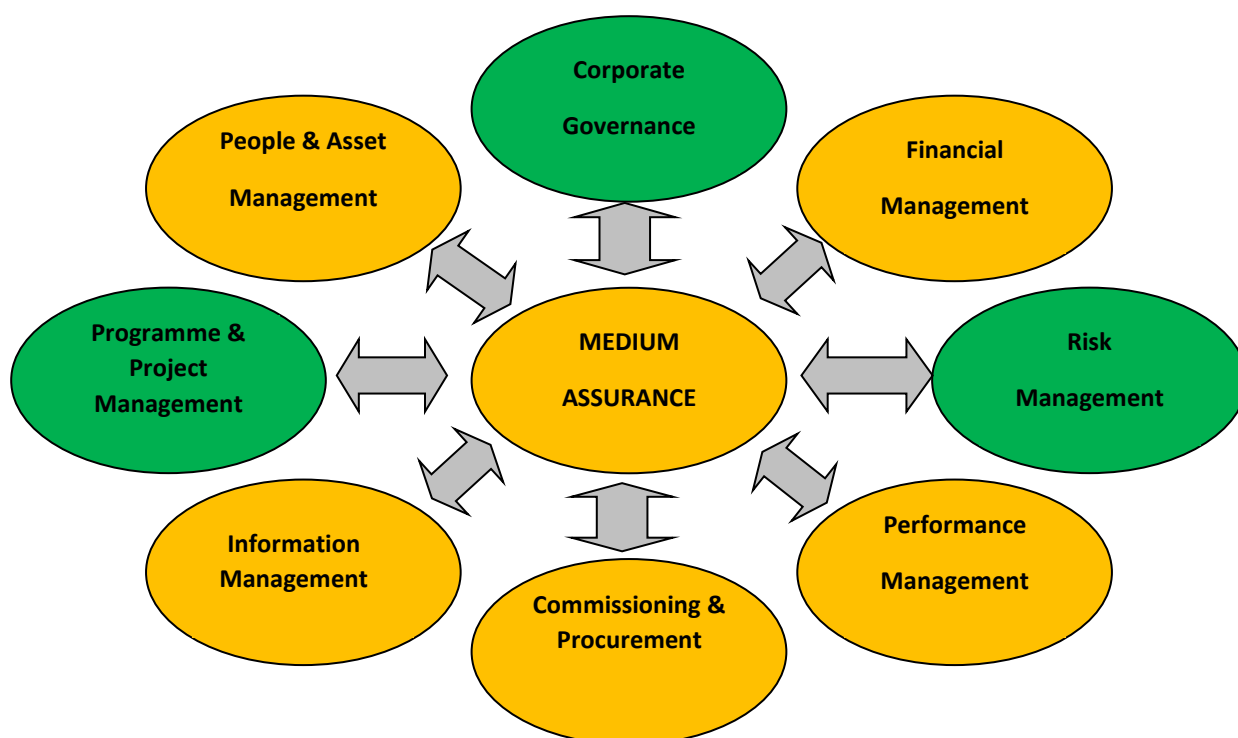
Following the section on overall assurance below, each theme is summarised with a management overview and beyond this more detailed findings for each theme has been provided. Appendix A then maps areas requiring attention to the 2017/18 Internal Audit Plan.

Audit Assurance:

Medium

The assurance for each of the eight themes referred to above have been reviewed and depicted in the following chart. This indicates an overall **Medium Assurance** opinion. As outlined above, change is inflicting stresses upon the existing control framework, in particular the ending of the South West One contract and the significant financial pressures being experienced across the Authority which has led to this conclusion.

Overall assurance graph



R/A/G Rating Key:

- RED** (Low Assurance / High Risk)
- AMBER** (Medium Assurance / Medium Risk)
- GREEN** (High Assurance / Low Risk)

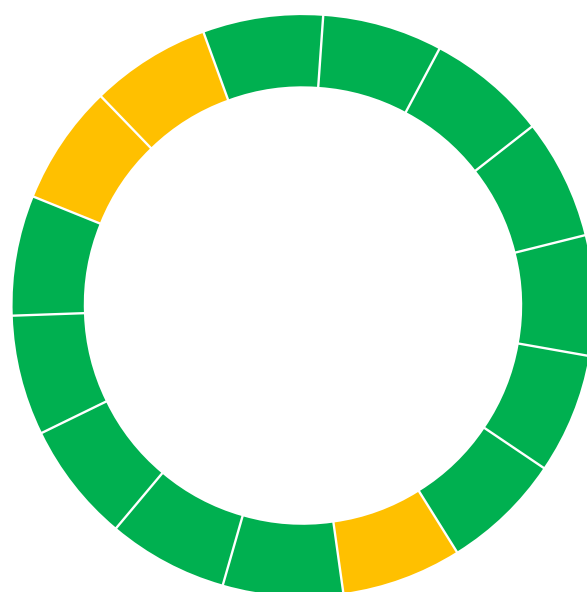
Summary Assessment by Theme

1. Corporate Governance

GREEN

Good corporate governance will facilitate effective management that can deliver long term success and performance of an organisation. Corporate Governance refers to the Strategic (rather than operational) management practices and values and beliefs by which the Council operates that balances accountability and the interests of all its stakeholders, including service users, the wider public and business community, management, Members and staff across the Council. It provides the framework for achieving the Council's goals in every respect including service delivery objectives, preservation of reputation and accountability, together with the values and culture in which services are delivered. Many of the elements of a good corporate framework should be replicated in structures and processes within service levels.

Corporate Governance Assurance Wheel



- Service leadership
- Corporate plan
- Constitution
- Effective working relationships
- Codes of conduct/policy and procedure
- Openness and transparency
- Complaints procedure
- Counter fraud
- Decision making
- Overview and scrutiny
- Member and Officer Induction and development
- Communications strategy
- Stakeholder consultation
- Effectiveness review
- Governance certification

The **Green** RAG rating has been assigned because of the strong control framework in place in relation to corporate governance.

AREAS OF STRENGTH

- A sound constitution, framework for leadership and decision making.
- Overview and scrutiny provided by the audit, standards and three scrutiny committees.
- A new corporate plan, the County Plan 2016-2020, was approved in February 2016.
- A risk based internal audit plan that is regularly reported upon and includes a robust

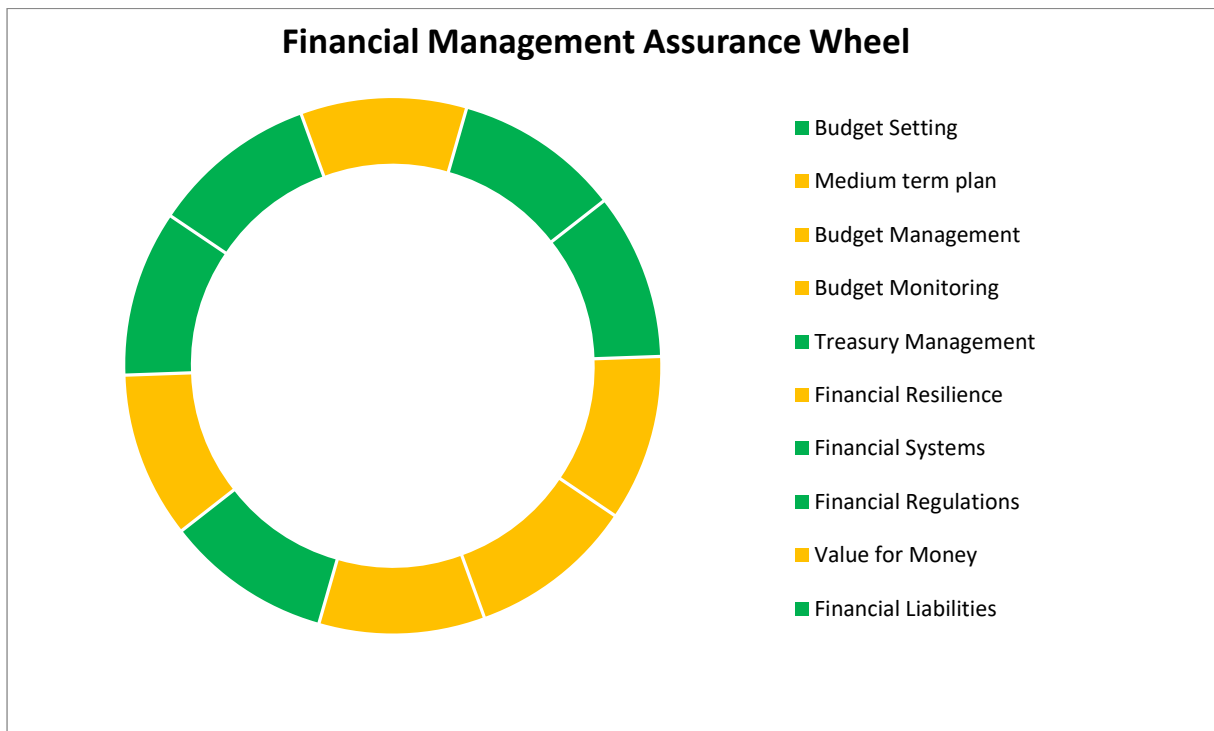
system for monitoring high priority actions.

- An established complaints process.
- An established member induction training programme and development strategy.
- Consultation and engagement published on the SCC website.
- The Council has an anti-Fraud and corruption strategy and participation in the National Fraud Initiative.

AREAS FOR ATTENTION

- There is currently no agreed training programme for senior managers. The previous programme ran for 18 months from 2014 and then came to an end. Work on a new programme for training has been carried out but will not be launched until the current organisational review is complete.
- Code of conduct refresher training is currently optional for returning members. This means that members may not receive an update on this important area following their initial training if they choose not to attend.
- The Council does not currently have an approved marketing and communications strategy. There is some relevant guidance available but as yet this has not been pulled together into an overarching strategy that identifies priorities and direction of the Council.
- The standards of conduct for officers states that the standards apply to all employees of the County Council, except for those who work in schools, to which separate standards apply. It has not been possible to obtain evidence of these school standards.
- The Annual Governance Statement (AGS) is a review of the effectiveness of governance arrangements. From this a detailed action plan is produced. It was identified that some of the actions are not SMART in terms of outcomes or timescales.
- The working relationship between members and officers is well defined. However there has been no recent feedback from members, by means of a survey for instance, to better demonstrate the effectiveness of these working arrangements.

Effective Financial Management is the bedrock of any successful organisation and is vital to the ongoing ability of local authorities to deliver services that the public wants. Assessing the organisations approach and delivery in this area goes to the heart of its ability to consult and listen to its communities, work effectively with Cabinet/Executive and Scrutiny functions. It will require an approach at both Corporate and Service levels that ensures it both involves, engages and challenges those who are accountable.



The **Amber** RAG rating has been assigned due to the budget shortfall predicted for this year and the extremely difficult budget position for the next five years.

AREAS OF STRENGTH

- A Medium Term Financial Plan (MTFP) that aims to align revenue resources to the agreed priorities of SCC.
- A well-established budget setting process is in place that uses the forward year projections produced from the MTFP process.
- Clear arrangements are in place for monitoring, updating and reporting the in-year financial position.
- An unqualified audit opinion from the External Auditors each year.
- A comprehensive set of Financial Regulations and Financial Procedures.
- Annual Benchmarking of Treasury Management, with results at least in line with other

contributing Local Authorities.

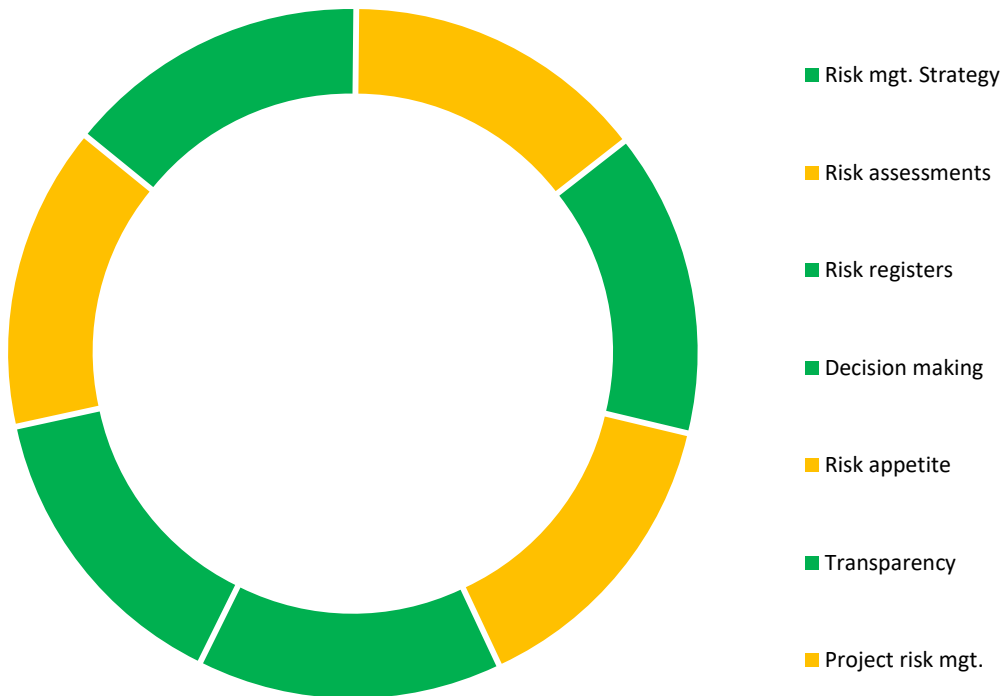
- Financial liabilities are identified and managed proactively.

AREAS FOR ATTENTION

- Strategic financial planning and the MTFP process to agree a sustainable budget over the medium term. As budgetary pressures continue, given that significant savings have already been made, further reductions are becoming harder to achieve. A commissioning led approach is being introduced this year to better ensure that financial planning produces a balanced budget that can be delivered and meets the Council's priorities.
- This year's service plan templates included a greater focus on the MTFP and forward planning, in light of expected reductions in SCC's budget. However, the template has not been used by all service areas and some have taken some time to be finalised. A new model is being developed for 2017/18 which is expected to be an improvement as it is more tailored to the service.
- It currently takes around three weeks to produce budget monitoring reports following the month-end. This creates a risk of delayed decision making where corrective action is needed. This also means that financial monitoring reports produced for the public domain may be out of date on publication.
- The September 2016 Finance & Performance scorecard has a predicted general reserve level of £10.9m, which is lower than the range recommended in the February 2016 adequacy of reserves report. The balance of the general reserve is currently only reported to the Council at the year-end and more regular reporting would improve clarity regarding the impact of the forecast deficit on reserves.
- A corporate strategy for Value for Money is not currently in place. SCC is in the process of creating and implementing a strategy and work is also ongoing to determine how Value for Money should be reported by the Council.
- Finance policy guidance is not subject to a review schedule, so there is a risk that policies will not be frequently updated. The Council's Fraud related policies could not be found on the internal intranet.

Effective Risk Management forms a key aspect of assurance and governance for an organisation. Organisations which can demonstrate and operate under a structured and active risk management approach are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions.

Risk Management Assurance Wheel



The **Green** RAG rating has been assigned because of the strong control framework in place in relation to risk management.

AREAS OF STRENGTH

- A clear risk management structure that depicts how Committee, groups, managers and officers contribute to the overall risk management process.
- A risk management policy and strategy that is updated on an annual basis.
- A Strategic Risk Management Group (SRMG) with members acting as risk 'champions' to help ensure that risk management is given an appropriate focus and challenge.
- A Corporate Risk Register that includes risks that link to the County Plan as well as other strategic risks.

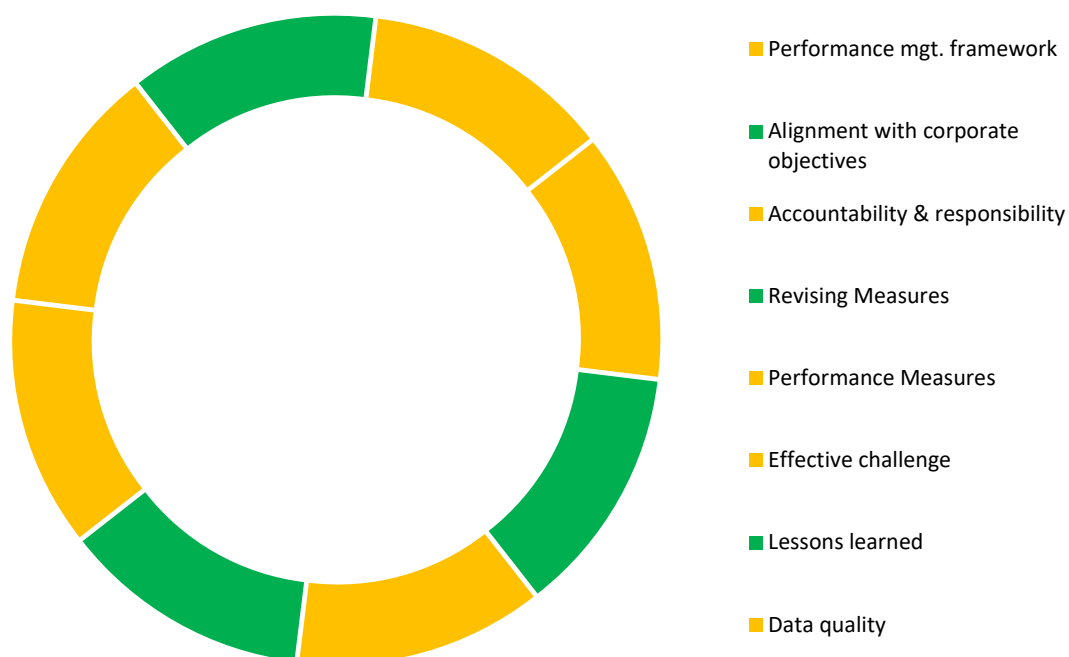
- Members receive a risk update on a quarterly basis.
- A risk priority matrix in place to assess risk against likelihood and impact.
- A committee report template requiring all key and non-key decisions to be supported by an assessment of risk.
- There is a corporate system JCAD used to assign and monitor risks.

AREAS FOR ATTENTION

- Although risk management is built in to commissioning, operational and service plans, further development is needed to ensure that these are fully described and match to risks recorded in JCAD.
- Several service risks have been reported as being above the Council's risk tolerance for a significant period of time and further work is required to assess the existence and effectiveness of mitigating actions in place.
- The information on risk assessment provided to decision makers was found to be limited and could be improved by ensuring that inherent and residual risks are captured along with the actions that have been put in place to move between the two.
- Standard project documentation does not mandate a requirement for risk assessment or ongoing risk management.
- Not all risks recorded in project and programme documentation were found to be recorded on JCAD, and not all actions were up to date where identified.
- As with many organisations, embedding the concept and use of effective risk management tools, to all parts of the Council is an ongoing challenge.

Performance management is an essential element of the governance framework which provides a transparent platform upon which the service is accountable to its citizens and service users for the effectiveness of its service provision and delivery of its published objectives. To be effective, the performance management framework needs to provide accurate and timely information to facilitate informed and transparent decision making and prompt corrective actions where service delivery strategies appear not to be achieving their intended outcomes.

Performance Management Assurance Wheel



SCC has an established performance management framework in place and performance management takes place across the organisation. An **Amber** rating has been given as currently the framework does not detail sufficiently the assigning of responsibility for delivery or challenge needed to ensure corrective action is routinely taken at an early stage. There is also no standard approach to performance monitoring by services and the great number of measures being monitored make it more difficult to ensure that corporate priorities are met by means of a clear 'golden thread' through the organisation.

AREAS OF STRENGTH

- The Council has an established performance management framework that is readily available to staff via the SCC intranet.
- During the current financial year corporate performance measures have been revised to align more closely with the County Plan. These are outcome focused.
- Corporate performance indicators are received monthly by SLT and Cabinet. Headline performance figures are then made publically available on a quarterly basis.
- There is a cyclical process included in the performance framework intended to ensure that performance plans are refreshed on an ongoing basis.
- Scorecard reporting was found to be in place across all expected areas of the organisation.
- The performance framework makes clear reference to and provides guidance on the use of performance information in future planning as well as there being clear and defined linkages between performance and commissioning processes.
- The performance framework in place makes clear reference to the importance of data quality and provides practical steps to ensure good quality in this area.

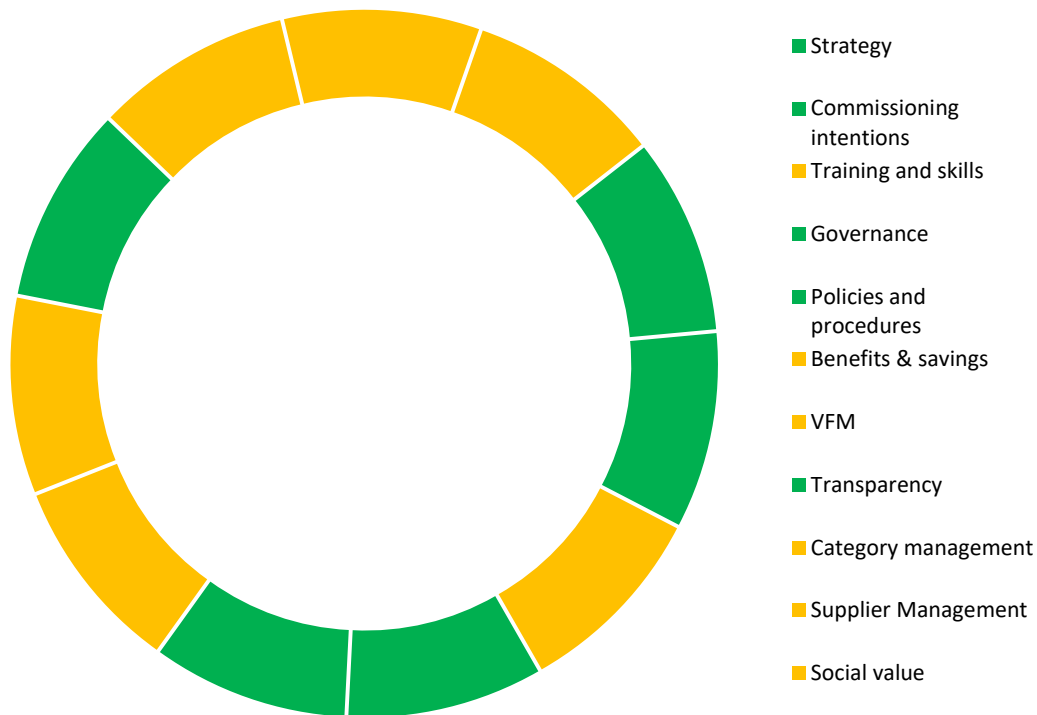
AREAS FOR ATTENTION

- The performance framework makes limited reference to accountability for achievement of measures, officer challenge or responsibility for corrective action or responsibility for data quality.
- The ownership of individual measures in directorate scorecards is not universally assigned.
- There is no corporate format used for performance scorecards.
- Performance reports do not universally contain all areas expected including trend data, documented SMART measures or supporting commentary where performance is below expectation.
- There are large numbers of performance measures produced and only limited rationale for prioritising key performance measures.

Assessing Procurement & Commissioning activity of a Local Authority is a critical determinant in establishing its effectiveness in both being able to deliver benefit for its community but also in showing whether it can maximise VFM for its taxpayers.

Successful organisations understand the complex needs of their service users and design services which take into account the effectiveness of its internal provision against the market place to ensure taxpayers get the best value for money and the local economy is supported. The activity is complex and risky and therefore clear strategies, policies and plans are required which can be measured with appropriate targets that give the right level of assurance.

Commissioning and Procurement Assurance Wheel



It is recognised that significant amount of work has taken place in recent times in relation to both Commissioning and Procurement. The results of this can be seen with the existence of up to date key policies and procedures. There is also evidence that the corporate approach is starting to be understood by services. The **Amber** RAG rating has been given in recognition that this work is ongoing and needs to continue to further strengthen control frameworks to ensure that commissioning and good procurement practice is fully embedded across the Council. Given the progress seen to date there is good reason to believe that this will be achieved.

AREAS OF STRENGTH

- An updated commissioning operating model that is available to staff.
- A corporate procurement strategy.
- A commissioning board involving senior leaders from across the Council.
- The Council's scheme of delegation and contractual procedural rules which set out the levels of decision making authority required and the process by which procurement activity should take place.
- A specialist procurement team is in place to support and advise services.
- Commercial and business services activity reported through a quarterly performance score card which includes value of tenders, indicative savings and waivers applied.
- Commissioning guidance available through the SCC intranet that has been wholly revised in the current financial year.
- Commercial and third party expenditure recognised as a key area where the Council can make much needed savings, with minimum planned savings of £4.6million between 2017/18 and 20/21 being stated in the SCC 4 year efficiency plan.
- Plans to achieve targets are captured in work streams of the third party spend outline business case and are reasonably specific.
- Contract standing orders requirements to publish tenders via e-portal clear and this takes place through Pro-contract.
- A social value policy available via the procurement section of the SCC website and therefore readily available to prospective suppliers.

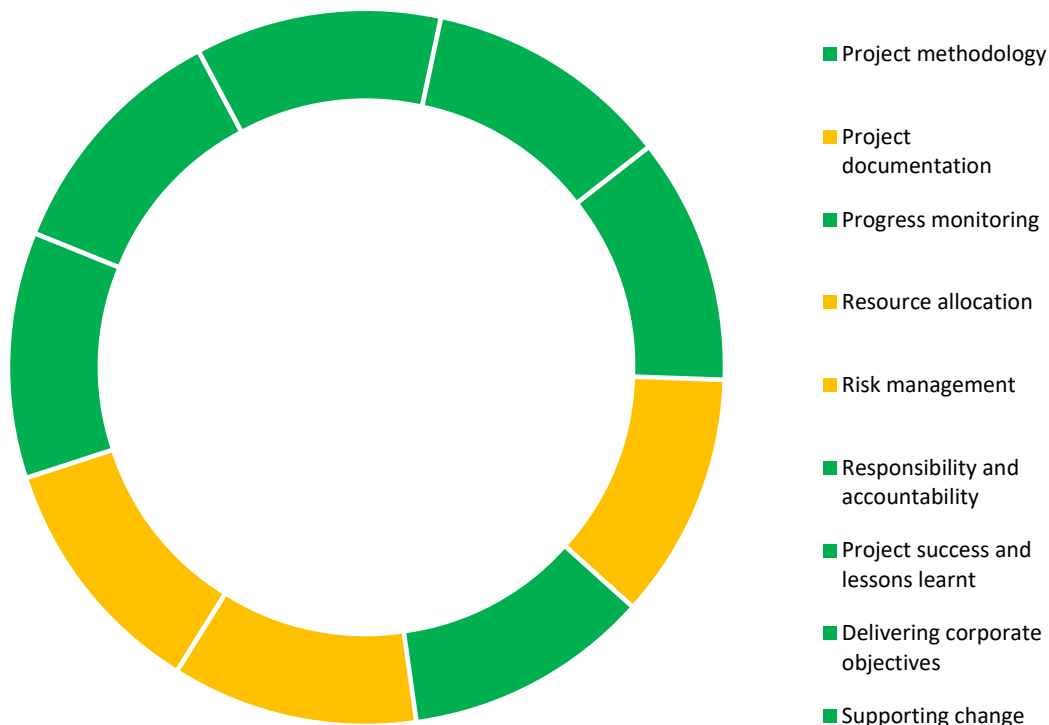
AREAS FOR ATTENTION

- There are still some areas of the Council that have yet to publish commissioning intention plans.
- The SCC market position statement is at draft stage and not publicly available.
- Work on identifying training needs and roll out of a training programme to address this remains in progress.
- Clearer procurement links to members in recognition of the significance of this area.

- A corporate approach to contract management is in development.
- Whilst there is a process and rationale to capture procurement identified savings there are multiple interdependencies which can impact on the realisation of stated savings. Further work is required to monitor and control expected savings.
- Category management is a key component of potential savings but the system for identifying opportunities and capturing benefits is at an early stage.
- Supplier management remains largely at development stage.
- The social value policy does not currently include specific targets in place for social value or a defined method for capturing this across the organisation.
- A social value toolkit is in development.

Effective Programme and Project Management forms a key aspect of assurance and governance for an organisation. Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus their efforts and successfully achieve the delivery of anticipated outcomes and their associated benefits. It is important that programmes and projects are clearly defined and resourced. Equally they need to demonstrate a clear link to the delivery of corporate aims and objectives and be adequately governed.

Programme and Project Management Assurance Wheel



This review focused on the delivery of projects that form part of the Core Council Programme which are considered to be those of most significance corporately. The RAG ratings given are reflective of this. The **Green** RAG rating has been assigned because of the strong control framework in place in relation to the Core Council Programme. Less assurance can be given in relation to projects outside of this and this could be an area for future audit review.

AREAS OF STRENGTH

- Project guidance and templates are readily available to SCC staff via the intranet.
- A documented methodology is in place to establish the level of project support required from the Project Management Office (PMO) for given projects and programmes. This is also being enhanced currently to capture more detail in relation to programme and

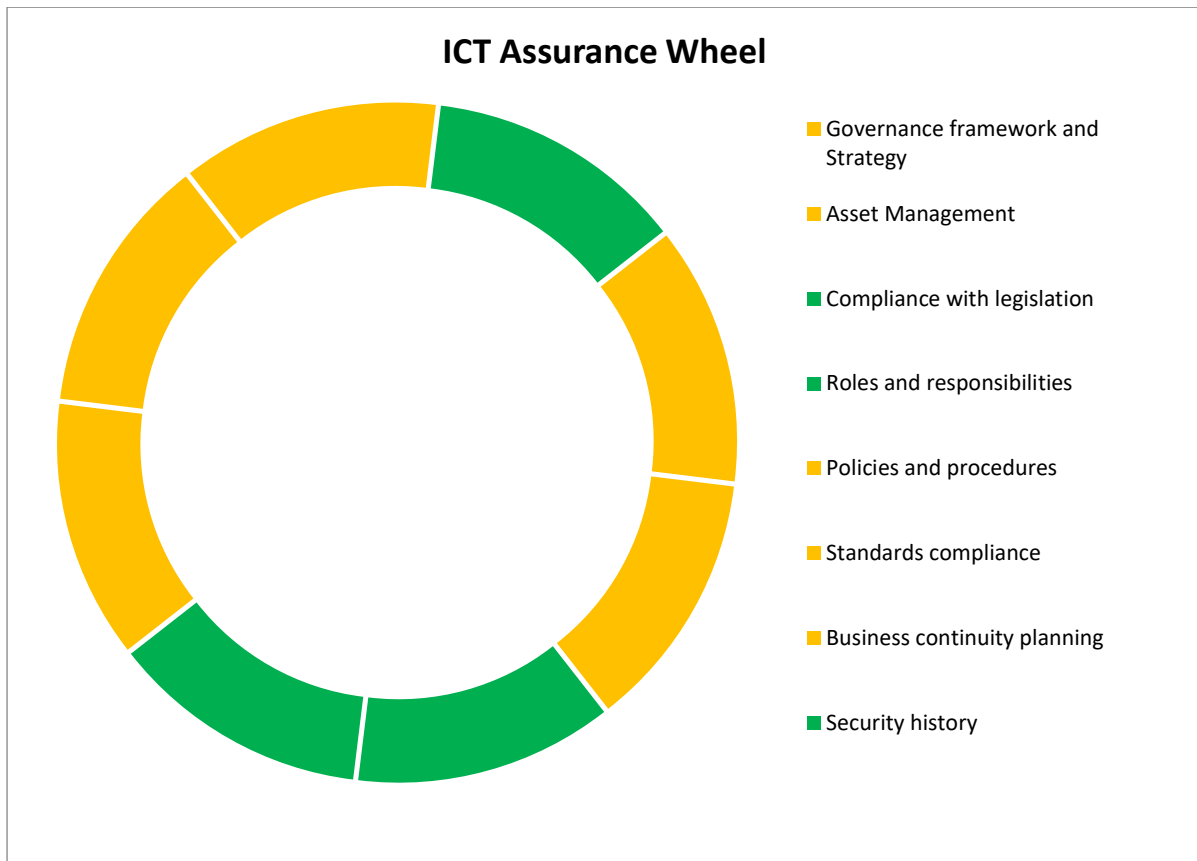
project costs.

- E-learning is in place to support project management.
- The Core Council Board and the Core Council Programme Delivery Group meet monthly and are responsible for monitoring progress of the Core Council Programme.
- Each Core Council Programme will have a project board that will monitor progress.
- The Council's risk management strategy makes specific reference to managing risks in programmes and projects.
- Internal audit has carried out independent reviews at the request of senior managers where projects have performed less well than expected, which is indicative of a drive towards improvement.
- Benefits realisation processes are employed in core council programmes and E-learning modules also provide reference to this area.
- The majority of programmes reviewed supported cultural change with plans for engagement, communication and staff training.

AREAS FOR ATTENTION

- Some projects that fall outside of the core council programme and are not a major project may be 'unknown' corporately and therefore may take place outside of this framework. Work is recommended to ensure that this does not represent a significant risk to the Council.
- Standard documentation is not always used, even for core council programmes. It is acknowledged that there may be specific reasons for this in individual programmes but without a standard methodology being employed oversight and corrective controls will be weakened.
- Benefits realisation processes are not mandated for project and programme activity which takes place outside of the core council programme.
- Not all risks detailed in project and programme documentation were found to be recorded using the corporate risk management system (JCAD). This can be seen as in accordance with the SCC Risk Management Strategy approach to project and programme risk however, not all actions were up to date even where risks had been recorded through JCAD.
- Standard project documentation does not mandate a requirement for risk assessment or ongoing risk management.

Information Management is an important aspect of governance for an organisation. Effective Information Management will facilitate and support efficient working, better decision-making, improved customer service and business transformation to facilitate the delivery of key priorities and objectives.



The ICT team, environment and services being delivered are currently going through a major period of change as the delivery of the Council's ICT has been brought back in-house from South West One (SWO). There is evidence of much work being undertaken to ensure that the governance and control framework is adequate to deal with this change. An **Amber** rating has been given at this time as this work remains ongoing but the plans in place indicate that improvements will continue to be made across the major risk areas.

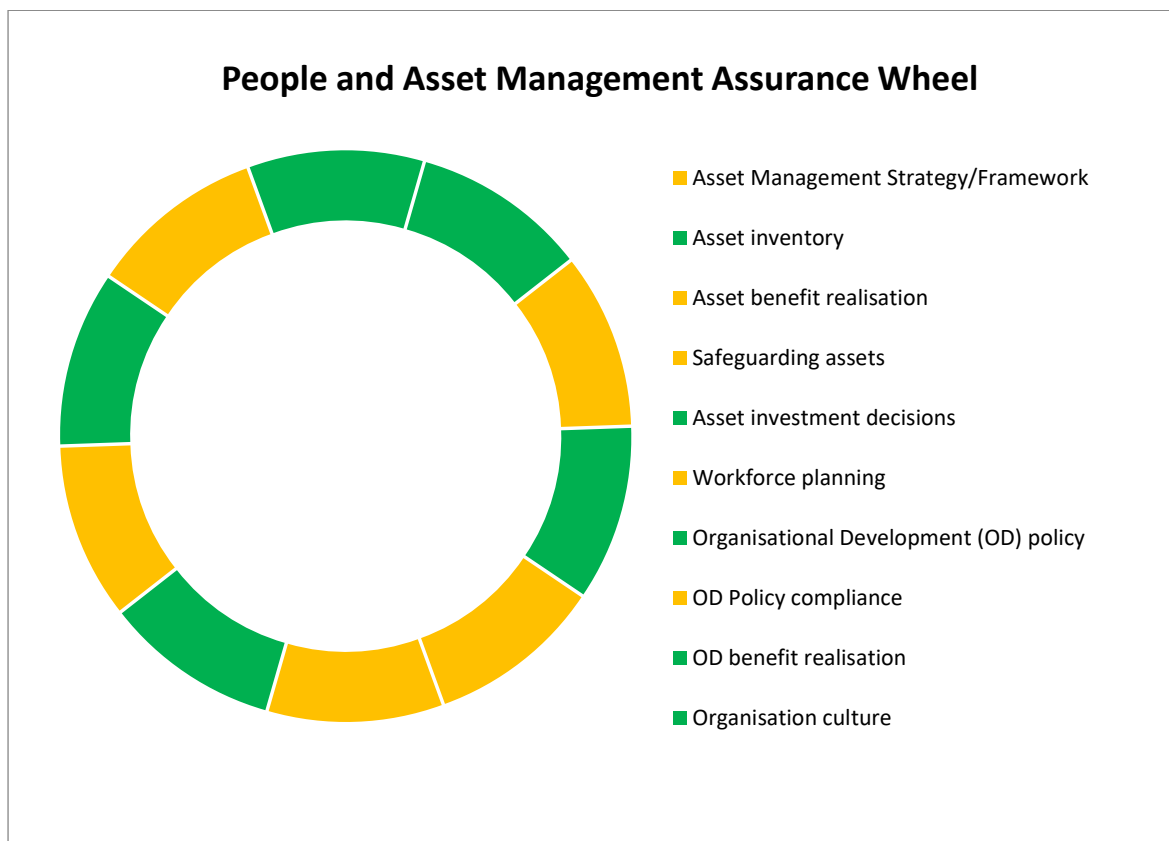
AREAS OF STRENGTH

- There is strong governance within the ICT service line of the Council which helps ensure that the ICT strategy stays aligned to the needs of the business and corporate objectives.
- Organisational structure charts are available for both strategic and operational roles.
- The Council has current PSN connection compliance across its network.
- Contingencies are in place for outages both in the form of business continuity and disaster recovery plans.
- The officers of the Council are well trained in the areas associated with data protection.
- The Council has a security incident policy, plus information security policies that give assurance in this area.

AREAS FOR ATTENTION

- The ICT Strategy needs to be updated to reflect the updated County Plan and ending of the SWO contract.
- Asset management policies need to be completed and agreed.
- The software licencing review needs to be completed to ensure that licences are held for all software currently in use.
- Policies will need to be rewritten to reflect in-house delivery of ICT services now that the transition from SWO to SCC has taken place.
- The Council is actively moving towards compliance with the Payment Card Industries - Digital Security Standard. (PCI-DSS) but has yet to be awarded accreditation.
- Although County Hall is a single point of failure for communications and authentication there is an active project underway looking to mitigate this issue.

Effective People and Asset Management forms a key aspect of assurance and governance for an organisation. Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus resources against key priorities and, as a direct result, deliver improved outcomes.



In terms of asset management this review has focused on SCC building assets.

It is recognised that a considerable amount of work is ongoing in relation to both People and Asset Management. The **Amber** RAG rating has been given in recognition that this work needs to continue into 2017/18 to give better assurance that People and Assets are supporting delivery of key priorities and objectives across the organisation.

AREAS OF STRENGTH

- SCC has an Asset Strategy Group (ASG) which provides a strategic framework for managing the authority's asset portfolio and agreeing capital investment proposals. Membership includes both members and representatives from the senior leadership team.
- Financial regulations and asset management policies outline the framework for

authorisation/approval of acquisitions, disposals and transfers.

- Assets are recorded on SAP for financial accounting purposes and Atrium for operational reasons.
- A workforce planning toolkit has been developed to help ensure there is appropriate staffing resource to meet the future needs of the Council.
- HR policies are in place and readily available.
- An organisational development plan is in place with clear actions and timescales for delivery.
- SCC has developed an online learning platform for staff development that covers both training courses and induction.

AREAS FOR ATTENTION

- The Corporate Asset Management Plan is in the process of being updated. Until this is complete there is a risk that strategic direction in relation to assets will not be fully aligned with corporate priorities.
- There isn't currently a developed maintenance strategy and this will be a priority area of work now that the Southwest One contract has come to an end.
- It is recognised that work is required to demonstrate benefit realisation in relation to assets. This is needed to ensure that value is achieved through investment, deployment and effective utilisation of assets.
- There have been legacy weaknesses with the retention of evidence to support the decisions made regarding disposals. This has been investigated internally and recommendations have been made to improve the audit trail going forwards.
- The work force planning initiative has yet to be adopted across SCC.
- The overall people strategy is due for an update in the next year, however, in its current form it has no clear link to the refreshed County Plan. HR policies do not link to the people strategy.
- HR performance information produced does not clearly link to overall delivery of service and organisational objectives.

1. Corporate Governance

Service Leadership

The overall direction of the Council is set by the Leader of the Council and Cabinet with the Corporate Directors. The Full Council appoints the Leader of the Council for a period of four years. The Cabinet is the executive branch comprising the Leader of the Council, the Deputy Leader together with six Members. The Cabinet is appointed by the Leader of the Council.

The Council's Constitution sets out the framework for leadership, including schemes of delegation, and the allocation of power and responsibility. One of the purposes of the Council's Constitution is to provide clear leadership to the community.

Formal Senior Leadership meetings take place every two weeks. chaired by the Chief Executive and include all Directors and Lead Commissioners. Terms of Reference reflect their strategic leadership role and responsibility for delivery of the County Plan priorities. The meetings are minuted and actions assigned.

Corporate (County) Plan

A new Plan was launched in 2016. The County Plan 2016-20 drives the Council's activities over the medium term and provides a vision for Somerset and strategic direction for the Council across the key service areas. It is publically available on the Council's web-site.

There was evidence of public consultation obtained in relation to council priorities. A key method of consultation was the Listening Learning Changing public engagement campaign that took place in 2015. Views were gathered through a combination roadshow events, an online survey and a survey of the 'Your Somerset' readership.

The results of the engagement survey indicate that in general staff know the work that they do is important to their service's and the Council's objectives.

Constitution

The Council has agreed a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The constitution is available of the Council's website.

Effective Working Relationships

The Member/Officer Protocol that forms an Appendix to the constitution covers the underlying principles of Member/Co-opted Member/Officer relationships, including mutual respect, inappropriate use of position and personal and family relationships. This is also covered by guidance to officers available on the intranet.

The engagement survey conducted in 2016 amongst staff covered management and team working. The responses to these questions were largely positive with a particularly high score relating to working together.

Codes of Conduct

The Council is bound by the codes of conduct for Members and officers alike. The Code of Conduct for Members and Co-opted members is set out in Part 2 section C of the Constitution. This closely matches the standards laid down in the Local Authorities Order 2007. The Standard of Conduct for Council Officers is available on the extranet.

Member training covers the Code of Conduct and they are required to sign a declaration stating that they will conform with the code. Staff inductions also cover this area.

The Standards of Conduct for Officers states that the Standards apply to all employees of the County Council, except for those who work in schools to which separate standards apply. It has not been possible to obtain evidence of these school standards and given that this relates to a significant number of employees, an Amber rating has been given.

Openness & Transparency

Committee meetings are open to the public unless exempt or confidential information is being discussed. Members of the public can find out about the business to be considered and may attend to make a statement, ask a question or present a petition where the agenda makes such provision.

The Council makes available for public inspection via the website the following for six years from the date of the decision:

- Minutes of Council, Committee or Cabinet meetings;
- Records of Cabinet, joint and individual Cabinet Member decisions;
- Officers decisions (for Key Decisions / and decisions delegated by Cabinet or an individual Cabinet member only);
- A non-confidential summary of any Minute(s) / decision record (s) containing exempt or confidential information;
- Agendas; and
- Any relevant reports.

Consultation and Engagement is covered on the website. This includes details of current and past consultations.

Details on how to access the Freedom of Information scheme are also included on the website.

Complaints Procedure

The Council's complaints procedure is published on the website. This includes in detail what will be done when a complaint is made, and how they are reported.

The Council has a whistleblowing policy and this was reviewed and approved in February 2016 and is available to staff on the extranet.

Counter Fraud Policy

The Council has an Anti-Fraud and Corruption Strategy in place that includes Anti Bribery and Anti Money Laundering considerations. Annually in January a Fraud update is given to the Audit Committee.

The Council receives information on potential fraudulent activity through the National Fraud Initiative. Data is compiled every two years and submitted to the NFI for analysis and, where appropriate, further local investigation undertaken.

Decision Making

At the Corporate level, the decision making policy and procedures are set out in the Constitution document, as part of the schemes of Delegation. Committees have clear terms of references. Decision making is a transparent process and records of the decisions that have been reached by committees or executive officers are available for examination by the public via the organisation's web pages.

Overview & Scrutiny

Overview and Scrutiny is provided by the Audit Committee, the Standards Committee and the three Scrutiny Committees: Children and Families, Adults and Health and Policies and Place.

The Constitution outlines the Terms of Reference for all of the above Committees.

Member & Officer Induction and Development

A member development strategy 2013 – 17 is in place that covers induction and ongoing training of members.

All Councillors receive an induction much of which is mandatory to ensure members have the necessary skills and understanding to carry out their role.

This area has been given an Amber rating because there are currently no agreed training programmes for Senior Managers. The previous programme ran for 18 months from 2014 and then came to an end. Work on a new programme for training has been carried out but will not be launched until the current organisational review is complete.

Communication

A Communications Operations Manager is in post and there is a communications team.

The amber RAG rating has been assigned because the Council do not currently have an approved marketing and communications strategy. There is some relevant guidance available but as yet this has not been pulled together into an overarching strategy that identifies priorities and direction of the Council.

Stakeholders/Community/Service Users Consultation

There is a consultation toolkit that includes a consultation template that is required to be completed and approved prior to a consultation starting. The toolkit also gives valuable guidance on planning and carrying out consultations and helps ensure that corporate and statutory guidelines are met.

Effectiveness & Governance Certification

The Annual Governance Statement (AGS) is an annual review of the effectiveness of governance arrangements and is part of the Annual Report and accounts. It considers the views of Internal Audit, External Audit as well and other relevant Agencies and officer groups.

Improvements to governance arrangements planned over the forthcoming year are documented in an action plan that is reviewed by the officer governance board.

2. Financial Management

Budget Setting

Both revenue and capital budgets are approved by Cabinet and Full Council each year.

A well-established budget setting process is in place and uses the forward year projections that are produced from the MTFP process. Due to budgetary constraints a largely 'cash frozen' approach has been adopted with overall funding levels set centrally and services able to determine themselves the breakdown of the budget taking into account anticipated pressures.

Medium Term Financial Planning

The Council has agreed a Medium Term Financial Plan (MTFP) that aims to align revenue resources to the agreed priorities of SCC.

The Council has also agreed a capital strategy with a core objective being to maintain investment in assets sufficient to continue the delivery of statutory and core services over the medium term.

An amber rating has been given to this area in recognition of the indicative MTFP funding shortfall of £38 million up to 2020/21 as presented to Cabinet in February 2016.

As the Council has already implemented significant savings the ability to find and deliver more is getting tougher. At the end of September 2016 from the total MTFP savings agreed of £12.12 million, £3.4 million are now rated as red and therefore undeliverable and a further £1.1 million rated as amber. A more strategic, innovative way has to be found to keep the core council services safe and effective and find alternative delivery options for other services. As a result, this year the Council will be adopting a new commissioning led approach to financial planning and MTFP savings.

Service plan templates used for 2016/17 were updated to include a greater focus on the MTFP and forward planning, in light of expected reductions in SCC's budget. However, the template has not been used by all service areas and some have taken some time to be finalised. A new model is being developed for 2017/18 which is expected to be an improvement as it is more tailored to the service.

Budget Management

At the end of September 2016 there is a projected net budget overspend of £16.51m, this is significantly higher than in the previous two financial years (£7.13m in 2014-15 and £6.98m in 2015-16 taking into account the £6m from reserves for Children's services) and outstrips the total currently held in General Reserves (£15.9m), and is hence a significant risk to the authority.

Budget Monitoring

A full written report of the revenue and capital budget is received by Cabinet and full Council on a quarterly basis. This is reported to SLT ahead of the Cabinet meeting.

Revenue monitoring reports are produced each month and distributed to Strategic Finance Managers and Service Directors.

It currently takes around three weeks to produce budget monitoring reports following the month-end. This creates a risk of delayed decision making where corrective action is needed. This also means that financial monitoring reports produced for the public domain may be out of date on publication.

This creates a risk that corrective action needed is delayed which given the budget difficulties being experienced by the Council could be significant.

Treasury Management

The Council's Treasury Management Strategy sets out the Council's planned approach to managing the risks associated with investment and borrowing, including limits to investments with different counterparties. The strategy is approved on an annual basis by the Council.

The Council participates in benchmarking each year. Reports provided to SCC by CIPFA show that in 2015-16 SCC's return on investment was greater than the average of other local authorities included, and that SCC's performance across the last five and ten year period is in line with the average.

Treasury Management is an area that has been reviewed by SWAP twice in the last three years (in 2014/15 and 2015/16), and both reviews have provided a substantial assurance opinion.

Financial Resilience

A report on the Adequacy of Reserves and Balances is presented to Cabinet and Full Council every year and sets out the minimum level of reserves required for financial resilience. An assessment of risk is performed each year and in 2016-17 it was reported that the level of the General Reserve should be maintained between £12m and £20m. The level of reserves held at the end of 2015-16 was reported to Full Council as £15.5m.

The level of reserves currently held is at its lowest point for the last six years. The projected net budget over-spend of £16.5m on the month 6 revenue budget monitoring report for 2016-17 outstrips the total of £15.9m currently held in General Reserves as of September 2016. This presents a significant risk to the authority. The September 2016 Finance & Performance scorecard has a predicted General Reserve level of £10.9m, which is lower than the range recommended in the Adequacy of Reserves report presented to Cabinet in February 2016.

The balance of the General Reserve is not routinely reported as part of budget monitoring, however a year end forecast is completed and the position is monitored as part of the Finance & Performance scorecard. The risk of overspends impacting on the General Reserve balance is highlighted in every budget monitoring report. Reporting on the reserve balance more regularly would improve clarity regarding the balance of the reserve throughout the year.

Financial Systems

The Council has used SAP, a well-established accounting system, since 2010. The key financial control reviews carried out by Internal Audit in 2015-16 of debtors, creditors and payroll (PAYE) gave reasonable assurances and substantial in the case of payroll. Reasonable Assurance was given for the main accounting review carried out in 2014-15.

Grant Thornton, the Council's External Auditors, gave an unqualified audit opinion on the 2015-16 financial statements.

Financial Regulations

The Council maintains a comprehensive a set of Financial Regulations and Financial Procedures both of which have been reviewed within the last two years and they are easily accessible to officers. There is further guidance available, such as the Code of Practice for Income Management. It was identified that finance policy guidance is not subject to a review schedule, so there is a risk that policies will not be frequently updated. A suite of model policies and procedures are also available to schools.

There is evidence of continual improvement in relation to financial policies and guidance. A non-opinion review was performed by Internal Audit in 2016 on cash management which will be used as a basis for producing a policy for the Council.

The Council has an Anti-Fraud and Corruption Strategy in place that includes Anti Bribery and Anti Money Laundering considerations, however these could not be located on the intranet.

Value for money

The Council's external auditors, Grant Thornton produce a Value for Money (VFM) conclusion as part of the annual audit process.

The opinion given by Grant Thornton has been 'Except for' for the last two years due to the significant risk posed by 'inadequate' results of Ofsted inspections of Children's Services. In 2015-16 Grant Thornton also raised the risk of rising budget pressures with lowering reserve levels.

The Council's website indicates that SCC is currently working on ways to report Value for Money and officers have confirmed that this is not yet in place. SCC is in the process of creating and implementing a corporate strategy for Value for Money.

Future financial liabilities

SCC maintains a Partnership Register which is updated annually and contains information on budget arrangements for existing partnerships. The annual review identifies any additional costs to be taken account of in the future.

A contracts register sets out the expected annual costs of contracts held. Actual spend is monitored against the value of the contract register on a quarterly basis.

Legal services provide information on contingent legal liabilities as part of the year-end accounts production. This is audited as part of the annual external audit process.

3. Risk Management

Risk Management Strategy

The Council has a risk management policy and strategy that is updated on an annual basis. Cabinet approves the risk management strategy following consideration by the audit committee.

There is a Strategic Risk Management Group (SRMG) chaired by the Director of Finance and Performance that meets monthly. Membership is made up of senior management from across the Council acting as risk 'champions', to help ensure that risk management is given an appropriate focus and challenge.

Risk Registers

The Corporate Risk Register includes risks that link directly to the County Plan as well as other strategic risks. Members receive a risk update on a quarterly basis.

The Council's risk register is held on JCAD which is a risk management software package. Reports are run from JCAD to provide regular information to senior management and risk forms part of the performance scorecard.

Every risk is allocated a risk owner. Risk Owners are responsible for monitoring and challenging performance of the risks they own.

Risk Appetite

SCC has a risk priority matrix in place to assess risk against likelihood and impact. This uses a RAG model and is used to define frequency of review and to determine when further escalation is required.

The Council's tolerance level is set by the Senior Leadership Team (SLT), any risk with a combined score of 16 or more (4x4 red) is deemed to be "out of tolerance" and is reported to the SRMG who will escalate these risks to the SLT for consideration and management direction.

A number of risks have been reported as being above the Council's risk tolerance for a significant period of time and further work is required to assess the existence and effectiveness of mitigating actions in place. It is for this reason that an amber rating has been given.

Project Risk Management

These findings are also reported under Programme and Project Management.

Standard project documentation does not mandate a requirement for risk assessment or ongoing risk management.

Not all risks recorded in project and programme documentation were found to be recorded on JCAD, and not all actions were up to date where identified.

Risk Assessment

Risk assessment is a defined step in the risk management process covered by the risk management strategy and policy.

Risk management is built into Commissioning, Operational, and Service plans. This includes templates and guidance.

An amber rating has been given because although risk management is built in to the above plans, further development is needed to ensure that these are fully described and match to risks recorded in JCAD. The new service plan template will assist with this as it will be prepopulated with risk data from JCAD.

Decision Making

The standard committee report template requires all key and non-key decisions to be supported by an assessment of risk. Although assessed as green overall, the information on risk assessment provided to decision makers was found to be limited and could be improved by ensuring that inherent and residual risks are captured along with the actions that have been put in place to move between the two.

Transparency

The Strategic risk management plan and policy is available on the intranet and JCAD. It is approved by Cabinet annually and available to the public through the relevant committee report.

All key and non-key decisions made by committees are supported by an assessment of risk.

Risk is reported regularly to senior management and included as part of the performance dashboard.

4. Performance Management

Performance Management Framework

The Council has an established performance management framework that is readily available to staff via the SCC intranet. It is also supported by the existence of E learning. Although this framework exists further detail particularly in respect of accountability and challenge would be beneficial and are referred to in later sections.

In addition, it is recognised that the framework in place underpins performance management across the organisation. Further work is required to ensure that the performance management strategy meets its stated aim of *'All performance measurement processes should be linked to the council's aims (set out in the County Plan) and should show whether, and how, these aims are being met.'*

Alignment with Corporate Objectives

During the current financial year corporate performance measures have been revised to align more closely with the County Plan. Corporate measures of performance are outcomes focussed and cover the objectives of the council as well as providing information on supporting services.

We have not been able to assess how well these corporate performance measures are supported by directorate performance reporting to provide assurance of the 'golden thread' through the organisation. Further audit work is scheduled to consider this.

Accountability and Responsibility

Corporate performance indicators are received monthly by SLT and Cabinet. Headline performance figures are then made publically available on a quarterly basis. Corporate performance indicators and Directorate Scorecards are 'owned' by the relevant Director ensuring high level accountability.

The performance framework makes very limited reference to accountability for achievement of measures or responsibility for corrective action where measures are not achieved. It has also been identified that the ownership of individual measures in directorate scorecards is not universally assigned.

Revising Performance Measures

There is a cyclical process included in the performance framework intended to ensure that performance plans are refreshed on an ongoing basis.

Performance Measures

Scorecard reporting was found to be in place across the expected areas of the organisation. However there is no corporate format used, as the performance scorecards themselves are not in a consistent layout. It is acknowledged that each service has a known and agreed method of reporting but the lack of consistency means effective challenge and review of performance will be more difficult to achieve.

Performance reports do not universally contain all areas expected including trend data, documented SMART measures or supporting commentary where performance is below expectation. There are extremely large numbers of performance measures and only limited rationale was identified for prioritising key performance measures.

Effective Challenge

Cabinet are asked to consider and comment on performance. Where issues are identified they also consider whether the proposed actions are adequate, where they assess this to not be the case they are directed to indicate what further actions are required to ensure performance is improved.

The performance framework does not detail a process for officer challenge of performance or clearly indicate accountability and responsibility for corrective actions.

Lessons Learned

The performance framework makes clear reference to and provides guidance on the use of performance information in future planning as well as there being clear and defined linkages between performance and commissioning processes.

There is a two way link between the performance framework and commissioning plan templates and guidance.

Data Quality

The performance framework in place makes clear reference to the importance of data quality and provides practical steps to ensure good quality in this area.

The previous SWAP audit relating to data quality in performance returned a 'reasonable opinion' overall but did identify that no methodology was in place to check integrity and accuracy of data. This situation is being improved by the recruitment of staff enabling the freeing up of resource to 'spot check' data in key areas. Responsibility for the accuracy of the performance indicator it is not clear within the performance management framework.

5. Commissioning and Procurement

Strategy

A Commissioning Operating Model and vision is in place and is available to staff. This has been updated in the 2016/17 financial year and although produced before the refresh of the County Plan is reflective of the current corporate direction.

A Corporate Procurement Strategy is in place and the status of actions within the plan is reviewed and assigned ratings based on levels of achievement of stated actions.

Commissioning Intentions

The Commissioning Planning process has been updated in the 2016/17 financial year and commissioning intention plans are in place for the majority of service areas.

There are still some areas of the Council that have yet to publish commissioning intention plans. The reasons for this are known but will need to be addressed in order to maximise organisational benefits of a commissioning led approach.

Commissioning plans are readily available internally but it has been agreed that they will not be made publicly available and instead an overarching SCC Market Position Statement produced. At the time of review work only a draft version of this document was available.

Training and Skills

Procurement and commissioning strategies set out at a high level the skills and competencies required to deliver effectively.

E-Learning for commissioning, procurement and social value has been established.

Although some procurement training has taken place to date it has focussed on transactional aspects of procurement. More 'strategic' procurement training is still to be developed.

Commissioning skills development is reported as forming part of the overall SCC People Strategy but timelines for implementation are currently lacking in detail.

Governance

A Commissioning Board involving senior leaders from across the council is in place and is well embedded.

The Council's scheme of delegation and contractual procedural rules set out the levels of decision making authority required.

Commercial and procurement services activity is reported through a quarterly performance score card which includes value of tenders, indicative savings and waivers applied.

It has not been possible to identify elected member 'ownership' of the Procurement Strategy or the Commissioning Model. As this is a significant area for the Council this level of input and oversight is seen as required.

Policies and Procedures

Commissioning guidance is available through the SCC intranet and has been wholly revised in the current financial year to align with emergent direction.

The Council's contractual procedural rules set out the framework in which procurements are to take place.

The process for waivers to contract procedural rules is well defined and has been enhanced by the introduction of a commercial and procurement gateway challenge process.

Use of internal service level agreements (SLAs) has been found to be inconsistent, but measures have been put in place to address this. These include the monitoring of SLAs through Strategic Manager checklists.

Whilst there are references to sustainable procurement in the council's contract standing orders these are limited and there is no specific policy in place.

Benefits and Savings

Increasingly stronger working relationships are becoming established between procurement specialists and council services.

A corporate approach to contract management is being developed which will assist in managing performance and help maximise the value obtained from contracts.

Commercial and third party spend is the second largest themed area for making savings across the Council, with minimum planned savings of £4.6million between 2017/18 and 20/21. There is an outline MTFP business case in place to support savings although it is noted that this business case relates to significantly lower amounts than those above. Plans to achieve targets are captured in work streams of the Third Party spend outline business case and are reasonably specific. Whilst there is a process and rationale to capture procurement identified savings, there are multiple interdependencies which can impact on the realisation of stated savings. Further work is required to monitor and control expected savings.

VFM

Procurement and commissioning documentation make consistent references to the need to consider Value for Money.

However there is no organisation wide method to monitor value for money performance.

Transparency

Contract standing orders make the requirements to publish tenders via e-portal clear and this takes place through Pro-contract.

Requirements to publish existing contracts are also set out in the Contract Standing Orders and there is evidence that this is now becoming universally adopted.

Category Management

The overarching procurement strategy makes clear reference to the importance and broad goals of category management.

The Commissioning structures (Intentions Plans and Commissioning Board) facilitate category opportunities.

An amber rating has been given here as performance measures based on category spend and related reporting are not yet fully in use.

Supplier Management

The Council is developing a methodology by which the highest risk suppliers will be monitored by a score card approach to enable appropriate escalation and mitigating action to take place as needed.

Business continuity plans are reported as not routinely being in place to deal with supplier loss or failure but plans to ensure that suppliers are increasingly responsible for ensuring continuity are in place and include the addition of standard contractual clauses.

Social Value

SCC has a Social Value policy available via the procurement section of the SCC website and therefore readily available to prospective suppliers.

The social value policy sets potential measures and indicators although there are currently no specific targets in place for social value or a defined method for capturing this across the organisation.

A social value toolkit is also being developed.

6. Project and Programme Management

Project Methodology

Project guidance and templates are readily available to SCC staff via the intranet.

A documented methodology is in place to establish the level of project support required from the Project Management Office (PMO) for given projects and programmes. This is also being enhanced currently to capture more detail in relation to programme and project costs.

E-learning is in place to support project management.

It is acknowledged that some projects that fall outside of the core council programme and are not a major project may be 'unknown' corporately and therefore may take place outside of this framework.

Project Documentation

Project Initiation Document, Programme Definition Document and Outline Business Case proformas are provided by the Project Management Office.

In terms of compliance there is evidence that the standard proformas are not consistently used when projects/programmes are initiated. This is true even in the case of core council programmes. It is acknowledged that there may be specific reasons for this in individual programmes but without a standard methodology being employed oversight and corrective controls will be weakened.

Initiation documentation does not always confirm the scope or estimated costs of project/programmes.

Progress Monitoring

The Core Council Board and the Core Council Programme Delivery Group meet monthly and are responsible for monitoring progress of the Core Council Programme. There are also linkages to elected members via cabinet and scrutiny committees.

Each Core Council Programme will have a project Board that will monitor progress.

Guidance is also provided on governance of projects outside of the Core Council Programme and this includes monitoring arrangements.

Resource Allocation

The existence of the programme management office provides a 'pool' of specialist resource.

Where proformas are used in programme inception we found that they referred to specific areas of the organisation which have the skills necessary to deliver projects/programmes, and usually provided an indication of capacity requirements.

Risk Management at Project Level

The Council's risk management strategy makes specific reference to managing risks in programmes and projects.

Standard project documentation does not mandate a requirement for risk assessment or ongoing risk management.

Not all risks detailed in project and programme documentation were found to be recorded using the corporate risk management system (JCAD). This can be seen as in accordance with the SCC Risk Management Strategy approach to project and programme risk however, not all actions were up to date even where risks had been recorded through JCAD.

Responsibility and accountability

As reported above there is strong governance structure for the core programme at a senior level. There is also documented guidance available via the Programme Management Office which relates to this area.

Project Success and Lessons Learnt

Benefits realisation processes are employed in core council programmes and E-learning modules also provide reference to this area. Currently benefits realisation processes are not mandated for project and programme activity which takes place outside of the core council programme.

Past programme weaknesses relating to organisational ownership of changes has been acknowledged and acted upon with the development of 'local reference groups' is an example of staff being empowered to initiate and lead change.

Internal audit has carried out independent reviews at the request of Senior Managers of areas where projects have performed less well than expected which is indicative of a drive towards improvement.

Delivering Corporate Objectives

Senior Leadership Team and elected member oversight of core council programmes ensures that the objectives of the programmes are linked to corporate objectives on an ongoing basis.

Programme Management Office categorise programmes and projects to ensure that limited resource is directed to programmes with the greatest and most significant links to the Council's objectives.

Project Management Office processes use gateway processes to ensure alignment and senior agreement ahead of programmes of work commencing.

Standard templates, including the business case, make reference to demonstrating how the programme/project supports the County Plan and corporate priorities.

Supporting Change

Programmes and projects reviewed generally had evidence of cultural change drivers being in place. This includes plans for engagement, communication and staff training.

As with similar functions in many organisations those facilitating programmes and projects, which focus on change, report experiencing some resistance from 'operational' staff.

Governance Framework and Strategy

There is strong governance within the ICT service line of the Council which helps ensure that the ICT strategy stays aligned to the needs of the business and corporate objectives.

The ICT strategy has not been updated in a continuous manner along with the changing needs of the Council. This is especially evident during this time of immense change and the transfer of ICT provision from SWO to SCC is not reflected within the current strategy.

Although the ICT strategy has not yet been updated a new transformation document has been started, though not yet published, that gives the strategy for transformation.

Asset Management

Some areas of asset management are covered in the acceptable use policies given out during the induction of new staff. Some new asset management documentation has been written by and for SCC, although the majority of the process documentation available is as per SWO.

Much work has taken place during the transition project to understand the software licensing position. Microsoft and SAP are now known to be compliant but there are still other applications deployed where the licensing position is yet to be fully understood.

In terms of hardware there has been a lack of documentation regarding the assets disposed of by SWO. This has contributed to a difficulty in establishing the full inventory of ICT assets and also has created a risk that items disposed of may not be in compliance with the Data Protection Act.

Compliance with Legislation

The officers of the Council are well trained in this area during induction training and especially in the areas associated with data protection and this is the area most likely to cause significant financial or reputational loss to the Council.

The Council has a current certification for the use of the Public Services Network (PSN) which is a legal requirement. All relevant changes arising as a result of the move from SWO to SCC has been checked against PSN compliance ahead of implementation.

Because many of the ICT systems, policies and processes are currently moving back from SWO to SCC a number of the areas are not yet at full maturity and so the level of assurance that will be in place for December 1st cannot be accurately judged in all areas.

It is understood that legislation does not stand still and there is a good awareness of upcoming changes to legislation and how this may impact the Council in the future. This proactive approach to changes in legislation will mean the Council is much less likely to suffer significant financial or reputational losses due to breaches of the law.

Roles & Responsibilities

Organisational structure charts are available for both strategic and operational roles. All strategic roles are currently filled with SCC, contractors or partner supplier staff. Initial indications on the ending of the SWO contract show that all significant roles will be filled in the

structure and no major skill gaps are forecast.

Organisational change will continue to take place following the return of staff from SWO. This will include the reduction of transitional partner resources such as Microsoft staff, the reduction/removal of contractors currently in strategic manager and project manager roles and staff reductions brought about by the Council wide need to make significant savings.

Information Policies & Procedures.

The staff coming back from SWO will transfer back with the knowledge of the SWO policies and so the likelihood of them of putting the Council at risk from ignorance is reduced. Policies will need to be rewritten and approved to reflect in-house delivery of ICT services and this exercise remains ongoing.

Standards Compliance

The Council has current PSN connection compliance across its network.

The Council is actively moving towards compliance with the Payment Card Industries - Digital Security Standard. (PCI-DSS) but has yet to be awarded accreditation.

Business Critical Systems & Business Continuity Planning

There is a critical application list and the list is held by ICT and the civil contingencies team. Although this list exists and has recently been checked by stakeholders, a definition of a critical application has yet to be clearly defined.

Contingencies are in place for outages of these applications both in the form of Business Continuity Plans (BCP) and Disaster Recovery (DR). The majority of the BCPs have been reviewed and updated in the last year.

County hall though is a single point of failure for communications and authentication giving a risk that if communications and/or authentication is lost at County hall irrespective of the availability of the rest of the ICT systems services will not be available.

Security History

The Council has a good record of information/cyber security and has not previously had any significant breaches. The Council does have a security incident policy, plus information security policies that give further assurance in this area including a form to report data breaches that ensures the requisite information is captured.

8. People and Asset Management

Asset management strategy/ Framework

The Corporate Asset Management Plan is dated 2014 and is in the process of being updated. It sets out how SCC's property assets will effectively and sustainably support the Council. The County Plan has been refreshed during 2016 and until a new Asset Management Plan is produced strategic direction in relation to assets will not be fully aligned with corporate priorities.

SCC has an Asset Strategy Group (ASG) which provides a clear framework for managing the authority's asset portfolio to ensure it serves the strategic needs of the organisation. Membership includes both members and representatives from the senior leadership team.

There isn't currently a developed maintenance strategy and this will be a priority area of work following the ending of the Southwest One contract on the 1st December.

Asset Inventory

The Council publishes a copy of its inventory in line with government transparency requirements.

Assets are recorded for financial management purposes on the financial system SAP. At each year end, the assets form part of the balance sheet and are reviewed as part of the Council's external audit.

For operational purposes an asset management database, Atrium is in place which includes all properties the Council has an interest in. The full functionality of Atrium is not being exploited currently and development would assist in better understanding of costs and performance monitoring.

Not all title deeds are held electronically and therefore are not readily available to officers using the Atrium system. Entering key deed information onto the system is ongoing.

Asset Benefit Realisation

It is recognised that work is required to demonstrate benefit realisation in relation to assets. This is needed to ensure that value is achieved through investment, deployment and effective utilisation of assets.

The asset management plan includes performance measures covering condition surveys, running costs, energy usage and suitability surveys. These are not currently produced and reviewed as stated.

Safeguarding Assets

Financial regulations and asset management policies outline the framework for authorisation/approval of acquisitions, disposals and transfers.

There have been legacy weaknesses with the retention of evidence to support the decisions made regarding disposals. This has been investigated internally and recommendations have been made to improve the audit trail going forwards.

Asset investment decisions

SCC have an in-house legal services team who can support in managing the process for acquisitions and disposals.

There are policies in place that broadly outline the requirements for ensuring value for money is achieved.

Capital investment proposals are made to the Asset Strategy Group and there are suitable supporting papers that outline the benefits.

Previously reported weaknesses on reporting running costs of assets and performance prohibit the Council from using this data to identify areas for improvement.

Workforce planning

The aim of the work force planning initiative is to look at the Council's actual needs for the future and provide appropriate workforce resource to address and deliver these. A workforce planning toolkit has been developed and implementation is in progress on a prioritised basis; the main focus being on children's and adults Services. The amber RAG rating has been applied because the work force planning initiative is not yet organisational wide.

There are a number of initiatives being undertaken with regards to people resources at SCC. The overall people strategy is due for an update in the next year, however, in its current form it has no clear link to the refreshed County Plan. There is also a need for a more detailed plan to support the strategy to ensure that organisational objectives are achieved.

Organisational Development policy framework

Expected HR policies were readily available and guidance is also available to support managers across many HR processes. Policies and procedures are updated in line with legislative changes and approved by HR policy committee.

Additional strategies are in place to support the longer term investment of the workforce; most notably the Technology and People (TAP) and Apprenticeship Programmes.

Policies however do not link to overarching People Strategy and are not subject to routine review.

Organisational Development policy compliance

A workforce statement is produced and distributed monthly to members to provide them with an overview of SCC establishment, turnover and absence data. Although this data is of value in giving an overview of staffing, it does not link this to service or organisational performance.

Work is in progress to fully develop HR performance reporting to ensure all key areas are effectively monitored. Currently a corporate performance monitoring report is produced that covers a number of performance indicators, as well as a performance scorecard which reports on other areas. Weaknesses in current reporting have already been identified by HR and evidence was seen of plans to improve these processes.

Compliance with HR policies is reviewed at governance board meetings. A template has been developed for this but it was agreed that there is some subjectivity in the responses received.

Organisational Development Benefits Realisation.

An organisational development plan is in place with clear actions and timescales for delivery.

SCC has developed an online learning platform for staff development that covers both training courses and induction. Currently its effectiveness is only measured by the numbers of staff who have completed courses. Whilst this demonstrates ongoing use, it does not demonstrate whether staff and managers believe the courses are developing their staff effectively, and most importantly, whether it is improving SCC's services.

Organisation Culture

Corporate information regularly provided to staff through monthly Core Brief. In addition, some services also provide their own bulletins to staff.

There are three staff surveys each year based on three themes; staff engagement, communication, health & wellbeing. The leadership team also complete roadshows for staff.

Views are sought from leavers, however there is no adequate process in place currently to monitor responses received from exit interviews to inform business decisions moving forwards.

SCC does not undertake any benchmarking exercise to assess how they are doing compared to similar organisations.

Appendix A - Mapping Areas for Attention to 2017/18 Internal Audit Plan

Theme	Area for Attention	Inclusion in 2017/18 Plan	Owner	Date of Audit Work
Corporate Governance	<p><u>Training Programme for Senior Managers</u> There is currently no agreed training programme for senior managers. The previous programme ran for 18 months from 2014 and then came to an end. Work on a new programme for training has been carried out but will not be launched until the current organisational review is complete.</p>	HO Strategic Review Follow-up	HR and OD Director	Q4
Corporate Governance	<p><u>Code of Conduct Training for Returning Members</u> Code of conduct refresher training is currently optional for returning members. This means that members may not receive an update on this important area following their initial training if they choose not to attend.</p>	HO Strategic Review Follow-up	Service Manager - Executive, Democratic Services	Q4
Corporate Governance	<p><u>Marketing and Communications Strategy</u> The Council does not currently have an approved marketing and communications strategy. There is some relevant guidance available but as yet this has not been pulled together into an overarching strategy that identifies priorities and direction of the Council.</p>	HO Strategic Review Follow-up	Service Manager - Communications Operations	June 2017
Corporate Governance	<p><u>Standards of Conduct for Officers in schools</u> The standards of conduct for officers states that the standards apply to all employees of the County Council, except for those who work in schools, to which separate standards apply. It has not been possible to obtain evidence of these school standards.</p>	HO Strategic Review Follow-up	HR and OD Director	Q4
Corporate Governance	<p><u>Annual Governance Statement Action Plan</u> The Annual Governance Statement is a review of the effectiveness of governance arrangements. From this a detailed action plan is produced. It was identified that</p>	HO Strategic Review Follow-up	Strategic Manager Financial Governance	Sept 2017

Theme	Area for Attention	Inclusion in 2017/18 Plan	Owner	Date of Audit Work
	some of the actions are not SMART in terms of outcomes or timescales.			
Corporate Governance	<u>Members Feedback</u> The working relationship between members and officers is well defined. However there has been no recent feedback from members, by means of a survey for instance, to better demonstrate the effectiveness of these working arrangements.	HO Strategic Review Follow-up	Service Manager - Executive, Democratic Services	Q4
Finance Management	<u>Agreement of a Sustainable MTFP</u> Strategic financial planning and the MTFP process to agree a sustainable budget over the medium term. A commissioning led approach is being introduced this year to better ensure that financial planning produces a balanced budget that can be delivered and meets the Council's priorities.	MTFP – A commissioning lead approach	Head of Finance and Performance	Q2
Finance Management	<u>Service Planning</u> This years service plan templates included a greater focus on the MTFP and forward planning, in light of expected reductions in SCC's budget. However, the template has not been used by all service areas and some have taken some time to be finalised. A new model is being developed for 2017/18 which is expected to be an improvement as it is more tailored to the service.	Service Planning – embedding new model	Strategic Manager - Performance	Q2
Finance Management	<u>Corporate Financial Reporting</u> The budget position is unable to be reported quickly after the month-end, as the reports take around three weeks to produce. This creates a risk of delayed decision making where corrective action is needed.	HO Strategic Review Follow-up	Strategic Manager – Financial Governance	Q2
Finance Management	<u>Corporate Reporting of Reserves</u> The September 2016 Finance & Performance scorecard has a predicted general reserve level of £10.9m, which is lower than the range recommended in the February 2016 adequacy of reserves report.	Now complete	n/a	n/a

Theme	Area for Attention	Inclusion in 2017/18 Plan	Owner	Date of Audit Work
	The balance of the general reserve is currently only reported to the Council at the year-end and more regular reporting would improve clarity regarding the impact of the forecast deficit on reserves.			
Finance Management	<u>Value for Money Strategy</u> A corporate strategy for Value for Money is not currently in place. SCC is in the process of creating and implementing a strategy and work is also ongoing to determine how Value for Money should be reported by the Council.	Value for Money Strategy and Reporting	Group Manager - Performance	Q4
Finance Management	<u>Finance Policy Guidance</u> Finance policy guidance is not subject to a review schedule, so there is a risk that policies will not be frequently updated. The Council's Fraud related policies could not be found on the internal intranet.	HO Strategic Review Follow-up	Strategic Manager – Financial Governance	Q2
Risk Management	<u>Completeness of Recording in JCAD</u> Although risk management is built in to commissioning, operational and service plans, further development is needed to ensure that these are fully described and match to risks recorded in JCAD.	Internal audits will continue to have a focus on ensuring the risk management strategy is adopted across SCC. (i.e see Service Plan audit under Financial Management).		Ongoing
Risk Management	<u>Risks above Tolerance Levels</u> Several service risks have been reported as being above the Council's risk tolerance for a significant period of time and further work is required to assess the existence and effectiveness of mitigating actions in place.	Ongoing SWAP membership of the Strategic Risk Management Group ensures audit awareness of risks above stated threshold levels. Follow-up will take place where mitigating actions are not		Ongoing

Theme	Area for Attention	Inclusion in 2017/18 Plan	Owner	Date of Audit Work
		deemed sufficient.		
Risk Management	<u>Information for Corporate Decision making</u> The information on risk assessment provided to decision makers was found to be limited and could be improved by ensuring that inherent and residual risks are captured along with the actions that have been put in place to move between the two.	HO Strategic Review Follow-up	Service Manager - Executive, Democratic Services	Q4
Risk Management	<u>Requirement to record Project Risks</u> Standard project documentation does not mandate a requirement for risk assessment or ongoing risk management.	Review of Projects outside of Core Council Programme	Strategic Manager Business Change	Q1
Risk Management	<u>Recording Project Risks on JCAD</u> Not all risks recorded in project and programme documentation were found to be recorded on JCAD, and not all actions were up to date where identified.	Review of Projects outside of Core Council Programme	Strategic Manager Business Change	Q1
Risk Management	<u>Embedding Risk Management</u> As with many organisations, embedding the concept and use of effective risk management tools, to all parts of the Council is an ongoing challenge.	This is acknowledged as an ongoing issue experienced by many organisations. As with previous responses, audit reviews will continue to have a focus on ensuring the risk management strategy is adopted across SCC.		Ongoing
Performance Management	<u>Performance Management Framework</u> The performance framework makes limited reference to accountability for achievement of measures, officer challenge or responsibility for corrective action or responsibility for data quality.	2016/17 Q4 Performance audit.	Strategic Manager - Performance	2016/17 Q4

Theme	Area for Attention	Inclusion in 2017/18 Plan	Owner	Date of Audit Work
Performance Management	<u>Ownership of Performance Targets</u> The ownership of individual measures in directorate scorecards is not universally assigned.	2016/17 Q4 Performance audit.	Strategic Manager Performance -	2016/17 Q4
Performance Management	<u>Lack of Corporate Format</u> There is no corporate format used for performance scorecards.	2016/17 Q4 Performance audit.	Strategic Manager Performance -	2016/17 Q4
Performance Management	<u>Content of Performance Reports</u> Performance reports do not universally contain all areas expected including trend data, documented SMART measures or supporting commentary where performance is below expectation.	2016/17 Q4 Performance audit.	Strategic Manager Performance -	2016/17 Q4
Performance Management	<u>Identification of Key Performance Measures</u> There are large numbers of performance measures produced and only limited rationale for prioritising key performance measures.	2016/17 Q4 Performance audit.	Strategic Manager Performance -	2016/17 Q4
Commissioning and Procurement	<u>Commissioning Intention Plans</u> There are still some areas of the Council that have yet to publish commissioning intention plans.	2016/17 Q4 Commissioning audit.	Strategic Manager Commissioning Development -	2016/17 Q4
Commissioning and Procurement	<u>SCC Market Position Statement</u> The SCC market position statement is at draft stage and not publicly available.	Now complete.	n/a	n/a
Commissioning and Procurement	<u>Procurement and Commissioning Training</u> Work on identifying training needs and roll out of a training programme to address this remains in progress.	2016/17 Q4 Commissioning audit. People Strategy Review	Strategic Manager Commissioning Development - HR and OD Director	2016/17 Q4
Commissioning and Procurement	<u>Procurement links to Members</u> Clearer procurement links to members in recognition of the significance of this area.	HO Strategic Review Follow-up	Commercial and Business Services Director	Q4
Commissioning and Procurement	<u>Corporate Contract Management</u> A corporate approach to contract management is in development.	Q4 2016/17 Contract Management follow-up audit.	Strategic Manager Commercial and Procurement -	Q4 2016/17
Commissioning and Procurement	<u>Monitoring Procurement Savings</u> Whilst there is a process and rationale to capture procurement identified savings there are	Procurement - The Monitoring	Strategic Manager -	Q2

Theme	Area for Attention	Inclusion in 2017/18 Plan	Owner	Date of Audit Work
	multiple interdependencies which can impact on the realisation of stated savings. Further work is required to monitor and control expected savings.	and Control of Savings Made	Commercial and Procurement	
Commissioning and Procurement	<u>Category Management</u> Category management is a key component of potential savings but the system for identifying opportunities and capturing benefits is at an early stage.	Category Management Review	Strategic Manager - Commercial and Procurement	Q4
Commissioning and Procurement	<u>Supplier Management</u> Supplier management remains largely at development stage.	Corporate contracts performance management	Strategic Manager - Commercial and Procurement	Q3
Commissioning and Procurement	<u>Social Value Policy</u> The social value policy does not currently include specific targets in place for social value or a defined method for capturing this across the organisation.	Social Value Audit	Strategic Manager - Commercial and Procurement	Q1
Commissioning and Procurement	<u>Social Value Toolkit</u> A social value toolkit is in development.	Social Value Audit	Strategic Manager - Commercial and Procurement	Q1
Programme and Project Management	<u>Projects outside of Core Council Programme</u> Some projects that fall outside of the core council programme and are not a major project may be 'unknown' corporately and therefore may take place outside of this framework. Work is recommended to ensure that this does not represent a significant risk to the Council.	Review of Projects outside of Core Council Programme	Strategic Manager Business Change	Q1
Programme and Project Management	<u>Adherence to standard methodology</u> Standard documentation is not always used, even for core council programmes. It is acknowledged that there may be specific reasons for this in individual programmes but without a standard methodology being employed oversight and corrective controls will be weakened.	Project Management - Projects outside of Core Council Programme	Strategic Manager Business Change	Q1
Programme and Project Management	<u>Benefits Realisation outside of Core Council Programme</u> Benefits realisation processes are not mandated for project and programme activity which takes place outside of the core council programme.	Benefits Realisation - projects outside of core council programme	Strategic Manager Business Change	Q3

Theme	Area for Attention	Inclusion in 2017/18 Plan	Owner	Date of Audit Work
Programme and Project Management	<u>Project Risk Management</u> Not all risks detailed in project and programme documentation were found to be recorded using the corporate risk management system (JCAD). This can be seen as in accordance with the SCC Risk Management Strategy approach to project and programme risk however, not all actions were up to date even where risks had been recorded through JCAD.	Project Management - Projects outside of Core Council Programme	Strategic Manager Business Change	Q1
Programme and Project Management	<u>Project Risk Management</u> Standard project documentation does not mandate a requirement for risk assessment or ongoing risk management.	Project Management - Projects outside of Core Council Programme	Strategic Manager Business Change	Q1
Information Management	<u>ICT Strategy</u> The ICT Strategy needs to be updated to reflect the updated County Plan and ending of the SWO contract.	Position Statement	Strategic Manager ICT Operations	Q4
Information Management	<u>Asset Management Policies</u> Asset management policies need to be completed and agreed.	Hardware Asset Management follow-up	Strategic Manager ICT Operations	Q4
Information Management	<u>Software Licencing Review</u> The software licencing review needs to be completed to ensure that licences are held for all software currently in use.	Position Statement	Strategic Manager ICT Operations	Q4
Information Management	<u>ICT Policies</u> Policies will need to be rewritten to reflect in-house delivery of ICT services now that the transition from SWO to SCC has taken place.	Position Statement	Strategic Manager ICT Operations	Q4
Information Management	<u>Compliance with the Payment Card Industries Digital Security Standard</u> The Council is actively moving towards compliance with the Payment Card Industries Digital Security Standard but has yet to be awarded accreditation.	Payment Card Industries Review	Strategic Manager ICT Operations	Q2
Information Management	<u>Failure of Communications and Authentication</u> Although County Hall is a single point of failure for communications and	Network Resilience and Authentication	Strategic Manager ICT Operations	Q3

Theme	Area for Attention	Inclusion in 2017/18 Plan	Owner	Date of Audit Work
	authentication there is an active project underway looking to mitigate this issue.			
People and Asset Management	<u>Corporate Asset Management Plan</u> The Corporate Asset Management Plan is in the process of being updated. Until this is complete there is a risk that strategic direction in relation to assets will not be fully aligned with corporate priorities.	Strategic Asset Management Review	Head of Property	Q4
People and Asset Management	<u>Corporate Maintenance Strategy</u> There isn't currently a developed maintenance strategy and this will be a priority area of work now that the Southwest One contract has come to an end.	Strategic Asset Management Review Structural Failure of School Buildings	Head of property Head of property	Q4 Q4
People and Asset Management	<u>Asset Benefit Realisation</u> It is recognised that work is required to demonstrate benefit realisation in relation to assets. This is needed to ensure that value is achieved through investment, deployment and effective utilisation of assets.	Strategic Asset Management Review	Head of Property	Q4
People and Asset Management	<u>Asset Disposals</u> There have been legacy weaknesses with the retention of evidence to support the decisions made regarding disposals. This has been investigated internally and recommendations have been made to improve the audit trail going forwards.	Strategic Asset Management Review	Head of Property	Q4
People and Asset Management	<u>Workforce Planning</u> The work force planning initiative has yet to be adopted across SCC.	Workforce Planning Review	HR and OD Director	Q4
People and Asset Management	<u>People Strategy</u> The overall people strategy is due for an update in the next year, however, in its current form it has no clear link to the refreshed County Plan. HR policies do not link to the people strategy.	People Strategy Review	HR and OD Director	Q3
People and Asset Management	<u>HR Performance Information</u> HR performance information produced does not clearly link to overall delivery of service and organisational objectives.	People Strategy Review	HR and OD Director	Q3

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Distribution List

The draft report was distributed to the above and the following have also received a copy of the final report:

- Patrick Flaherty, Chief Executive
- Richard Williams, Commercial and Business Services Director
- Martin Gerrish, Strategic Manager Financial Governance
- Julian Gale, Strategic Manager Governance
- Andy Kennell, Strategic Manager ICT Operations

Working in Partnership with

Dorset County Council	Somerset County Council
East Devon District Council	South Somerset District Council
Forest of Dean District Council	Taunton Deane Borough Council
Hereford Council	West Dorset District Council
Mendip District Council	West Somerset Council
North Dorset District Council	Weymouth and Portland Borough Council
Sedgemoor District Council	Wiltshire Council

Statement of Responsibility

Conformance with Professional Standards
SWAP 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 Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person.

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Internal Audit Plan 2017/2018

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1. Summary/link to the County Plan

- 1.1. Delivery of the County Plan requires strong internal controls across all areas. The Internal Audit Plan is one of the key mechanisms by which the County Council derives its necessary assurance that systems and controls are working effectively.
- 1.2. The proposed Internal Audit Plan for 2017/2018 has gone through a number of officer review processes in order to concentrate resources on those areas where there is particular risk to service delivery.
- 1.3. The internal audit service provided by the South West Audit Partnership Limited (SWAP), works to a Charter that defines its roles and responsibilities, and also the roles and responsibilities of the County's managers as they relate to internal audit.

2. Issues for consideration

- 2.1. Members are asked to approve the Internal Audit Plan for 2017/2018 (attached as Appendix A), re-approve the Internal Audit Charter (attached as Appendix B), and support the new process for delivering effective audits (attached as Appendix C).

3. Background

- 3.1. The Accounts and Audit Regulations require Somerset County Council to have "an adequate and effective system of internal audit" in accordance with "proper internal audit practices". Responsibility for this rests with the section 151 officer, which at Somerset is the Director of Finance and Performance. Day-to-day contact with SWAP in delivery of the Internal Audit Plan is delegated to the Strategic Manager – Financial Governance.

- 3.2.** Internal audit (delivered independently through SWAP) is an essential part of the County Council's governance arrangements. SWAP provide us with independent and objective assurance, systematically evaluating our controls and risks, and contribute towards the proper economic efficient and effective use of our resources (CIPFA). Essentially, our internal auditors should be seen as an aid to members and management to carry out their own respective functions. The Chief Executive of SWAP has previously referred to their role as being the "last line of defence" in assuring that our governance arrangements are effective and adhered to.

At the end of the Audit Plan, in addition to individual audit reports, we will receive an overall Annual Report and Opinion that will be a key source of information in our published Annual Governance Statement.

- 3.3.** "Best practice" also states that an appropriate Committee scrutinises and approves the internal audit plan, and reviews and approves the Charter annually.
- 3.4.** As part of the recent Medium Term Financial Planning round, the number of audit days that are available for the Internal Audit Plan has been cut from 1,533 days to 1,400 for 2017/2018. This reduction was brought to the Audit Committee meeting of September 2016, and possible ways for this to be achieved were put forward. Our planning principles are set out below, as a reminder to members of our risk-based approach to utilising our days.

Members may recall that this is the second time that the number of audit days has been reduced, as prior to 2015/2016 there were 1,701 days available to us.

The Chief Executive of SWAP has confirmed that a reduction of this level would not compromise SWAP's ability to carry out its statutory role, and would still allow the internal auditor give a formal opinion as usual on our system of internal controls.

It is worth remembering however, that this does not preclude, (in any way), the County Council from asking SWAP to undertake further work, such as grant claims and advice, which could be treated as a chargeable service outside the Audit Plan itself. Nor would this preclude officers from commissioning urgent work from SWAP, if we need specialist assistance, e.g. any fraud or corruption investigation.

The day rate from SWAP to SCC will rise slightly from £244 to £250 per day. There is a mechanism agreed by SWAP partners to ensure that it can always cover its corporate overheads as a limited company, which means a slight deterioration in the SCC rate as a result.

The last comparison that we have is the CIPFA Benchmarking Club average from 2015/2016 at £319 per day. So the daily rate remains significantly below this level.

- 3.5.** Best practice for internal audit plans is that they concentrate on the highest risks that a local authority faces at any given time, and there are a number of generally acknowledged factors to consider in setting an internal audit plan.

Amongst these, in particular for Somerset, are such key audit risks as:-

- An organisation's risk management framework.
- The level of transformational change being undertaken.
- The level of commissioning that is undertaken.
- Informational governance and IT risks.

3.6. There is always a need for flexibility within our Plan:-

- i) Some service areas report concerns during the year that require audit support as a matter of priority. Often, these are requests for assistance from the Senior Leadership Team.
- ii) Some audits become unnecessary because another agency is undertaking similar work in the service area, and we can place reliance on their reporting without committing SWAP resources.
- iii) Some audits become untimely and need to be moved around the Plan – either delaying them until new processes or IT systems are installed.
- iv) SWAP has been asked on occasion to support our anti-fraud work, where we need specialist support for investigations.

Should an audit be undeliverable for any acceptable reason, a number of “reserve” audits have already been identified and are regularly reviewed that can be substituted into the Plan. This is our normal approach with SWAP.

The Strategic Manager – Financial Governance has delegated authority to amend the programme at the individual audit level, and any changes to the Plan are reported at the next quarterly Audit Committee.

3.7. The Charter sets out the responsibilities between auditors and management, to ensure that the audit work can be provided effectively and efficiently.

It is worth remembering that the Charter also still gives the Internal Auditor absolute and unequivocal rights of reporting access to wherever in the organisation he deems appropriate given the nature of whatever the audit work reveals.

There are no changes to the Charter proposed for 2017/2018 as both officers and SWAP believe that it fully meets the expected public sector audit standards for internal audit work.

As was discussed at the Audit Committee meeting in January, when the update on the Audit Plan was presented, officers have not always been suitably responsive in clienting the audits, resulting the delays and lost time for SWAP. In 2016/2017, this has cost approximately 20 audit days.

In an attempt to prevent this reoccurring in 2017/2018, I meet with the SWAP team to understand where such blockages are occurring and why. This has resulted in the paper attached as Appendix C, with a clearly escalating process to ensure support.

3.8. The overall planning approach to the Internal Audit Plan remains similar to previous years, in that officers propose to :-

- Remove “more of the same” audits from 2017/2018 Plan – where we have previous “Substantial Assurance” from SWAP about the controls in place; we will place reliance on that opinion.
- Target more resource towards specialist IT audit work, particularly in light of many of the “Partials” that Audit Committee has seen recently. (The 10% included in the Plan is the most we can include).
- Target more resources to areas going through major changes in terms of service delivery and structure.
- Target more resources towards larger areas of expenditure within SCC, particularly where they are under significant demographic and budgetary pressures.
- Increase the level of work around fraud and governance in line with previous audit reports on these areas.
- Acknowledge that Grant Thornton will still take assurance from good Internal Audit, but not place reliance on their work and reduce audits in financial systems audit accordingly (where we have had recent “substantial” previous assurance, as above).
- Continue the relationship between Internal Audit resources and Risk Management, with close monitoring of risks through JCAD and management reporting back to Audit Committee following any Partial audits.
- Have enough resources set aside for Follow Up audits to ensure that management actions are completed, in order to provide the Audit Committee with the necessary assurance. (This has become quite critical given the strong approach taken by the Audit Committee on Partials).
- Not to audit areas where others are already providing both good governance and good assurance, such as capital accounting.
- Maintain and review an active “reserve” list throughout the year to allow the Plan to be flexible as necessary.
- Where possible, to require services who are receiving grants and where the grant needs auditing to pay SWAP directly for the work outside the Audit Plan. (This was agreed as an approach by the Audit Committee when the reduction in days was discussed. It was felt that the service receiving the benefit should pay and that many grants allow for audit costs).
- To incorporate directions from Audit Committee that have arisen from the review of Partials or other agenda items, such as Early Years days re-instated in 2017/2018.
- To reduce non-opinion work and concentrate on work that supports the Annual Opinion and risk management approach.
- To use the Healthy Organisation report commissioned from SWAP in 2016/2017 as a key source for audit areas for 2017/2018.

4. Consultations undertaken

- 4.1. Our SWAP audit lead has spoken to key senior officers on a 1-2-1 basis about what they would want to see in the Audit Plan, including looking at forthcoming legislative and service provision changes that will affect the controls. The Internal Audit Plan now includes a column that notes the audit proposer. Once the Plan is approved, there will also be a nominated Strategic or Service Manager who will be responsible for clienting the audit.

5. Implications

- 5.1. Once the plan has been approved, the Audit Committee will continue to monitor delivery of the Internal Audit Plan as currently, and to review the audit report recommendations, as it has done to date, to ensure that it is delivered to the appropriate standards.

6. Background papers

- 6.1. Previous SWAP reports to Audit Committee.

Note For sight of individual background papers please contact the report author

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Service Area	Audit Type and Area	Q1	Q2	Q3	Q4	Total	Reason in the plan	Audit Proposed By
	Key Control Audits							
Finance & Performance	Creditors				30	30	Post transfer of responsibility from Southwest One. Include sample for Somerset Waste Partnership.	Strategic Manager - Finance Governance
Finance & Performance	Debt Management			30		30	Post transfer of responsibility from Southwest One. Focus on debt recovery in light of 16/17 partial opinion.	Strategic Manager - Finance Governance
Finance & Performance	Payroll			30		30	Not carried out full review since 2014/15. Include IR35 changes. Post transfer from Southwest One. Include sample for Somerset Waste Partnership.	Strategic Manager - Finance Governance
Children and Learning	Troubled Families - phase 2 claims	7	7	4	7	25	Internal Audit requirement by DCLG to review claims submitted. 10 claim periods.	Strategic Commissioner Early Help and Complex Families.
	TOTALS:	7	7	64	37	115		
	Governance Audits							
Commercial and Business	Procurement - The Monitoring and Control of Savings Made		25			25	From Healthy Organisation Strategic Review . Commercial and third party spend is the second largest themed area for making savings across the Council, with minimum planned savings of £4.6million between 2017/18 and 20/21. Plans to achieve targets are captured in work streams of the Third Party spend outline business case. Whilst there is a process and rationale to capture procurement identified savings, there are multiple interdependencies which can impact on the realisation of stated savings.	Strategic Manager - Commercial and Procurement
Commercial and Business	Procurement - Category Management				25	25	From Healthy Organisation Strategic Review . Category management is a key component of potential savings but the system for identifying opportunities and capturing benefits is at an early stage.	Strategic Manager - Commercial and Procurement
Finance & Performance	MTFP - the Commissioning lead approach		25			25	From Healthy Organisation Strategic Review . New Commissioning lead approach. Given budgetary pressures a key risk area.	Director of Finance and Performance. Strategic Manager for Commissioning will be key contact.
Finance & Performance	Value for Money Strategy and Reporting			25		25	From Healthy Organisation Strategic Review . SCC is in the process of creating and implementing a strategy and work is also ongoing to determine how Value for Money should be reported by the Council.	Strategic Manager - Finance Governance
Commercial and Business	People Strategy		25			25	From Healthy Organisation Strategic Review . The overall people strategy is in the process of being updated. There is also a need for a more detailed plan to support the strategy to ensure that organisational objectives are achieved.	HR and OD Director

Commercial and Business	Workforce Planning				25	25	From Healthy Organisation Strategic Review - the aim of the work force planning initiative is to look at the Council's actual needs for the future and provide appropriate workforce resource to address and deliver these. A workforce planning toolkit has been developed and implementation is in progress on a prioritised basis; the main focus being on children's and adults Services. This has been included in the plan because the work force planning initiative is not yet organisational wide.	HR and OD Director
Commercial and Business	Strategic Asset Management				25	25	From Healthy Organisation Strategic Review . The Corporate Asset Management Plan is in the process of being updated.	Head of Property
Commercial and Business	Project Management - of projects outside of core council programme	30				30	From Healthy Organisation Strategic Review due to reduced assurance of control outside of core council programme. Need to consider a range of projects and therefore recommend 30 days for this review.	Strategic Manager Business Change
Commercial and Business	Project Management - Benefits Realisation of projects outside of core council programme			25		25	From Healthy Organisation Strategic Review due to reduced assurance of control outside of core council programme.	Strategic Manager Business Change
Finance & Performance	Performance Management - Service Planning		25			25	From Healthy Organisation Strategic Review . Service planning refresh taking place for 2017/18. The 2016/17 service plan templates included a greater focus on the MTFP and forward planning, in light of expected reductions in SCC's budget. However, the template was not used by all service areas and some have taken a long time to be finalised. The new model for 2017/18 is expected to be an improvement as it is more tailored to the service and some data is populated automatically.	Group Manager - Performance
Commercial and Business	Social Value Policy	20				20	Deferred from 2016/17. Also from Healthy Organisation Strategic Review . The social value policy does not currently include specific targets in place for social value or a defined method for capturing this across the organisation. A social value toolkit is in development. The AGS asks us to consider the ethical behavior of suppliers and the audit can help provide evidence of this.	Strategic Manager - Commercial and Procurement
Commercial and Business	Corporate Contracts - Performance Management			30		30	Select three contracts for review. Consider whether a corporate approach can be demonstrated to ensure VFM is being achieved. Include CYP within the scope of this work. Was deferred from 16/17 to give sufficient time for new toolkit be embedded. Also follow-up outstanding recommendations from previous audit.	Strategic Manager - Commercial and Procurement
Finance & Performance	Local preparations for managing National Fraud Risks		20			20	Some similarities with Managing Fraud Locally but the checklist will not be used.	Strategic Manager - Finance Governance

Finance & Performance	Provision for Fraud and Corruption Work	7	7	6	5	25	Advice and work as required	Strategic Manager - Finance Governance.
Commercial and Business	Corporate Management of Health and Safety			25		25	Following partial assurance opinions for Premises Health and Safety Management for SCC and school establishments this audit has been added to the plan to review the corporate assurance framework for Health and Safety. To include corporate reporting, monitoring and the role of Health & Safety audits.	HR and OD Director
Customers and Communities	Data Subject Access Request (DSAR) Review	20				20	Request from Customer Feedback Manager following a complaint that was referred to the Ombudsman. An audit was agreed in response to this. The audit was deferred from the 16/17 plan.	Strategic Manager - Customers and Communities
	TOTALS:	77	127	111	80	395		
	IT Audits (up to 10% plan)							
Commercial and Business	General Data Protection Regulation	10				10	Investigate work already completed and that intended to take place to ensure the Council understands the challenges of the GDPR (EU General Data Protection Regulation). Q1 piece of work so any required work can be completed before the legislation goes live in May 2018.	Information Governance Manager
Commercial and Business	Use of the Internet as a means of Surveillance.	10				10	Investigate how the internet is being used across the Council for investigative purposes and see if these should/could need applications for covert surveillance under RIPA. Agreed by Richard Williams and following the Council's interaction with the Office of Surveillance Commissioners.	Information Governance Manager
Commercial and Business	Payment Card Industry Data Security Standard (PCISS)		15			15	We know we are not compliant as we do not file attestations for all activities. Are we aware of our PCI status and associated level of risk. What attestations have gone in. What are our MID's. Do we understand where transactions take place. What is our Merchant Level and can we evidence this. What training is in place. Are we on the PCI radar through our third parties used to deliver any services.	Strategic Manager ICT
Commercial and Business	Follow up incident/problem/change management.				10	10	Follow up incident problem change	Strategic Manager ICT
Commercial and Business	Follow up Hardware asset management.				10	10	Hardware asset management	Strategic Manager ICT
Commercial and Business	Network Resilience and Authentication			3		3	Position Statement on network project progress as follow up to DR connectivity risk.	Strategic Manager ICT

Commercial and Business	Homefinders Follow Up	5				5	Standard follow up audit for Homefinders audit of 2015/16	Strategic Manager ICT
Commercial and Business	Active Directory/User Admin				15	15	Brought forward from 16/17	Strategic Manager ICT
Commercial and Business	Threat Management				15	15	Brought forward from 16/17	Strategic Manager ICT
Commercial and Business	Business Applications - Business Critical System Capita One		20			20	Management of key system to ensure ICT strategy adhered to and good system management practices in place in service areas.	Director of Childrens Services
Commercial and Business	SAP - Financial System IT Controls			15		15	Not audited recently. Key area of assurance with the ending of the SW One contract.	Strategic Manager - Finance Governance
Commercial and Business	Position Statement on outstanding follow-up audits including software and Healthy Organisation.				12	12	To update the audit committee on progress made to mitigate risks relating to partial assurance audits yet to be followed up and areas identified from Healthy Organisation work.	Strategic Manager ICT
	TOTALS:	25	35	18	62	140		
Children & Families	Independent Placements for Children Looked After and Education - Financial Controls	25				25	Audit carried out in 16/17 - significant number of priority recommendations to retest for both CLA and Education Placements. To expand scope of review to include financial forecasting arrangements for placements.	Director of Childrens Services
Children & Learning	The Education of Children Looked After		20			20	Non opinion review carried out in 15/16 as the service was undergoing much change. An opinion based review in 17/18 will assess the extent to which these improvements have been embedded.	Strategic Manager Improving Outcomes
Children & Learning	Use of Part-time Timetables in Schools			25		25	Recent report listed 188 SEND/CLA/in need/CP Plan children with 80% or less attendance over the previous 12 weeks. Part-time timetables should only be put in place where the SCC Protocol issued to schools in January is followed. Audit to check compliance with this protocol. Could also consider off-site education and assurance schools over attendance and appropriateness of this.	Strategic Manager Improving Outcomes

Children & Learning	The Transport of Children				25	25	To include high needs children as no assurance in 15/16. Follow-up based on the pilot took place in 16/17 however improvement still needed and updated system to be the subject of this review. Also look to widen scope of this review to include Children Social Care as a new risk assessment based system is being rolled out in April 2017.	Director of Childrens Services
Children & Learning	Structural Failure of School Buildings				25	25	Previous review of property maintenance arrangements gave partial assurance and follow-up undertaken at start of contract with SKANSKA so there was only limited evidence of implementation of recommendations. One finding of the Healthy Organisation Strategic Review is also relevant. It was identified that there wasn't a fully developed maintenance strategy in place and this will be a priority area of work following the ending of the Southwest One contract. BMIS is being replaced on 1st April and replaced with SSE purchased support. An audit in Q4 would allow a review of these new arrangements to be undertaken.	Strategic Manager Improving Outcomes
Children and Families	Childrens Direct Payments		25			25	The Children Act 1989 states that direct payments may be made to a parent of a disabled child who has been assessed as requiring support from Children's services. Under the Health and Social Care Act 2002, a local authority has a duty to make a direct payment if conditions are met.	Director of Childrens Services
ECI	Concessionary Fares - Key control review				20	20	Previous review was partial and recommendations not fully implemented at time follow-up undertaken. To be scheduled once new post created and member of staff established in their role.	Strategic Manager - Finance Governance
ECI	Dillington House Financial Controls Review	10				10	To include: adherence to financial regulations, obtaining quotes, cash handling, controls relating to food.	Strategic Manager - Finance Governance
Adults and Health	Risk of Care Provider Failure	25				25	SW Internal Audit People Group identified this as a key area. Under the Care Act, LAs have responsibility to provide care if a care provider fails.	Director of Adult Social Services & Adults & Health Operations Director.
Adults and Health	Mental Health			25		25	New model implemented in 1/10/2016. Audit to review how well embedded after one year including delivery of mental health assessments and associated guidance.	Director of Adult Social Services & Adults & Health Operations Director.
Adults and Health	The efficiency and effectiveness of the new Operating model				25	25	Original basis for inclusion in the plan: Currently 30% calls do not require further action by SCC. This compares to an average figure of 50%, a median figure of 60% and 70% for top performing authorities. The MTFP has a financial saving depending on increasing this figure which will be challenging. Risk of doing this too soon is that if not carried out properly will result in clients presenting with higher needs at a later date. Deferred from 16/17 due to review of SW One which required some redesign of the model.	Director of Adult Social Services & Adults & Health Operations Director.

	TOTALS:	60	45	50	95	250		
Schools and Early Years								
Children & Learning	School Theme - Schools Financial Value Standard (SFVS)			45		45	Provides annual assurance in relation to financial management in schools.	Strategic Manager Improving Outcomes
Children & Learning	School Theme - Financial Governance, budget planning and monitoring	55				55	Recommended by schools finance team: 'with strong skilled leadership who have an understanding of what is required of them many of the everyday issues would be addressed and strategies put in place to ensure compliance'. Schedule visits second half of June/first half of July to be able to check latest year-end figures.	Strategic Manager Improving Outcomes
Children & Learning	School Theme - esafety				45	45	Extension of general safeguarding. To cover safe and responsible use of technology both the internet and other electronic media such as texts and e-mail.	Strategic Manager Improving Outcomes
Children & Learning	Schools Financial Value Standard Moderation		5			5	SWAP contribution to annual moderation exercise	Strategic Manager Improving Outcomes
Children & Learning	School Visit Contingency	10				10	Contingency for requested visits during the year	Strategic Manager Improving Outcomes
Children & Learning	School follow-ups to Previous Year Partial	10				10	Partial Assurance follow-up from 15/16	Strategic Manager Improving Outcomes
Children & Learning	Early Years Visits	15		15	20	50	EY years visit across the three funding periods.	Strategic Manager Improving Outcomes
Children & Learning	Early Years Themed Report		10			10	Produce a themed report from results of 15/16 EY visits.	Strategic Manager Improving Outcomes
		90	15	60	65	230		
Follow Up Audits								
Finance & Performance	Healthy Organisation Strategic Review- Follow-up	1	2	2	2	7	All areas for attention will be recorded on JCAD. The key areas where improvement required are subject to separate audits. However there are a number of findings where this is not justified and will be picked up and reported individually.	Director of Finance and Performance
Children & Families	Retention of Foster Carers	3				3	Previous follow-up complete and some actions remained outstanding	Follow-up approach agreed with audit committee
Children & Families	Multi Agency Safeguarding Board	3				3	Previous follow-up complete and some actions remained outstanding	Follow-up approach agreed with audit committee
Adults & Health	Deprivation of Liberty	3				3	Previous follow-up complete and some actions remained outstanding	Follow-up approach agreed with audit committee
Adults & Health	Direct Payments		8			8	Partial Assurance in 15/16 previous audit deferred due to a restructure in local finance teams.	Follow-up approach agreed with audit committee

Adults & Health	AIS - Data Quality		8			8	Partial Assurance in 16/17	Follow-up approach agreed with audit committee
Children & Learning	Health & Safety -Premises Management Schools			10		10	Partial Assurance in 2015/16 and follow-up review reported significant areas still to be addressed. Corporate overview of schools will be considered as part of full audit above. From April funding for H & S system (such as EEC live) will be devolved directly to schools.	Follow-up approach agreed with audit committee
Commercial and Business	Health & Safety -Premises Management SCC establishments	10				10	Partial assurance in 2016/17.	Follow-up approach agreed with audit committee
Finance & Performance	Cash Handling - Implementation of Policy		5			5	Non opinion review in 16/17. It was agreed to produce a cash handling policy as a result of this work.	Follow-up approach agreed with audit committee
Adults & Health	Adults Placements including ISP interface		20			20	Partial Assurance in 2016/17. Will need retesting and therefore 20 days required. (Need target dates). ISP interface partial in 2015/16 but audit deferred due to restructuring of the local finance teams.	Follow-up approach agreed with audit committee
Adults & Health	Adults Income Collection - Personal Finance Contributions			8		8	Previous follow-up complete and some actions remained outstanding. Need target dates.	Follow-up approach agreed with audit committee
Children & Learning	Follow-up: School Theme - The planned use of school balances	5				5	Partial assurance in 16/17	Follow-up approach agreed with audit committee
ECl	Section 106 Agreements	10				10	Partial assurance in 15/16. Follow-up timed with implementation of new system.	Follow-up approach agreed with audit committee
Various	Monitoring and Management of Partial Assurance Recommendations	4	3	4	4	15	Sign off process to provide confirmation of implementation of recommendations. Additional follow-up work also required where not all recommendations found to be fully implemented.	Follow-up approach agreed with audit committee
Various	Follow Up Reviews - Contingency	10	10	10	10	40	Contingency to follow up audits on Partial Assurance finalised after plan approved, as agreed by Audit Committee.	Follow-up approach agreed with audit committee
TOTALS:		49	56	34	16	155		
Grant/Support Activities								
Corporate	Corporate Advice and Planning	13	12	12	13	50	Meetings and liaison with Strategic Manager - Finance Governance. Compliation of annual internal audit plan with input and agreement of Senior Management. Ongoing support relating to delivery of the internal audit plan to ensure progress satisfactory and appropriate intervention where it is not.	Strategic Manager - Finance Governance.
Corporate	Committee Reporting/Attendance and other Corporate Meetings	7	6	6	6	25	Audit Committee attendance, including partials and preparation of papers. Attendance at SRMG, core contract group and other SCC meetings.	Strategic Manager - Finance Governance.

Economic and Community Infrastructure	Advice - ECI	1	2	1	1	5	Staff time to liaise with service, deal with ad hoc queries and keep up to date with service developments including SWAP wide specialist meetings.	Strategic Manager - Finance Governance.
Adults and Health	Advice - Adults	2	2	2	2	8	Staff time to liaise with service, deal with ad hoc queries and keep up to date with service developments including SWAP wide specialist meetings.	Strategic Manager - Finance Governance.
ICT	Advice - ICT	2	2	2	2	8	Staff time to liaise with service, deal with ad hoc queries and keep up to date with service developments including SWAP wide specialist meetings.	Strategic Manager - Finance Governance.
Corporate	Advice - Corporate	2	2	2	2	8	Staff time to liaise with service, deal with ad hoc queries and keep up to date with service developments including SWAP wide specialist meetings.	Strategic Manager - Finance Governance.
Children & Families	Advice - Children & Families	1	2	1	1	5	Staff time to liaise with service, deal with ad hoc queries and keep up to date with service developments including SWAP wide specialist meetings.	Strategic Manager - Finance Governance.
Children and Learning	Advice and School Support	1	2	1	2	6	Staff time to liaise with service, deal with ad hoc queries and keep up to date with service developments including SWAP wide specialist meetings.	Strategic Manager - Finance Governance.
TOTALS:		29	30	27	29	115		

TOTALS:					2016/17	
Key Control Audits	7	7	64	37	115	175
Governance Audits	77	127	111	80	395	215
IT Audits	25	35	18	62	140	155
Operational Audits	60	45	50	95	250	295
Schools and Early Years	90	15	60	65	230	280
Follow Up Audits	49	56	34	16	155	163
Non-Opinion	0	0	0	0	0	60
Grants and Support Activities	29	30	27	29	115	190
TOTAL AUDIT TIMES:	337	315	364	384	1400	1533

Appendix B

Delivering Audit Excellence



Internal Audit Charter

Somerset County Council

South West Audit Partnership Ltd

South West Audit Partnership Ltd

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Last revision author	Lisa Fryer
Date for next review	March 2018

INTERNAL AUDIT CHARTER

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Somerset County Council, and to outline the scope of internal audit work.

Approval

This Charter is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Audit Committee¹ on 24th March 2016.

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Director of Resources in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management and of Internal Audit

Management²

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Chief Executive and the Audit and Governance Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

¹ The Standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Audit Committee in this instance represents the Board.

² In this instance Management refers to the Management Team

Internal Audit

Internal audit is responsible for operating under the policies established by management in line with best practice.

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 has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for Somerset County Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive of SWAP and the SWAP Director also report to the Director of Resources as Section 151 Officer, and reports to the Audit and Governance Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Somerset County Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Somerset County Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;

- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy;
- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Audit and Governance Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least four times a year to the Audit and Governance Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit and Governance Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Director of Resources and to other relevant line management.

The Chief Executive of SWAP will submit an annual report to the Audit and Governance Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and the SWAP Director have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the Council's Chief Executive or the External Audit Manager.

DELIVERING EFFECTIVE INTERNAL AUDITS IN SOMERSET

Background

A common problem across SWAP has been that of delays in progressing audits. In response to this a SWAP paper has been produced entitled delivering effective internal audits which details roles and obligations of SWAP and Partner Organisations in relation to progressing internal audit work.

In Somerset we have agreed further detail of how we can better deliver audits using the overall SWAP guidance as a framework.

We still aim to be flexible but the purpose of this framework is to help ensure that this is not at the expense of delivery of the audit plan.

Agreement of the Internal Audit Plan

The forward plan will be an agenda item at a Commissioning Board meeting during January/February to provide an opportunity for Senior Leaders to consider areas of significant risk for inclusion in the following years internal audit plan. An outline scope will be required together with the identification of key managers that will need to be involved in the audit. The Commissioning Board will approve the Internal Audit Plan.

On agreement of the plan a copy will be sent to each member of the SLT and the Strategic/Service managers that have been identified as contacts (the agreed management contacts). The plan will include the outline scope and quarter agreed for delivery.

Quarterly Planning

In the month before the quarter starts an email will be sent to the agreed management contacts to remind them that the audit is planned for the following quarter and the outline scope will be provided to help with this. They will be prompted to inform audit of significant changes to the service that could potentially effect the scope of the review.

Terms of Reference

The initial meeting is an opportunity to remind staff of their responsibilities under financial regulations. A reference to this will also be included in the Terms of Reference.

There is assumed agreement to the Terms of Reference. The email that accompanies the ToR will state that unless managers inform us otherwise that agreement is assumed after five working days have passed.

The terms of reference will detail the following:

- Key contacts
- Data needed for testing
- Basis of sampling

- Timeframe agreed for testing

Testing

At the initial meeting the timeframe for testing will be agreed. Availability of contacts for testing will be also be determined at the initial meeting and where possible block booking of testing will be performed.

Direct access to systems and files will be sought where possible to minimise SCC staff time needed.

Escalation Procedures

1. The expectation is that a meeting will be arranged with one month of the request. Where this is difficult SCC staff will be expected to rearrange calendars to allow this to happen. If this is not possible this will be escalated to the Strategic Finance Manager – Governance.
2. The following has been agreed and applies to any request for information or response needed to a report:

Day 1 Request made by auditor with a response time of five days stated in the email (or agreed reporting timeframe if different).

Day 5 Follow-up request made by auditor

Day 10 Follow-up request made by Assistant Director

Day 15 Follow-up request made by the Strategic Finance Manager - Governance copied to their line manager.

3. If a meeting is cancelled by SCC it should be rearranged within two weeks of the original date. If it is cancelled a second time it will be escalated to the Strategic Finance Manager – Governance.

Escalation to the Strategic Finance Manager – Governance will be via the Assistant Director.

Action relating to Delays

Where delays mean that the original audit scope cannot be delivered either additional days will be agreed or the scope reduced. All scope reductions will be referred to in the report.

Where delays experienced mean that the audit can no longer be delivered within the financial year the audit will be removed from the plan and a replacement agreed. Where the delay means that the overall audit plan cannot be delivered within a reasonable timeframe then ultimately the audit time may be lost without replacement.

Performance Monitoring

The Assistant Director will maintain the following information:

- A list of changes to the audit plan requested by SCC
- An estimate of time lost for audits that were subsequently removed from the plan
- The overspend of audits where it was necessary to chase repeatedly for information
- A list of issues referred to the Strategic Finance Manager – Governance for escalation.

These will be discussed periodically at the regular meeting held between the Assistant Director and Strategic Finance Manager – Governance.

Lisa Fryer

Assistant Director

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Premises Management at SCC Establishments - 2016/17

Final Report

Issue Date: 28th November 2016

Working in Partnership to Deliver Audit Excellence

Executive Summary

- This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

Findings and Outcomes

- This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

Appendices:

- Audit Framework Definitions
- Support and Distribution
- Statement of Responsibility

Executive Summary

Overview

As part of the 2016/17 Internal Audit Plan, a review of the management of premises-related health and safety was carried out across a range of Council establishments. The agreed approach was a themed review, with results being consolidated into a single report and highlighting where good practice or common weaknesses were identified. This report will enable the Council to share information with other premises to ensure weaknesses can be rectified and best practice shared.

Health and safety is governed by legislation and associated regulations, which are enforced by the Health and Safety Executive (HSE).

The Health and Safety at Work Act 1974 provides a framework for ensuring the health and safety of all employees in any work activity. It also provides for the health and safety of anyone who may be affected by work activities; e.g. members of the public accessing Council establishments and contractors.

The main requirement of the Management of Health and Safety at Work Regulations 1999 is that employers must carry out risk assessments to eliminate or reduce risks.

This audit focused specifically on the premises management aspects of health and safety at Council establishments. Guidance is published on the Corporate Health & Safety extranet. A suite of policies and procedures set out the requirements that are the responsibility of the nominated premises manager at each establishment. These expectations are also reinforced through a corporate training programme in the form of a one day course that is open to all premises managers.

Over the last two years, Health & Safety Officers have conducted a programme of audits at a range of establishments nominated by Service Managers. Staff have been interviewed on their knowledge and awareness of Health & Safety policies and where any issues have been highlighted, the audit has generated an action plan for the relevant service to implement. Health & Safety Officers also monitor any accidents/incidents recorded by premises and carry out a more in-depth investigation if the report highlights any major concerns relating to a premises failure.

A Health & Safety Steering Group is also in place to monitor the actions identified in the Health & Safety audit reports.

This report is primarily intended to assist management with their responsibilities in relation to premises health and safety. It therefore draws attention to areas where risks are not being appropriately controlled and improvements in the internal control system would be beneficial. The conclusion section below records our overall opinion on the adequacy of the internal control framework and its effectiveness of operation.

Objective

The corporate approach to health and safety ensures that statutory requirements are complied with and premises are adequately managed for both SCC-owned/ occupied and co-located / shared establishments.

Significant Findings	
Finding:	Risk:
1. At four of the ten establishments, the designated person responsible for the premises had not completed the corporate premises manager training course. At a further three establishments, premises managers had completed the training but this was in excess of ten years ago.	Officers with responsibility for management of premises are not aware of the current corporate and legislative requirements of their role.
2. There was a lack of evidence that fire extinguishers have been both visually inspected by staff on a monthly basis and inspected by an approved contractor on an annual basis at four establishments.	The injury or death of staff and/or members of the public who access the premises.
3. Records of legionella temperature testing were found to be incomplete at eight of the ten establishments and the majority of these related to monthly temperature testing not being consistently carried out and recorded by staff. Three establishments were also unable to provide evidence of their two yearly inspection.	The injury or death of staff and/or members of the public who access the premises.
4. Numerous findings in relation to routine inspections for safety of electrical, gas and oil installations, portable appliance testing and passenger lifts – please see finding 3.2.	The injury or death of staff and/or members of the public who access the premises.
5. Six out of ten establishments were unable to provide evidence that they had completed an annual review of asbestos containing materials in their buildings and stated that they had not completed an Annual Return to the Asbestos Team, as per the requirements.	The majority of the asbestos in the establishments visited was in areas not typically accessed by staff or members of the public, but any contractor working in the vicinity may be at risk of exposure if annual inspections are not completed to detect issues.
6. Five of the ten establishments were found to have outstanding tasks for risk assessments on RAMIS that required further action. At three of the ten establishments, no premises risk assessments were in place at all. At a further two establishments, there were only a limited number risk assessments in evidence, which did not cover all of the areas expected for the premises and the associated risks.	While the systems for risk assessments are only partially effective, unmitigated risks could result in an incident causing harm to staff and/or members of the public.

Audit Opinion:**Partial**

All establishments visited have been issued with a summary of findings where issues have been identified. We were pleased with the positive attitude from staff to our feedback as a result of the audit process. Individual assurance opinions were not provided at each establishment, since the focus of the audit was to obtain an overview of specific key areas across a range of premises.

Some areas of good practice were identified:

- There is evidence at all establishments that staff can access the current corporate Health & Safety policies and guidance;
- All establishments have a designated premises manager;
- All establishments were found to have current, satisfactory records for the inspection of the fire alarm system.

However, standards were found to be generally inconsistent and in some cases poor, across the ten establishments included in the audit.

The main areas of concern were those listed in the above Significant Findings section of this report, but those of particular note relate to the corporate arrangements for completion of risk assessments.

There is an issue where responsibility lies with the Local Authority, on the lack of clarity of expectations in terms of mandatory risk assessments for premises. The guidance available on the Health & Safety extranet does not specify which property areas require a risk assessment as a minimum and those that are optional. Whilst this may be an approach designed to encourage premises managers to be proactive and take ownership for risk assessments, it has resulted in confusion and inconsistency and a recommendation has been made for further guidance to be issued.

Furthermore, there are concerns about the lack of corrective action following the central monitoring to confirm that premises managers are using and updating RAMIS as intended. Monitoring should be carried out centrally to identify where there are issues with the timeliness of completion of task reviews. Some of the task completion dates observed for the RAMIS system were long overdue and there is a lack of understanding about who is responsible for updating them. The low level of use of EEC-live for other types of risk assessments compounds the issue, because this results in an inability to conduct any routine central monitoring. The Corporate Health & Safety Unit therefore have a lack of assurance that premises risks are being adequately managed.

Other common issues include a lack of clarity about the intended use of Atrium for both storage of premises inspection certificates and the system for logging and monitoring calls with Corporate Property. This has led to inconsistent approach and the delays to delivery of Atrium training for some premises managers has resulted in the removal of their previous manual systems and no interim arrangements in place.

Corporate Risk Assessment

Risks	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. Clear, up to date policies and guidance for premises management are not in place or do not cover the scope of risks across SCC establishments.	High	Low	Low

2. Staff are not adequately trained in premises management and appropriate roles and responsibilities have not been assigned.	High	Medium	Medium
3. Routine inspections and maintenance are not carried out in line with statutory requirements.	High	Medium	High
4. Assessments relating to the management of premises risks are not completed or not subject to periodic review.	High	High	High
5. There is a lack of awareness and monitoring of premises management at a corporate level, to ensure that issues are addressed and required improvements are monitored through to completion.	Medium	Medium	Medium

Findings and Outcomes

Method and Scope

Ten individual establishments of differing size and purpose were selected in consultation with the Strategic Manager for Health & Safety and the sample also included a range of SCC managed and co-located premises across a selection of services. Some establishments selected are routinely accessed and used by members of the public, including children.

Fieldwork for this audit comprised a discussion with the premises manager at each establishment regarding arrangements for policy guidance, periodic checks by the manager, staff communication and training, as well as a review of evidence of the risk assessment and inspection arrangements in place.

The audit also sought to establish the effectiveness of monitoring at a corporate level by reviewing the processes in place for communication of cyclical audits and also senior management awareness within the relevant services.

Due to the time required to provide full coverage of these areas at all establishments, it was not possible to review the arrangements for monitoring by the Corporate Health & Safety Steering Group, but it is hoped that this report will provide an overview of the priority areas that require scrutiny at an organisational level.

1 Risk: Clear, up to date policies and guidance for premises management are not in place or do not cover the scope of risks across SCC establishments.

1.1 Finding and Impact

Priority 3

Seven of the ten establishments audited are co-located with other agencies in the same building and we reviewed the extent to which the SCC Health & Safety Partnerships policy guidance is complied with.

At two of the seven establishments, it was found that no Shared Use Agreement was in place and therefore the designation of responsibility for premises health and safety arrangements had not been formally agreed. In one further establishment, an agreement was in place but had not been signed by any of the parties.

At a further two establishments, the agreements in place did not cover all agencies within the building. There is a risk that premises management tasks are not completed in a timely manner because staff do not have clarity about their designated responsibilities.

There is a further concern about the establishments at which multiple SCC services are co-located because there is insufficient information about which staff access the building on a regular basis. This finding compromises the assurance that all staff have received a building health and safety induction, receive periodic reminders and presents the risk that they may be unaware of all necessary requirements and arrangements.

1.1a Agreed Outcome:

I recommend that the Strategic Manager for Health & Safety should ensure that premises managers are reminded of the requirement to complete and periodically review a Shared Use Agreement with all internal and external agencies with whom they are co-located in the same premises.

Action Plan:

Person Responsible:	Strategic Manager for Health & Safety	Target Date:	1 st March 2017
Management Response:	A reminder will be sent as part of an initiative to send regular reminders to premises managers in relation to their roles and responsibilities		

1.2 Finding and Impact **Priority 3**

At five of the ten establishments, there was a lack of evidence of the communication of reminders about health and safety policy requirements to all relevant staff, including both individual service team meetings and also the tenant meetings for co-located agencies. This was largely because team and tenant group meetings were either too infrequent, did not include health and safety as a standing agenda item, or there was no evidence that minutes were produced and circulated to all relevant staff.

There is a risk that if staff are not receiving periodic updates about health and safety requirements and arrangements, procedures will not be consistently followed.

1.2a Agreed Outcome:

I recommend that the Strategic Manager for Health & Safety should ensure that a reminder is issued to all staff regarding the requirement for health and safety to be a standing agenda item at all meetings and that all agreed actions should be documented and communicated. This could be achieved by an item in Core Brief to ensure it reaches all staff.

Action Plan:

Person Responsible:	Strategic Manager for Health & Safety	Target Date:	1 st February 2017
Management Response:	A reminder will be sent as part of an initiative to send regular reminders to employees in relation to their roles and responsibilities		

2 Risk: Staff are not adequately trained in premises management and appropriate roles and responsibilities have not been assigned.

2.1 Finding and Impact **Priority 4**

At four of the ten establishments, the designated person responsible for the premises had not completed the corporate premises manager training course. At a further three establishments, premises managers had completed the training but this was in excess of ten years ago.

Currently, the corporate training for premises managers is published in the Health & Safety Training Handbook as being mandatory for all staff with responsibility for management of premises. However this is not currently enforced and there is also no formal requirement for periodic refresher training. The Strategic Manager for Health & Safety plans to revise training and make appropriate content available through the Council's Learning Centre.

There is a risk that officers with responsibility for management of premises are not aware of the current corporate and legislative requirements of their role. It could be argued that many of the other findings of this audit in relation to premises manager responsibilities not completed, relate to lack of staff awareness of requirements due to insufficient training.

2.1a Agreed Outcome:

I recommend that the Strategic Manager for Health & Safety should ensure that mandatory corporate training for premises managers is enforced and a timescale for completion of refresher training should be agreed, in line with typical updates to both legislative and corporate requirements. Completion of training should be centrally monitored and reminders issued to staff when a refresher course is due.

Action Plan:

Person Responsible:	Strategic Manager for Health & Safety	Target Date:	1 st Feb 2017
Management Response:	The Strategic Manager for Health & Safety cannot enforce attendance. We can now report on where the premises manager has not completed		

	<p>training via a new facility on RAMIS to record the trained status of premises managers – which can be made available to services. Services must organise people to apply for the courses and ensure that any change of premises management personnel is communicated to CHSU at the appropriate time. This will be included as part of the reminder programme.</p> <p>A trained status report as at 1st December and a timescale for refresher training will be tabled for HSPSG in January 2017. Indications are that a number of courses will have to be organised in 2017 to address the shortfall identified.</p>
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2.2	Finding and Impact	Priority 3
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All establishments had basic arrangements for the induction of new staff, in terms of both the building and the health and safety arrangements in place. However, at four establishments we found that induction content and completion could not be fully evidenced because there was no documented checklist in place and no requirement for sign-off.

There is a risk that new staff do not have sufficient awareness of key information such as health and safety policies, emergency evacuation procedures and to whom they should report safety and maintenance issues.

2.2a	Agreed Outcome:
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I recommend that the Strategic Manager for Health & Safety should issue a standard health and safety induction checklist for managers to develop and use with all new staff members. Premises managers should be notified this documentation is available on the Health & Safety extranet, for them to access and tailor to their own specific requirements.

Action Plan:

Person Responsible:	Strategic Manager for Health & Safety	Target Date:	31 st January 2017
Management Response:	An induction checklist will be developed, included in policy and placed on the extranet site.		

3	Risk: Routine inspections and maintenance are not carried out in line with statutory requirements.
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3.1	Finding and Impact	Priority 4
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For routine statutory inspections and testing in relation to fire safety equipment and legionella, we found a range of issues across the ten establishments.

The majority of the findings for fire safety related to a lack of evidence that extinguishers have been both visually inspected by staff on a monthly basis and inspected by an approved contractor on an annual basis. This was the case at four establishments.

Legionella water temperature testing is required on a monthly basis, as well as an inspection by an approved contractor, for which the frequency is variable depending on the type of property. Records were found to be incomplete at eight of the ten establishments and the majority of these related to monthly temperature testing not being consistently carried out and recorded by staff, although three establishments were also unable to provide evidence of an inspection by a contractor. In some cases, we identified a lack of awareness of the requirements for these checks.

If unacceptable stored water temperatures are not identified, this could result in the injury or death of

staff and/or members of the public who access the premises and the finding is therefore deemed to be significant.

3.1a **Agreed Outcome:**

I recommend that the Strategic Manager for Health & Safety should ensure that premises managers are made aware of inspection requirements through the mandatory corporate training for premises management.

Action Plan:

Person Responsible:	Strategic Manager for Health & Safety	Target Date:	1 st March 2017
Management Response:	This is already in place for a number of areas including fire and legionella. A reminder will be sent as part of an initiative to send regular reminders to employees in relation to their roles and responsibilities.		

3.2 **Finding and Impact**

Priority 4

For routine inspections relating to the safety of electrical, gas and oil installations, we found two establishments where evidence of the annual gas and oil systems checks within the last year could not be provided.

Fixed electrical wiring installations require an inspection of the whole circuit – currently this is required every three years. Specific electrical installations are however to be inspected at an interval dependent on the condition of the equipment. Premises managers expressed confusion about this requirement for their specific installations. The latest inspection could not be verified at nine of the ten establishments and in the majority of cases, this was because certificates could not be located to confirm when the last check was completed. We were subsequently advised by Corporate Property that certification should be available on Atrium or from Skanska, but premises managers were not aware of this.

Portable Appliance Testing (PAT) is required by an approved contractor, but should also be supplemented by annual visual checks by staff on an annual basis. The cycle for inspections by an approved contractor is variable, depending on the type of property and the equipment located there. In one establishment, the contractor inspection could not be confirmed due to lack of evidence and in a further five establishments, there was a lack of evidence of an annual check by staff.

Other types of required inspections that were common across the ten establishments were for passenger lifts and emergency lighting and we found a lack of evidence for these inspections at five establishments.

There was general confusion amongst premises managers about the requirements for each contractor to provide an inspection certificate and also regarding the responsibility for completion of any follow-up action identified by an inspection. There were a number of cases where staff believed inspections had been completed within the required timeframe but a certificate had either not been provided, or the inspector advised that it would be sent directly to Corporate Property. These arrangements compromise the ability of premises managers to fulfil their responsibilities and maintain records of periodic inspections, so they can monitor their completion.

We also found three cases where inspection certificates recorded remedial actions, such as lift equipment to be re-wired, or water systems to be flushed and disinfected. Premises managers were unable to advise if they had been booked or completed and generally assumed this would be arranged and managed by Corporate Property.

Corporate Property subsequently advised that premises managers have been guided on where inspection certificates are held within Atrium, but there is further work in progress to ensure that all premises managers have been identified as requiring Atrium access.

3.2a	Agreed Outcome:		
I recommend that the Strategic Manager for Health & Safety should ensure that premises managers are made aware of inspection requirements through the mandatory corporate training for premises management.			
Action Plan:			
Person Responsible:	Strategic Manager for Health & Safety	Target Date:	N/A
Management Response:	This is already in place as the Head of Corporate Property will be involved in PM training since September 2017.		
3.2b	Agreed Outcome:		
I recommend that the Head of Property should issue a reminder to all premises managers regarding the Atrium arrangements in respect of premises inspection certificates. This should include the expectations for monitoring by premises managers, where to access certificates and also the responsibilities for follow-up of identified remedial issues.			
Action Plan:			
Person Responsible:	Head of Property		
Management Response:	This will be sent out to all Corporate Properties during December 2016 and will be copied to CHSU for reference. SSE will be required to send the same to all schools properties.		

3.4	Finding and Impact	Priority 3	
Premises managers are required to complete visual inspections of the internal and external premises, including all fixtures and fittings, on at least an annual basis.			
At five establishments, there was insufficient evidence of these inspections because the premises managers are not documenting their checks. At a further three establishments, we recommended that premises managers referred to corporate guidance because their documented checklists did not appear to cover all required areas of the premises. In some cases, we identified a lack of awareness of the requirements for these checks.			
There is a risk that health and safety defects will not be detected and remedial action not monitored through to completion if checks are not documented and do not cover all areas.			
3.4a	Agreed Outcome:		
I recommend that the Strategic Manager for Health & Safety should ensure that premises managers are made aware of inspection requirements through the mandatory corporate training for premises management.			
Action Plan:			
Person Responsible:	Strategic Manager for Health & Safety	Target Date:	31 st March 2017
Management Response:	A reminder will be sent as part of an initiative to send regular reminders to premises managers in relation to their roles and responsibilities. It is already included as part of the training course		

3.5	Finding and Impact	Priority 3	
Establishments require a system to log and monitor all building and fixture issues that require repair or maintenance. The Council is in the process of rolling out training in the use of the Atrium system, which will provide this functionality. Previously, some establishments were supplied with a log book by Skanska and confusion has arisen about how this system should be used to compliment the information stored on Atrium.			

The changes to these arrangements have resulted in an inconsistent approach to management of this area in the establishments visited.

Three premises managers advised that they have been given access details for the Atrium system but stated that they are yet to be provided with training and have therefore not yet adopted the system. There was no evidence of a previous manual system in place.

One premises manager had been provided with a Skanska log book but upon review we discovered that because contractors had attended without making themselves known to staff or consulting the log book, there was no manual record of completion of the calls they attended.

At four further establishments, premises managers were only able to provide partial evidence of issues logged through the Repairline and none had been provided with a confirmation when jobs had been attended and completed, due to the absence of an effective manual system in place.

Because of these inconsistencies and the inability to access and review records, it was not possible for the audit to establish whether Atrium is up to date and providing an effective system of maintenance required and completed.

There is a lack of assurance that systems for logging and monitoring maintenance issues are operating as intended. Staff have expressed confusion about longer term plans for use of Atrium and any interim arrangements required.

3.5a **Agreed Outcome:**

I recommend that the Head of Property should issue a reminder to all premises managers to advise of the process for use of the Atrium system to log and monitor property support calls.

Action Plan:

Person Responsible:	Head of Property	Target Date:	End of December 2016
Management Response:	This will be sent out to all Corporate Properties during December 2016 and will be copied to CHSU for reference. SSE will be required to send the same to all schools properties.		

3.6 **Finding and Impact**

Priority 4

Asbestos containing materials in buildings are required to be visually inspected to confirm there are no signs of disturbance or damage.

Six out of ten establishments were unable to provide evidence that they had completed an annual review of any asbestos containing materials in their buildings and stated that they had not completed an Annual Return to the Asbestos Team, as per the requirements.

Following review of the Asbestos Register at two of these establishments, Managers stated that they believed that the Register had not been updated since completion of building work in the last year and they required a new survey to be completed due to the alterations made.

Whilst the majority of the asbestos in the establishments visited was in areas not typically accessed by staff or members of the public, any contractor working in the vicinity may be at risk of exposure if annual inspections are not completed to detect issues.

3.6a **Agreed Outcome:**

I recommend that the Strategic Manager for Health & Safety should liaise with the Asbestos Team to clarify the requirements for the Annual Return and issue an appropriate reminder to all premises managers.

Action Plan:

Person Responsible:	Strategic Manager for Health & Safety	Target Date:	28 th November 2016
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Management Response:	The facility on RAMIS to remind premises managers that tasks (including the Asbestos return) are overdue is being enabled on 28 th November 2016. The Asbestos Team will only receive any returns that indicate there may be a need to follow-up – which they should do and react according to the situation. They have no wider monitoring responsibility. This remains a CHSU function.
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4	Risk: Assessments relating to the management of premises risks are not completed or not subject to periodic review.
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4.1	Finding and Impact	Priority 4
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RAMIS is the corporate system for the recording and monitoring of risk assessments relating to fire, including both cyclical requirements and any reactive tasks.

Eight of the ten establishments were found to have outstanding tasks on RAMIS. After further discussion with premises managers, three of these were simple cases of the system not being updated in a timely manner, but for the remaining five there were outstanding actions that required further work.

This is another area where premises managers are unclear on who has responsibility for updating of the system for certain actions, where there is a requirement for Hard FM to arrange for issues to be rectified. In instances where a contractor attends to alterations to fire doors or door seals for example, the manager feels unable to confidently confirm that the remedial work now meets the required standard and these actions are typically left outstanding on RAMIS.

The wider issue with this finding is the lack of central monitoring and follow-up of outstanding actions on RAMIS, so that specific issues relating to the timeliness of completion of risk assessments across all establishments can be identified and addressed.

An additional finding worthy of note here is that at the time of booking visits to the ten establishments, we were advised of the details of premises managers at each establishment by the Corporate Health & Safety Unit, via the named contact on the RAMIS system. These details were found to be incorrect in five cases and we found this was due to staff at premises sharing login details for RAMIS, or the premises manager not having access to the system. This means that the Corporate Health & Safety Unit do not have an accurate record of all premises managers and will compromise their ability to issue reminders.

4.1a	Agreed Outcome:
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I recommend that the Strategic Manager for Health & Safety should ensure that central monitoring of RAMIS is introduced and premises managers are reminded when tasks are overdue.

It is also recommended that improved guidance for the responsibility of updates to the system is issued. This should include a requirement for all premises managers to have their own RAMIS accounts, to eliminate the use of shared login details.

Action Plan:			
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Person Responsible:	Strategic Manager for Health & Safety	Target Date:	20 th January 2017
Management Response:	The facility on RAMIS to remind premises managers that tasks are overdue is being enabled on 28 th November 2016. However, its benefit will be diluted until Property are able to update the elements that they deal with (maintenance and improvement) or provide better support to PMs so that they can. CHSU is currently in discussion with Property regarding this. The guidance cannot be issued until that is agreed.		

4.2 Finding and Impact

Priority 4

Risk assessments for all other premises-related risks were found to exist mostly in manual form, with only one establishment using the corporate system, EEC-live to record and monitor assessments. The low level of use of EEC means that at a corporate level, it is not possible to obtain an overview for reporting and monitoring purposes and risk areas may not be sufficiently covered as a result. At present, it is not known for how long EEC-live will remain as the corporate system for risk assessments.

This concern was substantiated at three of the ten establishments, where no premises risk assessments were in place at all and this is a significant issue.

At a further two establishments, there were only a limited number risk assessments in evidence, which did not cover all of the areas expected for the premises and the associated risks. This finding is indicative of the fact that there is no corporate or service guidance issued, to advise premises managers of the minimum requirements for risk areas relating to the premises.

There is a risk that while this system is only partially effective, unmitigated risks will result in an incident causing harm to staff and/or members of the public.

4.2a Agreed Outcome:

I recommend that the Strategic Manager for Health & Safety should introduce a process to ensure that premises managers are required to complete a declaration that all required risk assessments are in place and are up-to-date. This is an interim arrangement pending the decision regarding a corporate electronic system.

Action Plan:

Person Responsible:	Strategic Manager for Health & Safety	Target Date:	1 st March 2017
Management Response:	There is already a process that covers Fire Asbestos and Legionella assessments. We will introduce a process to cover the other assessments needed e.g. First aid, Housekeeping, working at height via a declaration that will be developed and placed on RAMIS for non-school premises managers to complete as at the end of March 2017.		

5 Risk: There is a lack of awareness and monitoring of premises management at a corporate level, to ensure that issues are addressed and required improvements are monitored through to completion.

5.1 Finding and Impact

Priority 3

Premises managers were asked to confirm the arrangements for escalation of any premises related issues to their line managers and also their awareness of the cyclical audit reports published by the Corporate Health & Safety Unit (CHSU).

Whilst communication channels with senior management appear to be operating effectively for specific issues, there were three premises managers (covering four establishments) who were unable to confirm that they had been made aware of the outcomes of recent CHSU audits and consequently had also not shared them with premises staff.

There is a lack of assurance that where issues have been identified in risk areas, they are being consistently communicated to staff.

5.1a Agreed Outcome:

I recommend that the Strategic Manager for Health & Safety should remind all senior management that Corporate Health & Safety Unit audit reports should be disseminated to premises managers to ensure they can verify suitable arrangements at their own establishments.

Action Plan:

Person Responsible:	Strategic Manager for Health & Safety	Target Date:	1 st Feb 2017
Management Response:	A reminder will be issued at the next HSPSG meeting		

Audit Framework and Definitions

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5	Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
Priority 4	Important findings that need to be resolved by management.
Priority 3	The accuracy of records is at risk and requires attention.

Priority 2 and 1 Actions will normally be reported verbally to the Service Manager.

Report Authors

This report was produced and issued by:

- Jenny Frowde, Senior Auditor
- Lisa Fryer, Assistant Director

Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

- The premises managers of the ten establishments visited.

Distribution List

This report has been distributed to the following individuals:

- Brian Oldham - Strategic Manager - Health & Safety
- Richard Williams - Commercial and Business Services Director
- Claire Lovett – Head of Property
- Chris Squire – HR & OD Director

Working in Partnership with

Dorset County Council	Somerset County Council
East Devon District Council	South Somerset District Council
Forest of Dean District Council	Taunton Deane Borough Council
Hereford Council	West Dorset District Council
Mendip District Council	West Somerset Council
North Dorset District Council	Weymouth and Portland Borough Council
Sedgemoor District Council	Wiltshire Council

Statement of Responsibility

Conformance with Professional Standards
SWAP 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 Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person.

Report to Audit Committee 30th March 2017

Audit Report	Premises Management at SCC Establishments - 2016/17
Dated	28 th November 2016
Objective	“The corporate approach to health and safety ensures that statutory requirements are complied with and premises are adequately managed for both SCC-owned/occupied and co-located / shared establishments.”

This paper provides an update for members of Audit Committee in respect of the findings of the above Audit and officers’ actions taken and planned in response to the recommendations contained in that report.

As the Strategic Manager for Health and Safety retired from the organisation during February 2017, this paper has been compiled by the Director of HR and OD and the Head of Corporate Property.

Item	Recommendation	Management Response - Current Position
1.1a	That the Strategic Manager for Health & Safety (“SM H&S”) should ensure that premises managers are reminded of the requirement to complete and periodically review a Shared Use Agreement with all internal and external agencies with whom they are co-located in the same premises.	<p>Prior to his departure, the Strategic manager for Health & Safety set in train a programme of regular reminders to premises managers in relation to their roles and responsibilities to include the need to keep Shared Use Agreements under review.</p> <p>This will be carried out through RAMIS and any non-compliance will be raised at the Health & Safety Policy Steering Group.</p> <p>In addition, the Head of Corporate Property has, since September 2016, been contributing to regular Premises Manager training for both schools and corporate properties and this includes material on the sharing of premises.</p>
1.2a	That the SM H&S should ensure that a reminder is issued to all staff regarding the requirement for health and safety to be a standing agenda item at all [team] meetings and that all agreed actions should be documented and communicated. This could be achieved by an item in Core Brief to ensure it reaches all staff.	<p>An item reminding staff of the requirement for health and safety to be a standing agenda item at team meetings will be included in April’s Core Brief and repeated every 6-months.</p> <p>This is also to be included in the programme of regular reminders referred to in item 1.1a</p>

		above.
2.1a	That the SM H&S should ensure that mandatory corporate training for premises managers is enforced and a timescale for completion of refresher training should be agreed, in line with typical updates to both legislative and corporate requirements. Completion of training should be centrally monitored and reminders issued to staff when a refresher course is due.	<p>A new facility on the RAMIS system now allows officers to monitor the completion of training by Premises Managers. The need for services to ensure that the relevant members of their teams enrol on and complete the courses and to ensure that any change of premises management personnel is communicated to the Corporate Health & Safety Unit will be included as part of the reminder programme referred to above.</p> <p>In January 2017 a report on the trained status of PMs revealed that only 5 premises lacked a trained manager. Two were libraries with a trained supervisor and 2 were properties about to be closed. The fifth has been brought to the attention of the relevant service to ensure training is undertaken.</p>
2.2a	That the SM H&S should issue a standard health and safety induction checklist for managers to develop and use with all new staff members. Premises managers should be notified this documentation is available on the Health & Safety extranet, for them to access and tailor to their own specific requirements.	<p>Prior to his departure, the SM H&S set in train work to develop an induction checklist to be made available to premises managers through the extranet site. This will be reinforced through Premises Manager training content and we are also looking into the use of The Learning Centre for monitoring and reporting and to develop a wider induction package for Premises Managers in collaboration with FM and Property teams.</p> <p>The induction checklist was aimed at the schools SWAP audit and is available on ipost. The Corporate H&S Training Policy and Matrix will go live during the week commencing 27th March and HSPSG will be advised accordingly at the April 2017 meeting.</p>
3.1a	That the SM H&S should ensure that premises managers are made aware of inspection requirements through the mandatory corporate training for premises management. [Fire safety equipment and legionella]	<p>This is already in place for a number of areas including fire and legionella. A reminder will be included as part of the initiative to send regular reminders to employees, in relation to their roles and responsibilities as referred to above.</p> <p>Developments in the information and checklists available to Premises Managers through RAMIS will also compliment this</p>

		<p>activity.</p> <p>The following note has been included on the Health & Safety Extranet pages:</p> <p>Attention ALL SCC Premises Managers -A Legionella Annual Review Form has recently been produced and is now readily available on <u>RAMIS</u> for all Premises Managers to start completing. This form is the same as Premises Managers would be expected to complete annually for fire and asbestos. It's an annual review form that the Premises Manager needs to complete on an annual basis in between the years where their legionella risk assessment isn't carried out. For more information regarding this form, phone Fiona Packer on (07887) 853755 or email fapacker@somerset.gov.uk or refer to <u>HS 019 Legionella Policy</u>.</p>
3.2a	That the SM H&S should ensure that premises managers are made aware of inspection requirements through the mandatory corporate training for premises management. [Electrical, gas and oil installations]	<p>Premises Manager training includes guidance on the duties that fall to this role including testing and inspections. A review of the content of the Premises Manager training has been completed and updated information is now being delivered as part of Premise Managers Training.</p> <p>Matters such as this are also being worked through alongside the development of the induction checklist referred to above.</p> <p>In the wider context, guidance is being developed in conjunction with our Hard FM contractor regarding statutory servicing.</p>
3.2b	That the Head of Property should issue a reminder to all premises managers regarding the Atrium arrangements in respect of premises inspection certificates. This should include the expectations for monitoring by premises managers, where to access certificates and also the responsibilities for follow-up of identified remedial issues.	<p>This reminder has been produced and sent to all school Premises Managers. It is also available on iPost for schools. A version for Premises Managers of Corporate Properties is due to be sent out prior to the end of March 2017.</p>
3.4a	That the SM H&S should ensure that premises managers are made aware of inspection requirements through the mandatory corporate training for premises management. (External repairs)	<p>Premises Manager training includes guidance on the duties that fall to this role including testing and inspections. A review of the content of the Premises Manager training has been completed and updated information is now being delivered as part of Premise Managers Training.</p> <p>Matters such as this are also being worked through alongside the development of the induction checklist referred to above.</p>

3.5a	That the Head of Property should issue a reminder to all premises managers to advise of the process for use of the Atrium system to log and monitor property support calls.	This reminder has been produced and sent to all school Premises Managers. It is also available on iPost for schools. A version for Premises Managers of Corporate Properties is due to be sent out prior to the end of March 2017.
3.6a	That the SM H&S should liaise with the Asbestos Team to clarify the requirements for the Annual Return and issue an appropriate reminder to all premises managers.	<p>The facility on RAMIS to remind premises managers that tasks (including the Asbestos return) are overdue was enabled on 28th November 2016. The Asbestos Team will receive any returns that indicate there may be a need to follow-up – which they will then respond to as appropriate.</p> <p>This review of Premises Manager Training has taken place and updated information is now being delivered as part of Premise Managers Training</p> <p>Matters such as this are also being worked through alongside the development of the induction checklist referred to above.</p>
4.1a	<p>That the SM H&S should ensure that central monitoring of RAMIS is introduced and premises managers are reminded when tasks are overdue.</p> <p>It is also recommended that improved guidance for the responsibility of updates to the system is issued. This should include a requirement for all premises managers to have their own RAMIS accounts, to eliminate the use of shared login details.</p>	<p>The facility on RAMIS to remind premises managers that tasks are overdue was enabled on 28th November 2016.</p> <p>A review of the content of the Premises Manager training has been completed and updated information is now being delivered as part of Premise Managers Training.</p> <p>Matters such as this are also being worked through alongside the development of the induction checklist referred to above.</p>
4.2a	That the SM H&S should introduce a process to ensure that premises managers are required to complete a declaration that all required risk assessments are in place and are up-to-date. This is an interim arrangement pending the decision regarding a corporate electronic system.	There is already a process that covers fire, asbestos and legionella assessments. A process to cover the other assessments needed e.g. first aid, housekeeping, working at height via a declaration is being developed and placed on RAMIS for non-school premises managers to complete as at the end of March 2017.
5.1a	That the SM H&S should remind all senior management that Corporate Health & Safety Unit audit reports should be disseminated to premises managers to ensure they can verify suitable arrangements at their own establishments.	This will be undertaken at the April HSPSG Meeting

19th March 2017

Claire Lovett, Graham Holmes & Chris Squire

We will be working with Health and Safety colleagues over the coming weeks to develop a detailed action plan and ensure that implementation of the above recommendations is completed.

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Item 9



Early Years Entitlement Claims 2015-16

Final Report

Issue Date: 9th November 2016

Working in Partnership to Deliver Audit Excellence

Executive Summary

- ▶ This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

Findings and Outcomes

- ▶ This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

Appendices:

- ▶ Audit Framework Definitions
- ▶ Support and Distribution
- ▶ Statement of Responsibility

Executive Summary

Overview

In 2014-15, the South West Audit Partnership (SWAP) was commissioned by Somerset County Council (SCC) to review the claims submitted for Early Years Entitlement (EYE) funding submitted by registered providers in order to ensure their legitimacy. On 3rd November 2015 SWAP issued a report to SCC senior managers which detailed the overall findings of audits carried out at thirty individual providers for claims submitted between the Summer 2014 and Spring 2015 funding periods. Based upon the findings of these reviews, our assessment was that we could provide Partial assurance that funding claims were compliant with the Somerset Code of Practice.

In 2015-16, SWAP completed EYE claim reviews at a further twenty-eight settings. This review has been completed under an identical remit in order to establish the prevalence of issues identified in the previous report, and to highlight these issues to SCC.

EYE provides parents of three and four year olds with up to 570 hours of free early education provision per annum for each of their children. Children become eligible for EYE in the funding period after their third birthday. EYE funding is also available for two year olds who meet specified eligibility criteria. Between the Summer 2015 and Spring 2016 funding periods, over 4.94m funded hours were accessed by parents in Somerset at an overall cost of £20.3m. As of 1st October 2016, SCC has 499 registered Early Years providers.

The findings from the individual providers have been amalgamated in this report and collectively used to form an overall opinion on whether the claiming of funding is in line with the Somerset Code of Practice.

Objective

To verify that the claiming of EYE funding is in line with the Somerset Code of Practice.

Significant Findings

Risk:	Impact:
1) Though we reviewed fewer individual claims than in 2014-15, we identified that a higher number and proportion of funded hours had been over claimed. 2.4% of funded hours claimed by providers we reviewed had been over claimed, against 1.4% in 2014-15.	<p>If funded hours are over claimed, there is a risk that children will not receive their full entitlement for free.</p> <p>If funded hours are over claimed, providers are receiving more funding than they are owed.</p> <p>If the 2.4% over claim rate was consistent across all providers, the total overpayment for 2015-16 based on the amount paid to all providers would be £488k. This calculation does not take account of the fact that two year olds are paid at a higher rate than three and four year olds.</p>
2) Only 14% of the providers we reviewed were found to issue invoices that were fully compliant with the requirements of the Somerset Code of Practice. We identified a series of common weaknesses and some significant concerns, such as two settings that were receiving 'top up' by not deducting funded hours at the correct rate, and one	<p>Invoices are the primary means of confirming to customers that their child's funded hours have been received for free. If invoices are not complete and accurate, customers may not receive all necessary information and may be charged incorrectly.</p>

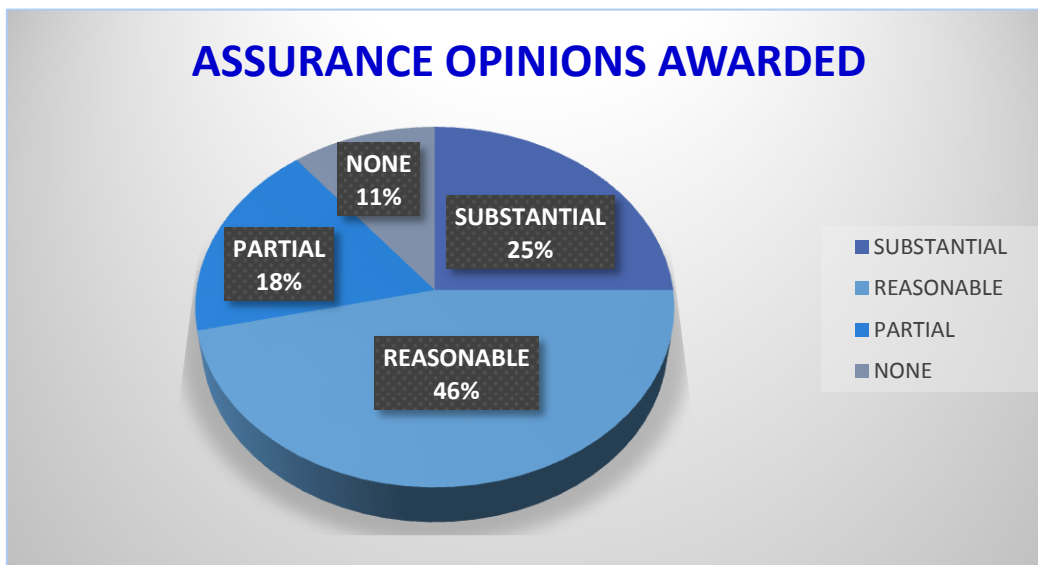
provider that did not issue invoices at all.	
3) Though the majority of providers were found to meet requirements, we identified significant errors relating to Parent Declaration Forms at three settings. In one instance, an error on two Parent Declaration forms resulted in an over claim of 330 hours.	The Parent Declaration form must be completed in order for the setting to have evidence of parental permission to claim funded hours for their children. If the Parent Declaration form is not completed correctly, there is a risk that too many or too few EYE hours will be funded.
4) Throughout the review we identified some significant common weaknesses in attendance registers that support EYE claims. This included nine settings where we identified examples of children not being signed in or out of their session, or not having the time of arrival or departure recorded.	If attendance registers are not complete there is reduced assurance that they provide an accurate record of attendance, and may reduce the confidence of stakeholders that children who attend the setting are being appropriately safeguarded.

Audit Opinion:

Partial

We are able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

This opinion has been based on the findings identified by our review of twenty-eight providers visited in order to confirm their legitimacy of their EYE claims. Each provider has received an individual assurance opinion. The figure below provides an overview of the assurance opinions we have given:



We are pleased to report that 71% of providers visited were found to be largely compliant with the Somerset Code of Practice and hence received a Substantial or Reasonable assurance opinion. However, 29% of providers received a Partial or No Assurance opinion.

In the 2014-15 report we noted that the results of our review may have been skewed as a number of the providers were audited as a result of concerns raised by SCC officers, and therefore our findings may not have been fully representative of all settings in Somerset. Due to this we have used a predominantly random selection methodology throughout this review.

A comparison of the assurance opinions we have given in 2014-15 and 2015-16 is included below:

Report:	2014-15		2015-16	
	#	%	#	%
Substantial	7	23	7	25
Reasonable	14	47	13	46
Partial	6	20	5	18
No Assurance	3	10	3	11
Total	30	100	28	100

As shown above, although we selected providers to be reviewed at random, there is no significant difference in the proportion of providers receiving Substantial/Reasonable and Partial/No Assurance opinions. This indicates that the results of the 2014-15 review are more reflective of the population of providers than initially thought. In addition, our 2015-16 review identified a higher number of over claimed funded hours from a smaller sample of claims. Further details are available in paragraph 2.1 of this report.

Additional contributing factors in our decision to provide a Partial assurance opinion include:

- A delay in completing our recommendation to publish an amended Somerset Code of Practice. Though management agreed to alter the Somerset Code of Practice by February 2016, this was postponed due to consultations on the new 30 hours offer and was only completed in October 2016.
- The overall similarity of our findings in this review compared to those of the last audit.

As part of the 2016-17 internal audit plan a follow up review to confirm the progress of recommendations raised in the 2014-15 EYE report has been carried out and will be reported to the Audit Committee separately. However, due to our findings for this review being very similar to the last, we have carried forward some recommendations from the previous report.

Though it is accepted that the responsibility for complying with the Somerset Code of Practices lies with the providers, SCC must make further efforts to ensure that providers are aware of all expected requirements of the scheme, and take appropriate action where deviations from these requirements are identified.

Findings and Outcomes

Method and Scope

A sample of twenty-eight providers were selected for review at random from a list of settings which had not been audited by SCC or SWAP in the last six years. A visit was carried out for each provider and a representative sample of claims were reviewed to ensure that they were legitimate based on available supporting evidence. In total, we reviewed 178 funded hours claims submitted in 2015-16.

In addition to the claims, the audits assessed the compliance of each provider against the requirements of the Somerset Code of Practice (January 2015). The following risk areas were included in the review and common weaknesses across these areas have been reported below:

- Fees Policy
- Funded hours claimed
- Invoices raised
- Parent Declaration forms
- Attendance registers
- Funding received into an appropriate bank account.

The findings were discussed at the end of each visit and all providers visited have received a report detailing the results of their review, in which we made recommendations to address any weaknesses identified. Where settings were unable to provide the required documentation, not all of the risks could be fully tested. Any scope limitations have been identified in the provider reports, and all reports have been issued to SCC officers.

This report does not account for the results of one additional Early Years review carried out following a specific request from SCC Commissioners.

1. Risk Area: Fees Policy

1.1 Finding and Impact

Priority 3

Our review of the fees policies and documents held by the Early Years providers highlighted a number of common weaknesses which should be addressed. Of the twenty-eight provider policies we reviewed:

- Fourteen did not contain any guidance on how EYE funding can be claimed if a child is removed from the setting either without notice or before the end of a four week notice period.
- Eleven did not adequately explain the notice period for cancelling a child's place, or provide any guidance as to why the setting may opt to terminate a place.
- Nine either did not refer to or fully explain the basic EYE claiming rules as defined in section 2.1 of the Somerset Code of Practice.
- Nine were either not dated or had not been reviewed in the last year.
- Five did not clearly explain if charges were due for bank holidays and planned or emergency closures.
- Five indicated that customers would be charged in the event of closure due to unforeseen circumstances, though the Code of Practice states under section 2.5 that 'if the provider is not able to offer a service (due to closure) parents should not be charged.'
- Five did not provide a clear indication of how funded hours could be accessed at the setting.
- Five did not clearly specify the charging rate for hours attended that are not funded by EYE.
- Four did not state whether sessions not attended due to sickness or holidays were charged.
- Though only assessed for the eight providers visited for review of the Spring 2016 claims, we found that four providers who accepted two year-olds did not state in their fees policy the

necessary documents that must be provided in order for the provider to claim two year-old funding.

- Three policies defined session and hourly charges that were not consistent with one another, meaning there was no clear hourly rate.

Only three of the providers we visited were found to have fees policies or documentation which fully fulfilled the requirements of the Somerset Code of Practice, despite the Code of Practice containing a Model Fees Policy.

1.1a Agreed Outcome:

The Council should contact all registered providers in regards to the common errors so that they can review their own arrangements and take remedial action if necessary.

Action Plan:

Person Responsible:	Service Manager – Early Years Commissioning	Target Date:	1st January 2017
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Management Response:

We will write to providers to inform them of the common errors identified in the 2014-15 and 2015-16 audits. We will also produce a Provider Self-Assessment Checklist which will allow providers to assess their Fees Policies against the new Somerset Code of Practice, which will be sent to all providers alongside the aforementioned letter.

The Somerset Code of Practice (October 2016) will be amended to include a hyperlink to the ‘Guidance on writing a Fees Policy’ document which was removed from the Code to reduce the length of the document. ‘Guidance on writing a Fees Policy’ will be moved on the website to ensure it is visible to providers.

A process for following up providers who received Partial or No Assurance results from their SWAP audits is now in place. The Early Years Improvement team will visit the provider six months after the audit to check the progress of recommendations. A decision will then be made as to whether a follow up audit is required. A letter outlining the new process has been prepared and is being reviewed by Legal.

Update from management- March 2017 :

- All providers were sent a ‘self- assessment’ checklist with their new hourly funding rates in early February 2017. A copy of this checklist is in Appendix A.
- School and Early Years Improvement managers check all fees policies for providers that join the directory, and identify where they are not compliant.
- The hyperlink to the guidance on writing fees policies has been added to an amended Code Of Practice, and will be uploaded once other changes are confirmed.
- Providers that receive a ‘no’ or ‘partial’ audit result now receive a letter from the Service Manager for early years commissioning, explaining the process for follow up. SSE officers are conducting a follow up support visit to check that actions have been completed, and a report is sent to the Service manager.
- SWAP has re-audited Sunbeams, Kickers and Dribblers, and Smartees- these all received no assurance in 2014-15 and all have improved.

2. Risk Area: Funded hours claimed.

2.1. Finding and Impact

Priority 4

Throughout the audit a total of 178 individual EYE funding claims were reviewed to ensure they were accurate when compared to supporting records such as registers, invoices and Parent Declaration forms. A breakdown of our findings is displayed in the figure below:

Review of claims			
Category	2014-15	2015-16	Variance
Settings tested for claims	28	28	0
Settings with claim errors	20	17	-3
	71%	61%	-10%
Settings with over claims	17	15	-2
	61%	54%	-7%
Settings with under claims	8	8	0
	29%	29%	0%
Claimed hours reviewed	40,459.5	28,843.25	N/A
Hours over claimed	549.5	680.75	+131.25
	1%	2%	+1%
Hours under claimed	128.25	229.25	+101
	0.3%	0.8%	+0.5%

61% of providers we visited were found to have at least one claim error during testing. Within the sample of claims we tested, we found that 14% of claims had been over claimed. In comparison to 2014-15, fewer settings had over claimed and fewer claims were over claimed, however the number of over claimed funded hours identified was 680.75, 24% higher than the total we identified in 2014-15. The over claimed hours accounted for 2.4% of the total number of hours claimed by the settings we audited. If this rate of error was consistent across the total amount funded, the total liability would be £488k. It should be noted that 48.5% of the hours we found to be over claimed are attributable to one setting. If this setting is not taken into account the over claim error rate is 1.3%. If this error rate was consistent across all providers, the total over payment in 2015-16 not taking into account higher payment rates for two year olds would be £264k.

Included below is a breakdown showing the number of providers who have over claimed in tens of hours:

Breakdown of total over claims by providers			
Hours	2014-15	2015-16	Variance
<10	7	6	-1
>10 – 20	2	1	-1
>20 – 30	2	3	+1
>30 – 40	2	1	-1
>40 – 80	1	2	+1
>80 – 100	1	1	0
>100	2	1	-1
TOTAL	17	15	N/A

As shown above the majority of providers had minor over claims, however five settings were found to have over claimed by more than thirty hours. This is not significantly different from our findings in 2014-15. Though the reasons for over claims have been communicated to the individual providers, the most common causes were that:

- Providers did not take into account any days that the setting would be closed during the funding period that would not be charged to parents, such as inset days or bank holidays, and

providers did not adjust their claims at the end of the funding period.

- Providers claimed for more hours than were booked, attended or claimable under the rules of the Somerset Code of Practice, and did not adjust their claims at the end of the funding period.

The findings of this review, which are essentially identical to what we reported for 2014-15, indicate that providers do not always forecast attendance correctly, or check the attendance of all children at the end of the period in order to make adjustments as needed.

2.1a **Agreed Outcome:**

The Council should contact all providers to ensure that they are aware of their obligations as outlined in the Somerset Code of Practice (October 2016). In addition, we recommend that SCC creates additional guidance for the calculation of claims and the adjustment process, and communicate this to all providers.

Action Plan:

Person Responsible:	Service Manager – Early Years Commissioning	Target Date:	1st April 2017
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Management Response:	<p>We will write to providers to inform them of the common errors identified in the 2014-15 and 2015-16 audits. This will remind providers about the need to ensure that all children attending the setting are reviewed when an adjustment is submitted. The updated Code of Practice highlights that not submitting an adjustment when necessary is considered to be fraud.</p> <p>We are aware that providers need more help and assistance in understanding Early Years Entitlement and how to claim correctly. We will aim to develop ‘claim buster’ guidance and involve providers in this process to ensure it is fit for purpose. We will also explore the possibility of commissioning claims workshops for providers.</p> <p>We are aware that claim forms submitted prior to the agreed deadline are not reviewed until the deadline has passed, meaning potential issues are not identified proactively. We will undertake work to confirm whether changes to this process can be made.</p>
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Update from management- March 2017 :	<ul style="list-style-type: none"> • All providers were sent a ‘self- assessment’ checklist with their new hourly funding rates in early February 2017. A copy of this checklist is in Appendix A. • The updated Code of Practice 2016 highlights that not submitting an adjustment when necessary is considered to be fraud. • The Code of Practice 2017 will also clearly specify the sanctions for not submitting adjustments, and over-estimating claims. • The Head of Outcomes and Sufficiency met with SSE entitlements team to discuss the issue of not checking forms before the deadline date. He was satisfied that this process was appropriate, as it is the provider’s responsibility to meet the terms and conditions • The introduction of 30 hours will change the claims processes for providers; therefore commissioners will investigate the opportunity to set up ‘masterclasses’ in Sept 2017.
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3 **Risk Area: Invoices raised.**

In order to establish that customers were able to access all agreed funded hours at their provider, we reviewed invoices issued for each claim tested. Our review identified some significant issues, as follows:

- One provider was found to not issue any invoices at all, regardless if payment was due, and hence we could not confirm what had been charged to customers.
- One provider was found to not retain invoices after issue.
- We found that two providers visited were charging customers under more than one fee structure, meaning charged amounts were not consistent for all customers.
- Two providers visited were found to be in receipt of 'top up' of their funded hours because they were deducted at an hourly rate lower than the standard hourly rate for the setting. As a result, customers who access EYE funding at these settings are not receiving their entitlement for free.

Similarly, reviews across the twenty-eight providers identified several common weaknesses:

- Twelve providers were found to have under charged at least one customer. Examples of causes for under charges include, but are not limited to, providers not issuing revised invoices when the attendance pattern was altered; providers deducting more EYE funded hours than claimed; not charging for early drop offs or late collections; and invoices charging for fewer hours or sessions than attended. One provider was found to deduct EYE funded hours at the rate received from SCC, though the hourly rate charged by the provider was lower, meaning income was lost for every EYE funded hour claimed. At one setting we identified that 75% of the children we reviewed had been under charged, resulting in reduced revenue of £1.73k.
- We found that five providers did not issue invoices or an appropriate alternative for children who only access EYE funded hours, meaning that customers do not receive written confirmation that the funded hours have been accessed for free.
- The invoices issued by seven providers were found to be non-compliant either because they did not provide clear confirmation of the number of hours being charged, funded hours were deducted as a value, or it was not clear from the invoice how charged had been calculated.

Only four of the providers we reviewed were deemed to have invoices which fully met the requirements of the Somerset Code of Practice and did not feature any errors. All providers should review their invoices against the requirements of the Somerset Code of Practice to determine whether all required information is being communicated. Though many of these findings are outside of the SCC's direct control, steps should be taken to ensure that providers are aware of all requirements for invoices. For instance, as highlighted in the 2014-15 report, the Somerset Code of Practice does not explicitly explain that providers must deduct funded hours at their own standard hourly rate rather than the hourly rate paid by SCC.

3.1a Agreed Outcome:

Early Years Commissioners should commission appropriate support to should assist the identified providers wherever possible to ensure that they meet the expected standards.

The Council should contact all registered providers in regards to the common errors so that they can review their own arrangements and take remedial action if necessary. In addition, we recommend that SCC introduces additional guidance which clarifies the minimum information that providers must give to customers regularly, and provides examples of how this can be achieved in a compliant manner.

Action Plan:

Person Responsible:	Service Manager – Early Years Commissioning	Target Date:	1st January 2017
Management Response:	We will write to providers to inform them of the common errors		

	<p>identified in the 2014-15 and 2015-16 audits.</p> <p>We have included two example invoices in the updated Code of Practice which demonstrate the details that need to be included, though one of the examples included is incorrect. This will be amended in an addendum to the Somerset Code of Practice.</p> <p>The Early Years Improvement team have now visited some providers were identified as having significant problems with their invoices. Feedback from these visits has not yet been received.</p>
<p>Update from management- March 2017 :</p>	<ul style="list-style-type: none"> • All providers were sent a 'self- assessment' checklist with their new hourly funding rates in early February 2017. A copy of this checklist is in Appendix A. • There is guidance on how to write a fees policy on the somerset.gov.uk website for all providers to access. The new Code of Practice addendum contains the corrected example invoices. • The introduction of 30 hours will change the claims processes for providers; therefore SSE is delivering business support workshops that will include looking at invoices. • SSE improvement officers have carried up follow up visits to providers who gained a partial assurance in 2014 and 2015 to offer support in improving their processes.

4. Risk Area: Parent Declaration forms

4.1 Finding and Impact Priority 4

Prior to April 2015 the Entitlements Team received Parent Declaration forms from all providers every funding period, however from April only 25% of providers are required to do this in each period. The Somerset Code of Practice states that providers must ensure that these forms are signed by the parent or carer and that the hours agreed on the declaration reconciles exactly to the hours claimed on the Actual Form. If a Parent Declaration form is not completed, the claim is invalid.

The majority of providers were found to have satisfactory arrangements in place however testing identified that:

- For one provider two Parent Declaration forms were filled in incorrectly and resulted in an over claim of 330 hours. The setting had intended to claim 180 funded hours for both children by claiming 15 hours per week using the weekly claim box. However, the funding period box was completed instead, meaning that technically the parents had only agreed to access 15 funded hours for the entire funding period.
- We established that one provider had submitted a claim for funding for one child, but no parent declaration form was available on site, hence we could not verify that the claim was valid.
- For one provider we identified that where the setting had increased the number of funded hours claimed for two children, the original Parent Declaration form had been amended and signed with the initials of the parent. We sought guidance from the Entitlements Team who confirmed that a new Parent Declaration form should have been completed in this instance and that the use of initials is not sufficient. Therefore, technically the children were over claimed by 71 hours.

As shown above, though the Somerset Code of Practice states what the requirements for the Parent Declaration forms are, our findings suggest additional clarification is needed and that the format of the forms can lead to unintentional errors by providers.

4.1a	Agreed Outcome:		
The Council should consider revising the Parent Declaration form to include only one box which allows parents to only claim on a funding period basis. Management should review declaration forms produced by other local authorities to identify examples of good practice, and then incorporate these elements into a new form. A new Parent Declaration form should be required for every period. This should encourage greater vigilance among providers regarding the number of hours being claimed, and ensure that parents are aware of the number of funded hours their child will access in each funding period.			
Action Plan:			
Person Responsible:	Service Manager – Early Years Commissioning	Target Date:	1st September 2017
Management Response:	A new Parent Declaration form will need to be designed when the new 30 hours offer is introduced, however we are waiting upon statutory guidance from the Government before we begin to make changes to the form. A draft version of the new form should be finished by May with the final version going live in September 2017.		
Update from management- March 2017 :	<ul style="list-style-type: none"> • The new parent declaration form to be introduced in September 2017 will only have one box to input hours. • The Local authority does not pay providers who do not submit the requested parent declaration forms. 		

5. Risk Area: Attendance registers.

5.1	Finding and Impact	Priority 4	
The audit identified that the majority of the twenty-eight providers visited maintained adequate attendance registers which could be used to support EYE claims. However, we did identify some significant weaknesses: <ul style="list-style-type: none"> • For nine providers we identified at least one example of a child not being signed in or out, or the time of arrival or departure was not recorded. • For four providers we found that at least one register or relevant supporting record was not dated. In addition, during the visits to two providers we established that at least one register record was missing or had not been fully completed. • For three providers we found that where a child had not attended a session it was not always clear why the session had been missed. • As noted under 3.1, where invoices did not contain sufficient detail it was not always possible to confirm whether charges took all attended sessions into account. <p>If complete attendance registers are not retained there is reduced assurance that they provide an accurate record of attendance, and this may reduce the confidence of stakeholders that children are being appropriately safeguarded.</p>			
5.1a	Agreed Outcome:		
The Council should contact providers to remind them of the need to ensure that they have full records.			
Action Plan:			
Person Responsible:	Service Manager – Early Years Commissioning	Target Date:	1st January 2017
Management Response:	We will write to providers to inform them of the common errors identified in the 2014-15 and 2015-16 audits, including those relating to		

	<p>registers.</p> <p>A new Safeguarding Lead was appointed in February 2016 and she has since written an article on this subject in the Summer 2016 Early Years News & Views newsletter and provided a presentation at the most recent provider evening. Where safeguarding concerns are raised she will visit providers to identify and address issues.</p>
<p>Update from management- March 2017 :</p>	<ul style="list-style-type: none"> • The safeguarding lead has reminded providers at information events, and on visits about the importance of registers. A focused visit was made to the audited provider where issues with registers were found. • All providers were sent a 'self- assessment' checklist with their new hourly funding rates in early February 2017. A copy of this checklist is in Appendix A. • SWAP has been asked to copy in the safeguarding lead where issues with registers are found.

6.	Risk Area: Funding is received into an appropriate bank account.
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No significant findings were identified.

Audit Framework and Definitions

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5	Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
Priority 4	Important findings that need to be resolved by management.
Priority 3	The accuracy of records is at risk and requires attention.

Priority 2 and 1 Actions will normally be reported verbally to the Service Manager.

Report Authors

This report was produced and issued by:

- Connor McLaughlin, Auditor
- Jenny Frowde, Senior Auditor
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Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

- June Mead, Entitlements Team Leader
- Charlotte Wilson, Service Manager – Commissioning Early Years Places
- Ken Rushton, Service Manager – School Finance
- Dave Farrow, Head of Improving Outcomes Commissioning

Distribution List

This report has been distributed to the following individuals:

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- Charlotte Wilson, Service Manager – Commissioning Early Years Places
- June Mead, Entitlements Team Leader
- Ken Rushton, Service Manager – School Finance
- Martin Gerrish, Service Manager – Finance Governance
- Sue Rogers, Deputy Director of Education
- Julian Wooster, Director of Children’s Services

Working in Partnership with

Dorset County Council	Somerset County Council
East Devon District Council	South Somerset District Council
Forest of Dean District Council	Taunton Deane Borough Council
Hereford Council	West Dorset District Council
Mendip District Council	West Somerset Council
North Dorset District Council	Weymouth and Portland Borough Council
Sedgemoor District Council	Wiltshire Council

Statement of Responsibility

Conformance with Professional Standards
SWAP 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 Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person.



Appendix A Self-assessment checklist – Early Years Entitlement

Have you?	✍ ✓
Explained if you will charge for any non- attendance and holidays taken? (If the setting is open but it is parental choice not to access the setting, then they can be charged.)	
Stated what extras you will charge for, and ensured that parents can opt out of these? (e.g. snacks, lunch, trips, nappies, laundry service)	
Ensured that you don't charge for when the service is not available e.g. planned closures?	
Explained if you will charge for unplanned closures e.g. gas leak, snow day, flooding.	
Included an explanation of what the EYE funding offer is? (Information is available to use on our website.)	
Stated how many weeks the 570 hours is offered?	
Included the notice period, and if you will charge when the child leaves without notice?	
Listed the additional services charges on the invoice?	
Stated payment methods and payment dates on invoices?	
Explained the arrangements for debtors and late payments in the fees policy?	
Explained that funded hours should not start until the term after the 2 nd /3 rd birthday?	
Produced registers that record the time that the child arrived and left at each session?	
Stated that the maximum number of hours allowed per day is 10 hours, and the minimum is 2.5 hours?	
Dated the fees policy, and included the date it was last reviewed?	
Stated your fee paying hourly rate in your fees policy?	
Stated that any hours attended in excess of EYE funded hours were chargeable to parents?	
Made arrangements to keep invoices and other paperwork relating to the EYE claim for 4 years?	
Used the term 'Early Years Entitlement' in all documents (e.g. instead of Nursery Education Funding, Early Years Grant etc.)?	
Collected a birth certificate (copy), Child Registration Form and Parent Declaration form as soon as (or before) the child starts?	

Item 10

Report on Travel Plans for Audit Committee

30 March 2017

Report Author; P. Lowndes/H. Vittery

Introduction

Travel Plans (TP) are a requirement of the National Planning Policy Framework. They are an integral part of a Transport Assessment (TA), which sets out the transport issues relating to a proposed development. It is considered best practice to assess the TA and TP as an integrated package of information to understand the transport impacts of the development and where possible to identify issues that need mitigation with potential solutions. To make the process effective, developers and local authorities can agree at an early stage the scope of the TA and the outcomes sought through the TP.

A TP is a long-term management strategy for an occupier or developer of a site, to deliver sustainable transport objectives through positive actions. Travel plans have been used successfully for many years, whether secured through planning or prepared on a voluntary basis. They are an important tool for promoting sustainable travel (e.g. walking, cycling & public transport) and help to reduce single occupancy car use. They also encourage more effective use of current transport networks and support their enhancement. Travel plans are now being used to secure the provision of sustainable travel choices, both to new developments and to extensions of existing sites, whatever their use.

Policy Background

The Department for Communities and Local Government (DCLG) published its National Planning Policy Framework (NPPF) on 27th March 2012. This places the onus firmly on local authorities to provide the policy framework for sustainable development – in accordance with the twin priorities of economic growth and management of adverse environmental impact. The NPPF states that development should not be refused on transport grounds unless “cumulative residual impacts” are “severe”. This implies that transport objections should not be allowed to obstruct the delivery of housing or economic growth. It is in the interests of developers, local authorities and their communities to ensure new housing and employment is accessible by all modes of transport, to maximise economic benefits and social inclusion, and to minimise traffic congestion.

The NPPF clearly endorses the ‘continued use’ of travel plans to ensure a long-term management strategy is in place to promote sustainable travel in and from new developments. Travel plans will play a critical role in delivering the “sustainable”

element of a “presumption in favour of development”, ensuring that development is sustainable from a transport perspective. However, with no explicit reference to monitoring or enforcing travel plans within the NPPF, it is essential that Local Policy is in place.

SCC has adopted and published comprehensive TP Guidance for use In Somerset, which all the Local Planning Authorities have either adopted or used to form the basis of a TP Policy in their Core Strategy.

Expenditure

The main expenditure for SCC in the delivery of TPs is staff time. The Travel Plan Team sits within the Highways Development Management service area and is made of up two FTE SCC funded posts and one developer funded implementation officer post.

The team advises on, reviews/audits, and monitors TPs provided by a developer (usually as part of a planning submission) to ensure that they are appropriate for the development that is being considered and that they comply with the requirements of SCC’s adopted policy. The team also ensures that the Travel Plan, Travel Plan Fee, Safeguarding Sum and all Travel Plan requirements (such as Travel Plan Coordinator, Green Travel Vouchers and more) are secured wherever possible by a Section 106 Agreement, should there be a resolution to grant planning consent.

There are also developer monies spent on the delivery of site specific TP measures, where SCC is appointed through the S106 Agreement as the Travel Plan Co-ordinator. These measures and costs vary site by site

Delivery

There are numerous development sites, where SCC has been appointed as the travel plan co-ordinator, for example Wyndham Park and Brimsmore in Yeovil.

In these cases, the SCC implementation officer takes responsibility for the delivery of measures to ensure compliance with the TP and to ensure that the targets are achieved.

Typically, TP measures include (but are not limited to):

- Green Travel Vouchers – typically towards bicycle purchase; bus ticket provision; outdoor/wet weather equipment to enable walking
- Development specific booklets (advice and information including maps, timetables, hints & tips, etc. on local facilities and alternatives to car use)
- Development specific websites (as booklets but with live links to Travel Information & more detail)

- Sustainable travel related events e.g. cycle servicing and Personal Travel Planning
- Liaison with resident's associations, Parish and District Council colleagues
- Monitoring obligations
- Newsletters, postcard drops, surveys, social media publications

Monitoring

SCC has developed a bespoke Travel Plan monitoring system, called iOnTravel which was developed in 2010 in conjunction with the web-design company Netspin, specifically to manage and monitor the travel planning process.

iOnTRAVEL is an online management system, developed to ensure that agreed travel plans are implemented effectively, accurately and on time. It is utilised by all development sites across Somerset with a TP and is used to compile an evidence base of progress against the targets secured within the s106 agreements.

TPs are monitored for a period of 5 years from the point at which the development reaches 80% Occupation. Targets are monitored annually, to ensure compliance with agreed targets and where necessary action is taken to work with developers to influence results and ensure compliance. If targets are not met then SCC has the ability to access the safeguarding sum which was secured through the agreement and in line with the adopted SCC TP Policy.

Outcomes

SCC Policy aims to realise a reduction in Single Occupancy Vehicles (SOV) by 10% as a result of travel plan measures and actions. The latest data (March '17) from iOntravel shows that SCC has achieved an average of 9% SOV reduction across our development sites.

This is considered a success and we intend to build upon this, as more TP's are secured and implemented, and as our reputation for effective delivery grows.

Where SCC has acted as the travel plan co-ordinator for the Wyndham Park development in Yeovil, there is a recorded reduction in the level of SOV by 15.3%, exceeding our target.

Facts & Figures

In the last two years, 35 TP's have been secured by legal agreement (with more by condition only) and a significant number are currently under negotiation for inclusion

in Section 106 Agreements. This shows a continued increase in the securing of TP's by legal agreement and the delivery of initiatives in line with the NPPF.

Across the County there are currently more than 300 live TP's in operation, where developments are at different stages of their lifespan.

SCC acts (or will be appointed to act when sites go live) as T.P. Co-ordinator for many of the Urban Extensions. These include Lyde Road (Wyndham Park), Brimsmore, Keyford and Mudford, in Yeovil; Comeytrowe and Staplegrove in Taunton; Huntspill Energy Park in Bridgwater; and there are a number of other sites where we formally provide TPC support (e.g. Aginhills, Taunton; Kingwell Rise, Wincanton; Kinglake, Taunton; Killams, Taunton).

This equates to more than 12,000 homes that we are already engaged with, with other developments yet to commence.

Draft Annual Report of the Audit Committee 2016/17

Lead Member: Mrs Dawn Hill, Chair of the Audit Committee

Lead Officer: Martin Gerrish, Finance Governance Manager

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1. Summary

- 1.1. The Audit Committee is required by the Constitution to make an annual report to Full Council.
- 1.2. The Audit Committee forms a part of the County Council's corporate governance arrangements. Its purpose is to "provide independent assurance of risk management and the control environment", "independent scrutiny of the authority's financial and non-financial performance" and "oversee the financial reporting process" (CIPFA).
- 1.3. This report is to inform members of the work of the Audit Committee in the previous financial year, and to note the Committee's opinion on the standard of governance, risk management and internal audit in place within the County Council.

2. Background

- 2.1. The Audit Committee met a total of 8 times during the 2016/2017 financial year. Every meeting has had a very full and wide-ranging agenda, reflecting the role of the Committee.

The additional meetings during the last year have been on the direct instructions of committee members in order to gain the necessary assurance around internal audit reports that only achieved Partial Assurance, and therefore indicated that controls were lacking. A total of 21 separate Partial Assurance audits have been formally reviewed by the Audit Committee during 2016/2017, with the responsible manager(s) presenting their actions and plans to meet the auditor's recommendations.

- 2.2. In addition to what might be considered its "core" reports around corporate risk, internal audit and the Statement of Accounts, the Audit Committee has regularly requested attendance by officers to explain other matters. This is to provide assurance on key topics to satisfy members that the appropriate governance measures are in place to meet the organisation's aims, to meet statutory requirements, and to mitigate risks and prevent losses.

Presentations have been received on issues such as the new Contract Management processes, Business Continuity, the future direction of IT for the authority and the National Audit Office work on financial sustainability of local authorities through capital expenditure and resourcing.

2.3. Technical support to the Audit Committee comes from a number of sources, including:-

- Grant Thornton as External Auditor for the Statement of Accounts and Value for Money conclusion.
- South West Audit Partnership (SWAP) as Internal Auditor to deliver our Internal Audit Plan
- The Director of Finance and Performance, or his deputy, in the capacity of the s151 officer.
- Strategic Manager – Financial Governance, acting as the Chief Internal Auditor and also Lead Officer for the Committee.
- Chief Accountant providing training to members and presenting the Statement of Accounts.
- Governance Manager and Principal Officer – Risk Management.

The Audit Committee wishes to place on record its gratitude for the continued quality of the support that it receives.

3. Work Programme

3.1. The Audit Committee's work programme over the last year has been varied, but key responsibilities and themes have always included:

- formal approval of the Annual Statement of Accounts and Value For Money Conclusion;
- continued review of the management of risks across the County Council, with particular emphasis on the corporate risks;
- review of the corporate governance arrangements across the County Council to ensure that they remain sound and fit for the changing authority, e.g. the Annual Governance Statement and system of internal control, anti-fraud and corruption measures; the Internal Audit plan;
- review of Internal and External Audit reports looking at the Audit Plan delivery and findings, and ensuring that individual managers follow-up audit recommendations;
- review of the debtor management processes and its performance in collecting money due to the County Council.
- how the County Council is delivering on commissioning of services ,learning lessons from Audit findings and previously commissioned contracts

3.2. The Audit Committee can report that the majority of governance functions and processes remain well-controlled and delivered.

For the accounting period 2017/18 the statutory deadlines for publishing draft accounts and final audited accounts changes from 30 June and 30 September respectively, to 31 May and 31 July respectively. To ensure we deliver successfully to the new statutory deadlines, we have implemented the new deadlines already, ahead of schedule, in order to determine how this can best be achieved. Audit Committee can report that not only were the statutory deadlines achieved for the 2015/2016 accounts (i.e. 2 years ahead of the legislation), but that the Statement of Accounts preparation resulted in an unqualified opinion for both the County Council and the Pensions Fund. This is the most positive conclusion that is possible from external audit, and the auditor was most complimentary in his report to Audit Committee in July 2016. Members

were delighted with the performance, and congratulated the officers involved in this achievement.

The Value For Money Statement again received a highly positive external audit, with only the widely-reported OFSTED issue outstanding.

- 3.3.** The Anti-Fraud and Corruption Review report that came to the January 2017 Audit Committee brought details of 6 potential fraud cases involving the County Council or the Pension Fund. Although some have now been closed without fraud involved, some cases are still “live” and under investigation. A significant Anti-Fraud and Corruption effort continues to be undertaken in conjunction with the National Fraud Initiative and with specialist officers from SWAP and the Police. This should serve as a reminder to all to be vigilant in relation to fraudulent activities. The Audit Committee fully re-endorsed the “zero tolerance” policy in operation in the County Council.
- 3.4.** The Audit Committee has just received a piece of work entitled Healthy Organisation from SWAP. This was commissioned as part of the 2016/2017 internal audit plan and looks at the governance framework across a number of key themes (SWAP are carrying out this piece of work for a number of partner authorities). The Healthy Organisation report shows that the overall governance framework for the authority is generally sound, but that there are a number of improvements that could be made. These will be picked up as part of the 2017/2018 internal audit plan.
- 3.5.** One recurrent theme throughout the Audit Committee’s work in the past financial year has been in relation to IT. A number of the Partial assurance audits were wholly or partially related to poorly performing IT systems that are simply not fit for purpose and have led to workarounds and inefficiencies. The Audit Committee very much welcomed the positive presentation on the future of IT at its November 2016 meeting, but is acutely aware that there are a multitude of tasks to improve our IT across a wide variety of services.

4. Training

- 4.1.** The Audit Committee has continued to hold training and workshop sessions in addition to its public meetings when necessary. During the previous financial year, this included training in relation to the Statement of Accounts ahead of their approval. The training programme will be reviewed once the new Committee is formed.

5. Conclusions

- 5.1.** The Audit Committee feels that a strong governance framework remains in place. However, there have been some specific audit findings reported during the previous year that have revealed local weaknesses that still need to be addressed. The Audit Committee will continue to review progress in these areas, and call in the relevant officers to provide the necessary assurance.
- 5.2.** The Audit Committee remains committed to ensuring that high governance standards are maintained.

6. Background papers

6.1. Audit Committee papers can be found at:

<http://www1.somerset.gov.uk/council/boards.asp?boardnum=9>

Note: For sight of individual background papers please contact the report author