



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.

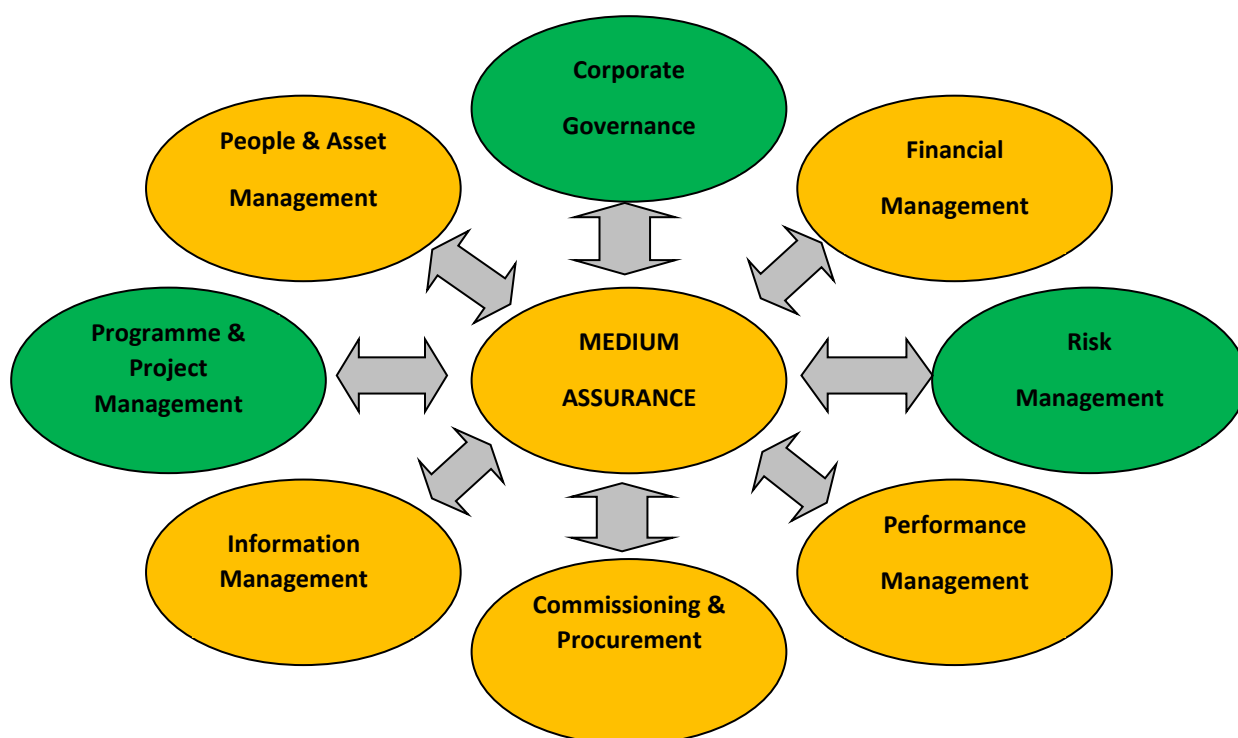
Following the section on overall assurance below, each theme is summarised with a management overview and beyond this more detailed findings for each theme has been provided. Appendix A then maps areas requiring attention to the 2017/18 Internal Audit Plan.

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)

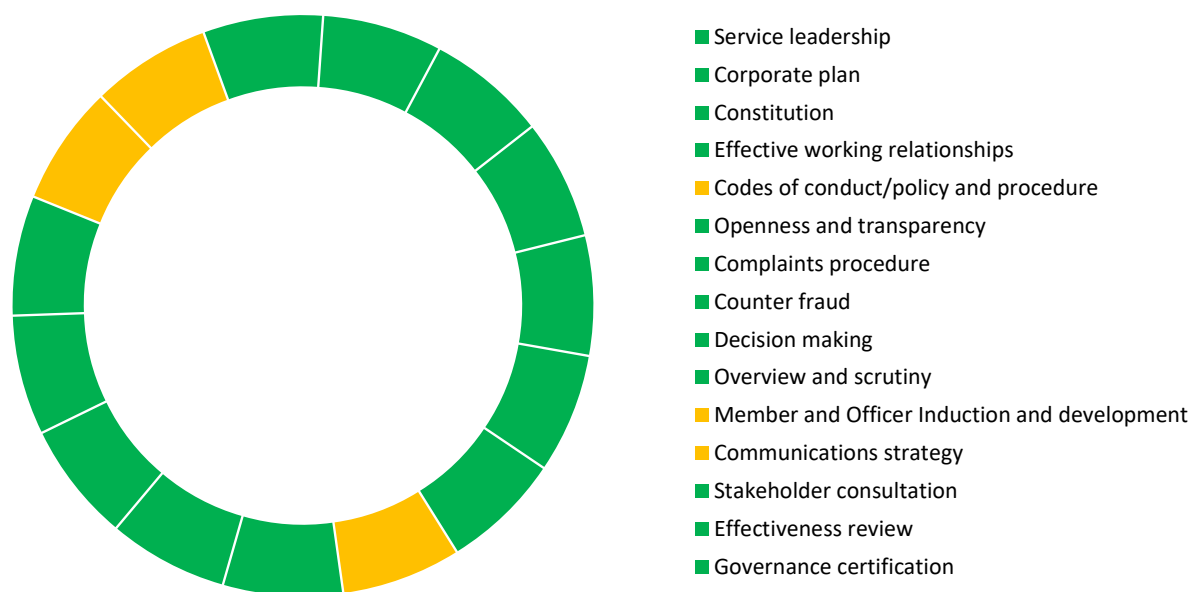
Summary Assessment by Theme

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



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

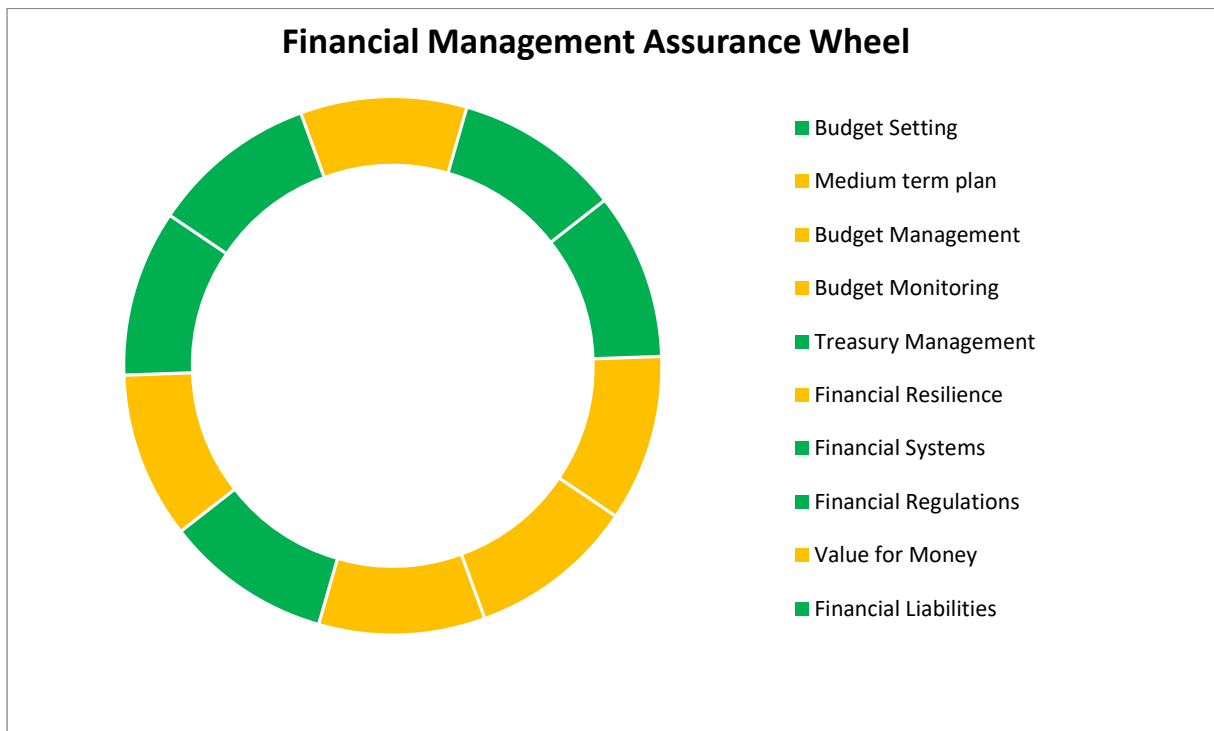
system for monitoring high priority actions.

- 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.

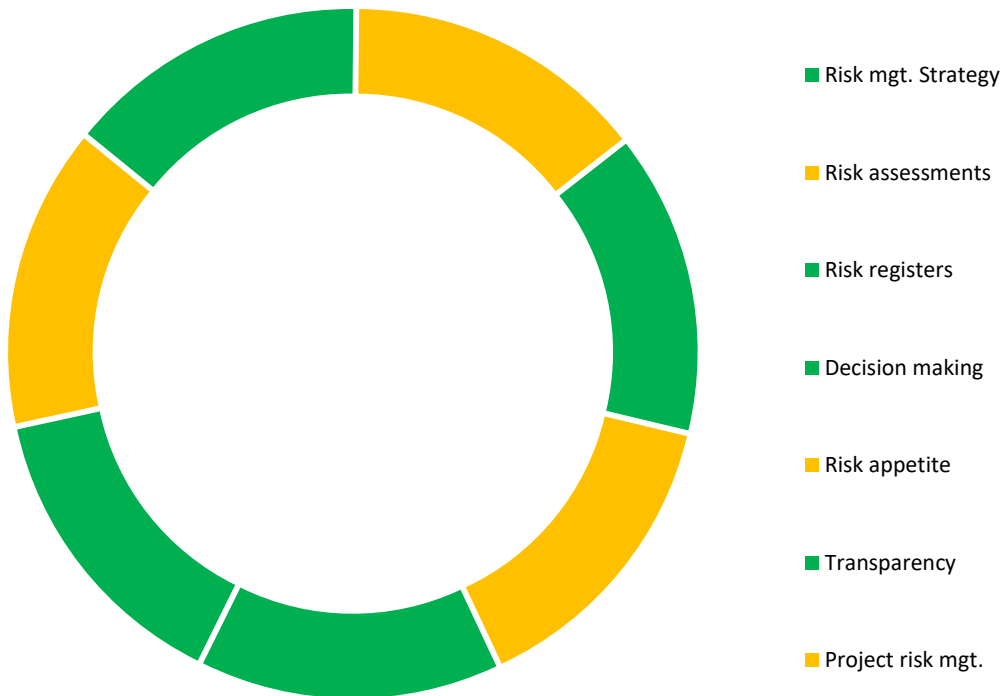
- Financial liabilities are identified and managed proactively.

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.

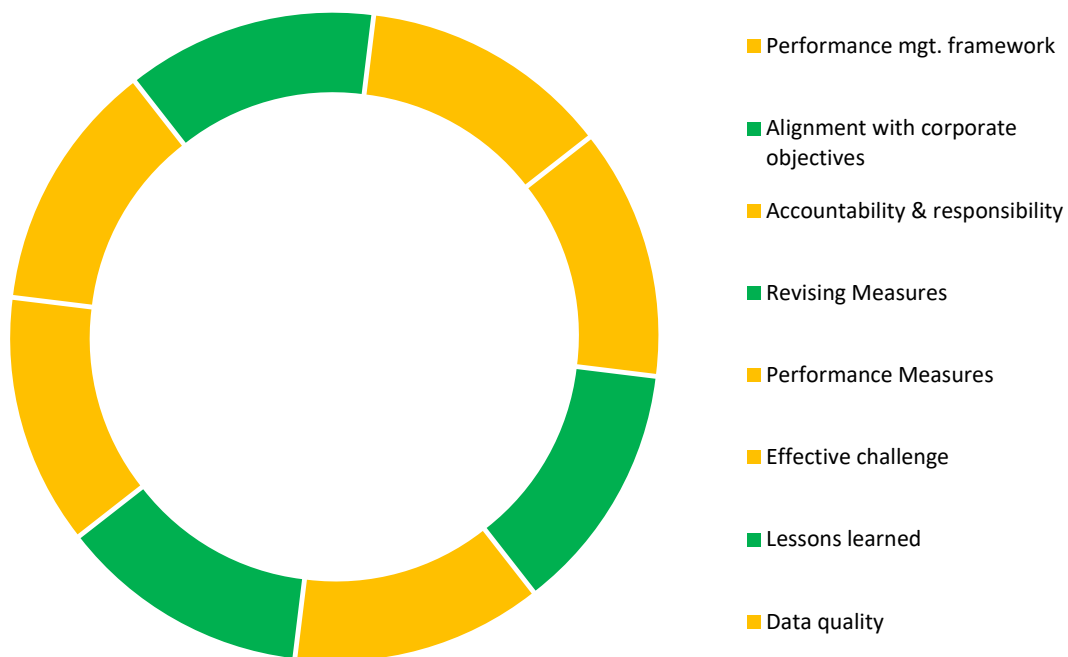
- Members receive a risk update on a quarterly basis.
- A risk priority matrix in place to assess risk against likelihood and impact.
- A committee report template requiring all key and non-key decisions to be supported by an assessment of risk.
- There is a corporate system JCAD used to assign and monitor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

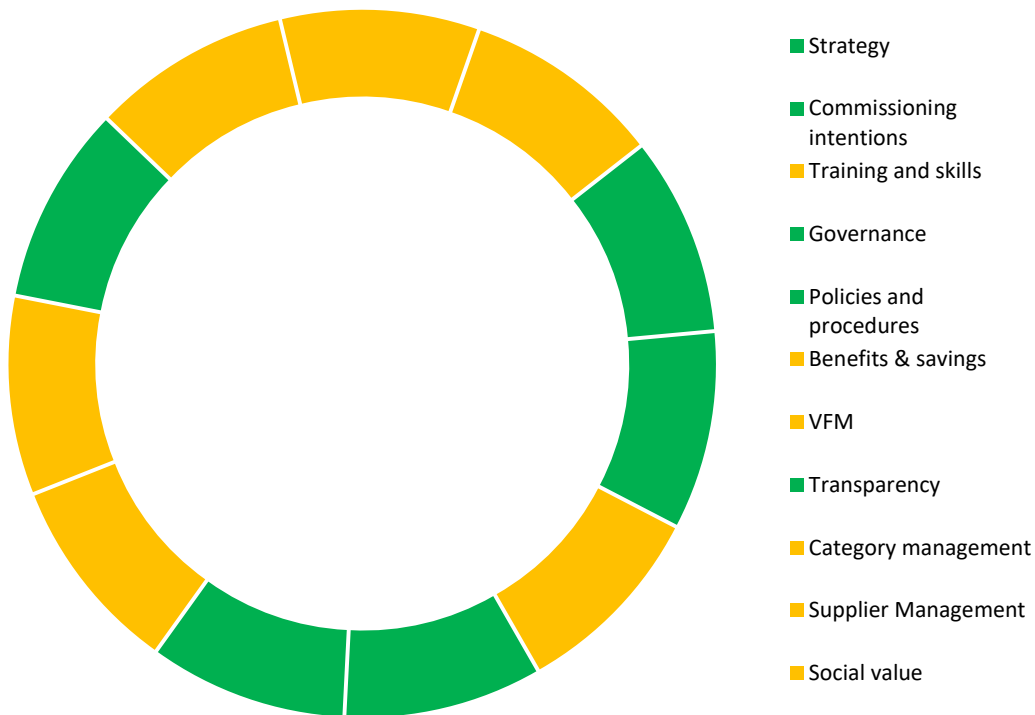
AREAS FOR ATTENTION

- 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.

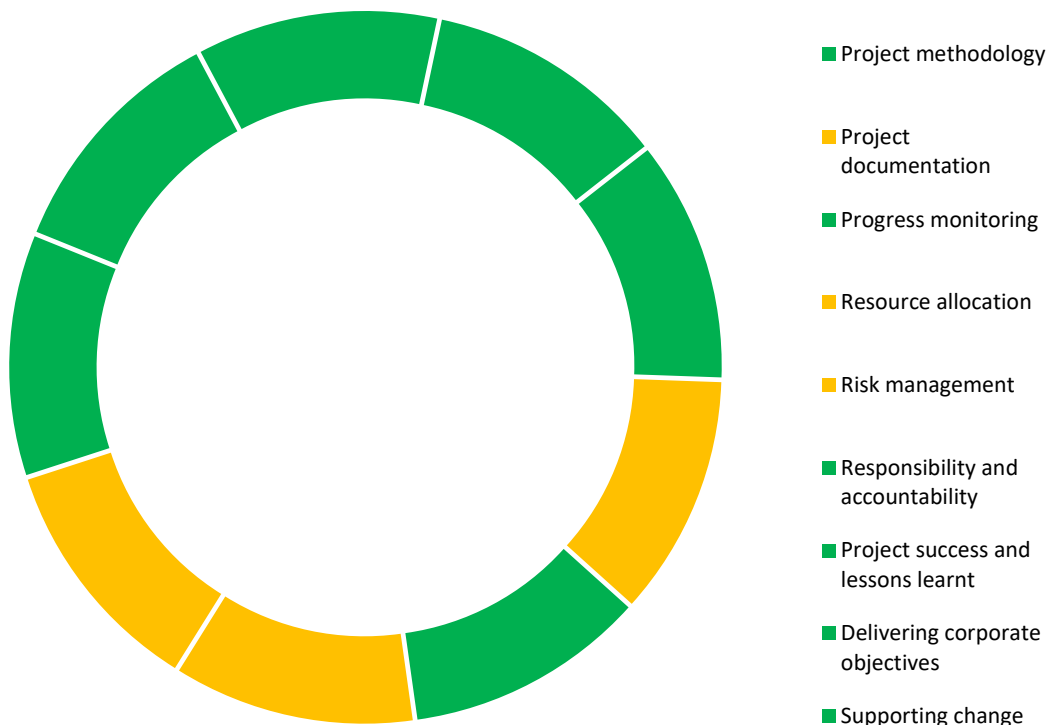
AREAS FOR ATTENTION

- 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

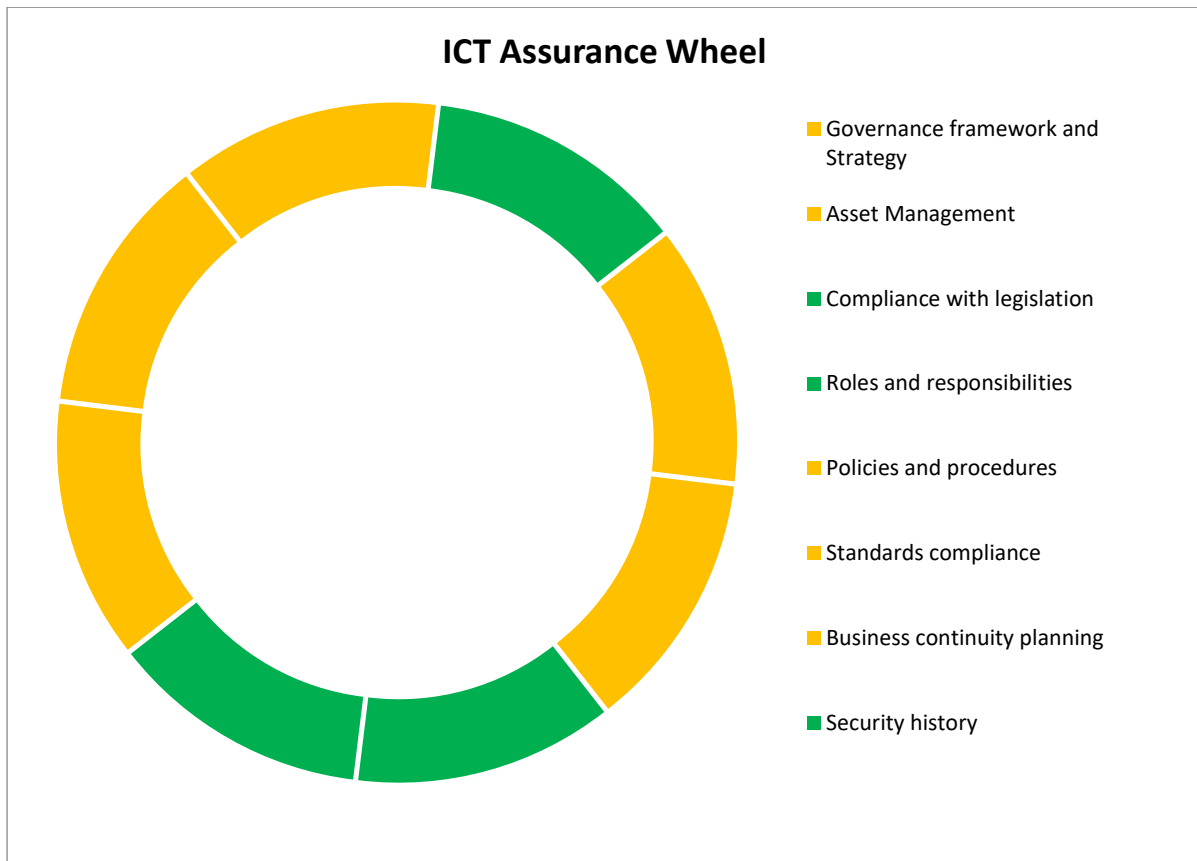
project costs.

- 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.

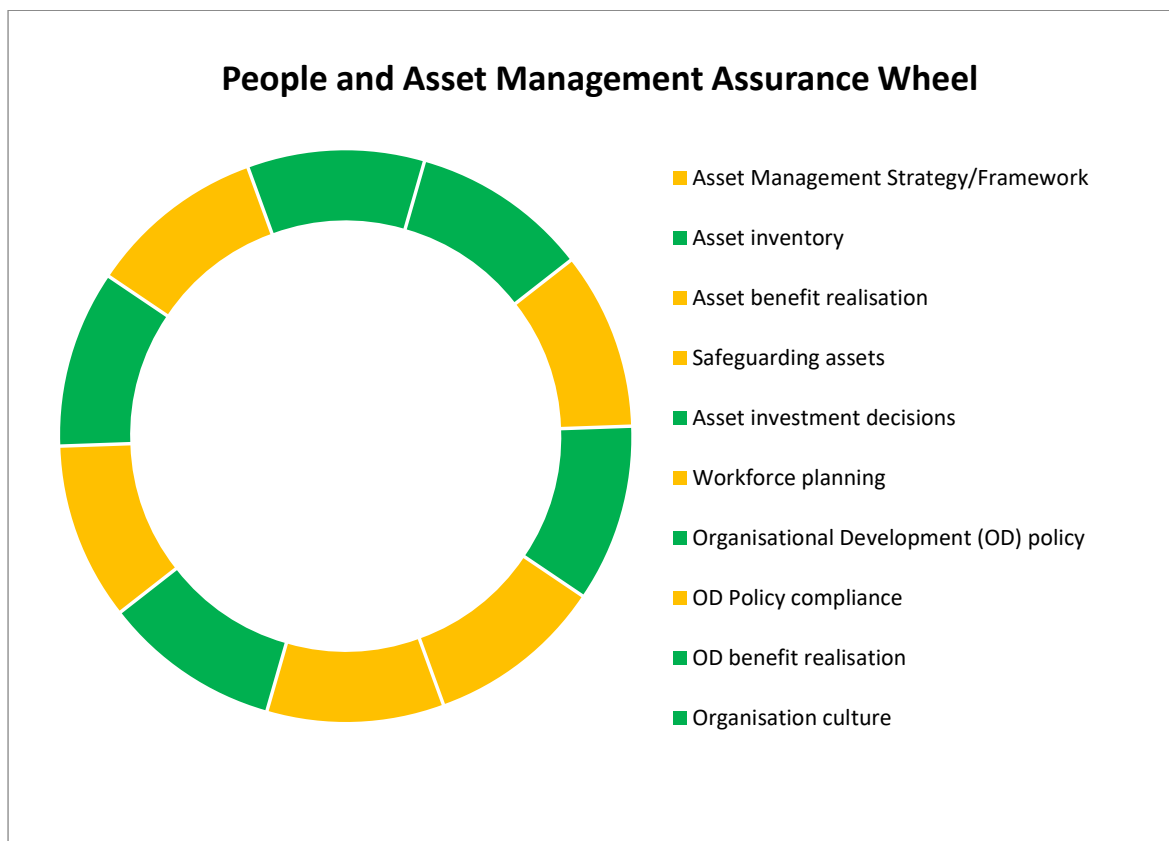
AREAS OF STRENGTH

- 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

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	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

Report Authors

This report was produced and issued by:

- Lisa Fryer, Assistant Director
- Paul Crandley, Senior Auditor
- Jenny Frowde, Senior Auditor
- Peter Harris, Senior Auditor
- Adam Williams, Senior Auditor
- Connor McLaughlin, Auditor

Key Contacts

The key contact for each theme:

- **Corporate Governance** Scott Wooldridge, Service Manager - Executive, Democratic Services
- **Financial Management** Kevin Nacey, Head of Finance and Performance
- **Risk Management** Scott Wooldridge, Service Manager - Executive, Democratic Services
- **Performance Management** Emma Plummer, Strategic Manager - Performance
- **Commissioning** Mickey Green, Strategic Manager - Commissioning Development
- **Procurement** Donna Fitzgerald, Strategic Manager - Commercial and Procurement
- **Programme and Project Management** Louise Day, Strategic Manager Business Change
- **ICT** Darren Cole, Strategic Manager ICT
- **People Management** Chris Squire, HR and OD Director
- **Asset Management** Claire Lovett, Head of Property

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

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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.