

Audit Committee

Thursday 29 June 2017

2.00 pm Luttrell Room - County Hall,
Taunton



To: The Members of the Audit Committee

Cllr D Ruddle (Chairman), Cllr S Coles, Cllr N Bloomfield (Vice-Chairman), Cllr M Caswell, Cllr B Filmer, Cllr J Lock, Cllr F Purbrick, Cllr M Rigby and Cllr G Verdon

Issued By Julian Gale, Strategic Manager - Governance and Risk - 21 June 2017

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

Guidance about procedures at the meeting follows the printed agenda.

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

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



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AGENDA

Item Audit Committee - 2.00 pm Thursday 29 June 2017

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

1 **Apologies for absence**

2 **Declarations of Interest**

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

3 **Minutes from the last meeting** (Pages 9 - 14)

The Committee is asked to confirm the minutes are accurate.

4 **Public Question Time**

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

5 **External Audit Update** (Pages 15 - 34)

To consider the report.

6 **Internal Audit Update** (Pages 35 - 62)

To consider the report.

7 **Risk Management Update** (Pages 63 - 86)

To consider the report.

8 **Draft Annual Governance Statement** (Pages 87 - 112)

To consider the report.

9 **Debt Management and Pre-Action Protocol** (Pages 113 - 124)

To consider the report.

10 **Review of Internal Audit** (Pages 125 - 138)

To consider this report.

11 **Committee Future Workplan** (Pages 139 - 142)

To consider this report

12 **Any other urgent items of business**

Item Audit Committee - 2.00 pm Thursday 29 June 2017

The Chairman may raise any items of urgent business.

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Guidance notes for the meeting

1. Inspection of Papers

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

2. Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership. The Code of Conduct can be viewed at: <http://www.somerset.gov.uk/organisation/key-documents/the-councils-constitution/>

3. Minutes of the Meeting

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

4. Public Question Time

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

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

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

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

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

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

5. Exclusion of Press & Public

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

6. Committee Rooms & Council Chamber and hearing aid users

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

7. Recording of meetings

The Council supports the principles of openness and transparency. It allows filming, recording and taking photographs at its meetings that are open to the public - providing this is done in a non-disruptive manner. Members of the public may use Facebook and Twitter or other forms of social media to report on proceedings and a designated area will be provided for anyone wishing to film part or all of the proceedings. No filming or recording may take place when the press and public are excluded for that part of the meeting. As a matter of courtesy to the public, anyone wishing to film or record proceedings is asked to provide reasonable notice to the Committee Administrator so that the relevant Chairman can inform those present at the start of the meeting.

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

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

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

8. Operating Principles for Audit Committee

Reports

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

Members

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

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AUDIT COMMITTEE

Minutes of a Meeting of the Audit Committee held in the Luttrell Room - County Hall, Taunton, on Thursday 30 March 2017 at 10.00 am

Present: Cllr D Hill (Chairman), Cllr S Coles, Cllr S Crabb, Cllr A Dimmick, Cllr J Edney, Cllr D Yeomans, Cllr M Rigby and Cllr J Woodman

Other Members present: Cllr H Davies (for items 6 – 12)

Apologies for absence: Cllr D Ruddle and Cllr M Healey

231 **Declarations of Interest** - Agenda Item 2

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

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

Cllr Dawn Hill further declared her membership of the South West Audit Partnership.

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

Cllr Sam Crabb further declared he was a Governor of Stanchester Academy, and was the Chairman of the Management Committee of the South Somerset Partnership School.

Cllr John Edney further declared he was in receipt of a Council pension.

Cllr John Woodman further declared his membership of the Devon and Somerset Fire Authority.

232 **Minutes from the meeting held on 26 January 2017** - Agenda Item 3

The Committee agreed that the minutes of the meeting held on 26 January 2017 were accurate and the Chairman signed them.

233 **Public Question Time** - Agenda Item 4

There were no members of the public present.

234 **External Audit Update** - Agenda Item 5

The Committee considered this report that was introduced by the Engagement Manager – Grant Thornton who began by providing a summary of the report, noting: key developments including on-going austerity measures; the earlier production of the Council's financial statements; and significant risks including highlighting the change of the SAP system supplier.

The Committee were further informed of the criteria used when producing the value for money conclusion, which are informed decision making, sustainable resource deployment and working with partners and other third parties. Additionally it was highlighted that External Audit continues to monitor the Children's Services OFSTED rating.

Members discussed: the use of reserves; timescales for producing the Council's financial statements, and the potential for statements to be produced sooner; carrying the Q3 overspend into Q4; the Learning Disability Provider Service (LDPS) transfer, and resulting implications for staff; the option to borrow money from school reserves; the themed approach to the 2017/18 MTFP; and the scale of the audit fee.

The Director of Finance and Performance informed the Committee of the re-prioritisation of funding to support the in year position, that the LDPS transfer was proceeding as planned, that if the Council's quarterly budget accounts were produced sooner, this would result in a reduced level of accuracy; that any budget decisions would be published in accordance with the Council's standard process; there were currently no plans to borrow money from school reserves; and that the change of SAP system supplier had been successful.

Cllr Rigby requested that a summary of all 2017/18 budget decisions taken to date be provided to him and it was agreed that this would be copied to all Members of the Committee.

The Audit Manager informed the Committee of the other useful information sources highlighted in the report, including the publication titled 'Income Spectrum'.

Members proceed to discuss: highways network asset valuation; changes to the Council's Pension Fund, and the 'UK GB Wealth Fund'; the importance of income generation; and the removal of elected Members entitlement to join the Local Government Pension Scheme.

The Director of Finance and Performance undertook to provide the Committee with an update on changes to the Council's Pension Fund.

The Committee accepted the report.

235 **Internal Audit Update and Healthy Organisation Report - Agenda Item 6**

The Committee considered this report that summarised the work completed since the last meeting by the Internal Auditors in delivering the 2016/17 Audit Plan. The Assistant Director – SWAP highlighted the summary of partial opinion audits as detailed in the report, and the Strategic Manager – Financial Governance informed Members that the new partial assurance audits detailed in the report would be brought to the June meeting of the Audit Committee for consideration.

Members discussed the follow-up audit for Section 106 agreements. Officers provided reassurance that the implementation of a new IT system was on-

going, and highlighted that the Council has a duty to collect the correct level of income.

The Assistant Director – SWAP introduced the Healthy Organisation Report, noting that the Council received an overall assurance rating of medium.

The Committee proceeded to discuss the report and requested the Assistant Director – SWAP establish if any Local Authorities had received any 'red' assurance ratings.

Members proceeded to discuss the Healthy Organisation Report, questioning: the Council's assurance rating for Commissioning and Procurement; the implementation of the Dimensions Contract; and the importance of considering the potential impacts of the themes rated in the report.

The Chief Executive highlighted that: the report showed areas of good work and areas where improvement is needed; the need to strengthen contract and category management; and the importance of benchmarking against other Local Authorities.

The Director of Finance and Performance noted the importance of the report being considered alongside all other audit work.

The Committee accepted the report.

236 **Internal Audit Plan 2017/18 and Charter - Agenda Item 7**

The Committee heard from Mr Orr, a Somerset resident, who presented a statement suggesting that SWAP adopt a proactive role when large contracts are let or re-let. Mr Orr suggested that SWAP audits large contracts before or early in the service transfer process, and put forward a suggested checklist for any SWAP pre-contract audit.

The Strategic Manager – Financial Governance responded to the points raised by Mr Orr, noting the on-going review of the Council's Contract Standing Orders, and the inclusion of pre-procurement guidance.

The Strategic Manager introduced the report and noted that: it was best practice was for the Committee to approve the Internal Audit Plan and Charter; the reduction in the number of Audit days from 1533 to 1400; the reinstatement of the Early Years audit days; and the loss of audit days due to the non-response of officers. The Strategic Manager further thanked Internal Audit for their work.

Members accepted the report.

237 **Partial Assurance Audit - Corporate Health and Safety Premises Management - Agenda Item 8**

The Committee considered and discussed this report about Corporate Premises Health and Safety Management, with answers being provided by the Director of HR & OD, the Head of Property and the Principal Safety Officer.

The Committee were informed of work to date and key actions were highlighted including: the completion of shared use agreements; Core Brief articles reminding staff to include Health and Safety as an agenda item; the use of the RAMIS system; future use of the Learning Centre for training purposes; and updating the corporate Health and Safety Policy.

Members asked a number of questions including: the ultimate responsibility for non-compliance with Health and Safety guidance and legislation; the importance of accurate recording keeping and evidence that checks have been completed; the requirement for legionella testing training; testing schedules and timescales; local Member involvement; the importance of spot checks; ensuring the RAMIS system can highlight those establishments which have not completed the required checks; and the Council's whistleblowing policy.

Members requested that a letter is sent to all premises managers immediately to request that checks are completed and should be recorded on the RAMIS system. Members further request this letter is copied to all Head Teacher and Chairs of Governors. The Director of HR and OD accepted this as an action, but noted the letter may need to come from the Council's Chief Executive.

Members requested that a Health and Safety reminder is included in the next edition of the Governor Services magazine. The Director of HR and OD noted that he would need to link with colleagues in SSE to ensure the completion of this action.

Members further discussed the use of a bar code or coloured tagging system to show that checks have been completed;

Members further requested the following actions be completed:

- The Audit report is highlighted to the Council's Health and Safety Policy Steering Group.
- A process is put in place for spot checks of establishments to ensure that relevant checks have been completed.
- Officers ensure Governors complete appropriate Health and Safety training.
- Officers should highlight the Council's whistleblowing policy, with particular reference to H&S concerns.

238 **Partial Assurance Audit - Early Years - Agenda Item 9**

The Committee considered and discussed this report about Early Years Entitlement Claims, with answers being provided by the Service Manager – Early Years Commissioning. Members were informed of the criteria for early years entitlement, and of the number of providers in the County.

The Committee were informed of work to date and key actions were highlighted including: errors in providers fee policies; checking fee policy compliance; ensuring providers are accountable; and sanctions for non-compliance.

Member discussion included: capacity to provide childcare when entitlement increases to 30 hours; splitting entitlement across two or more providers; the disability access fund; and e-learning.

The Chairman thanked the Service Manager, and the Committee noted the report.

239 Service Spotlight - Travel Plans - Agenda Item 10

The Committee considered and discussed this report about Travel Plans, with answers being provided by the Interim Director of Economic and Community Infrastructure Operations and the Service Manager – Planning Liaison and Estate Roads.

Members were informed: officers were happy to provide details of any specific schemes on request; and changes to the National Planning Policy Framework, including the presumption in favour of development.

Member discussion included: working with developers; enforcement of non-compliance; and training district planning committees.

The Committee accepted the report.

240 Annual Report to Council - Agenda Item 11

The Strategic Manager – Financial Governance introduced the report, noting that the Committee had met 8 times during the year.

The Committee accepted the report.

The Chairman thanked the Members of the Committee for all their work over the quadrennium. The Director of Finance and Performance, and individual Members of the Committee thanked the Chairman for her work.

241 Any other urgent items of business - Agenda Item 12

There were no other items of business.

(The meeting ended at 13.48)

CHAIRMAN

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Audit Committee
Somerset County Council
Progress Report and Update
Year ended 31 March 2017

June 2017

Peter Barber

Engagement Lead

T 0117 3057 897

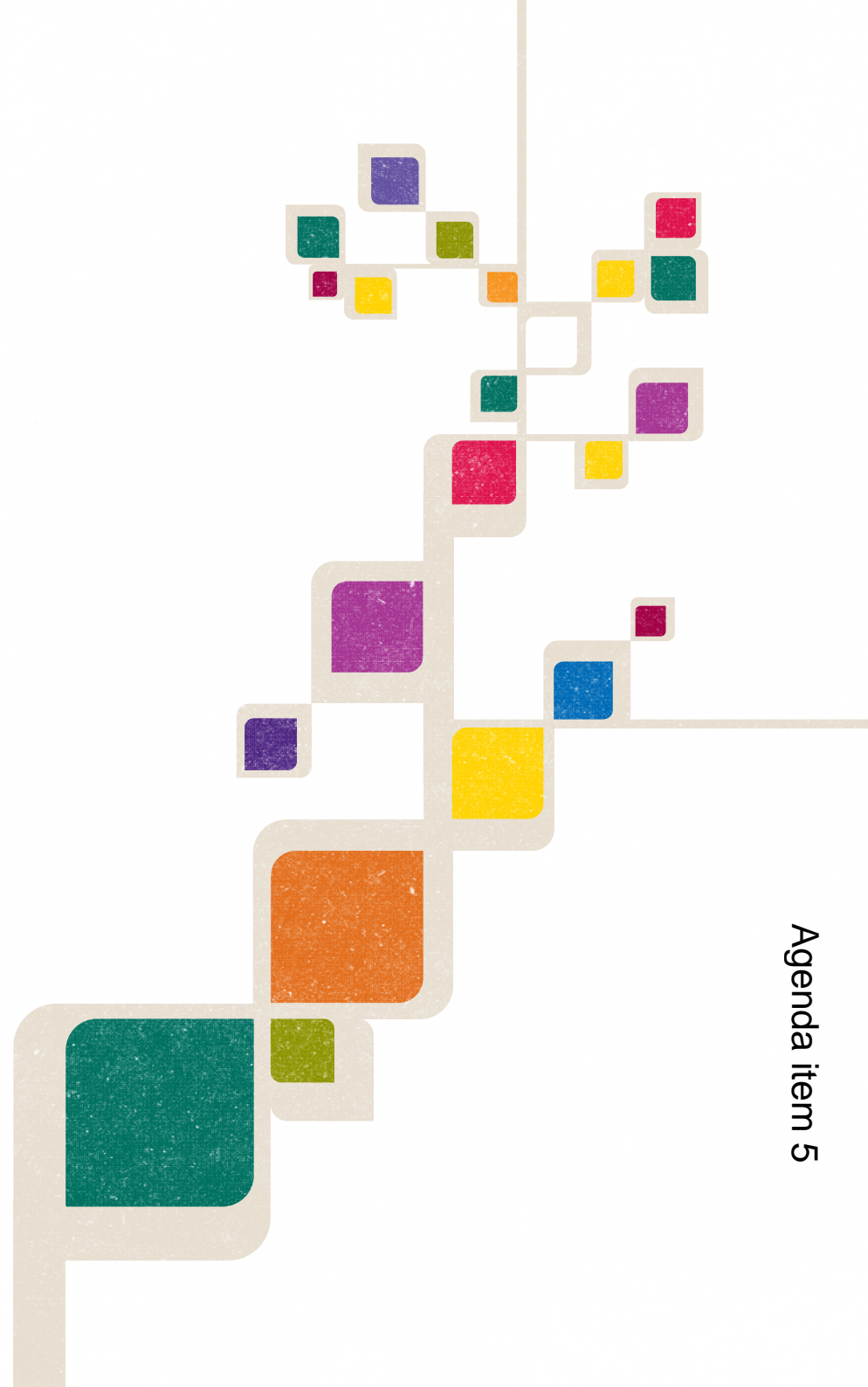
E peter.a.barber@uk.gt.com

David Bray

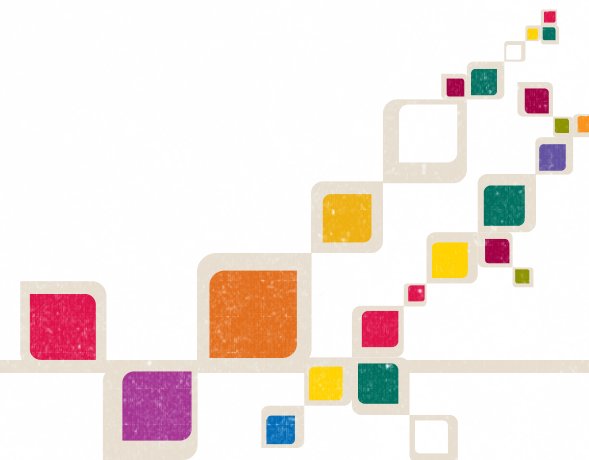
Engagement Manager

T 0117 3057 889

E david.bray@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



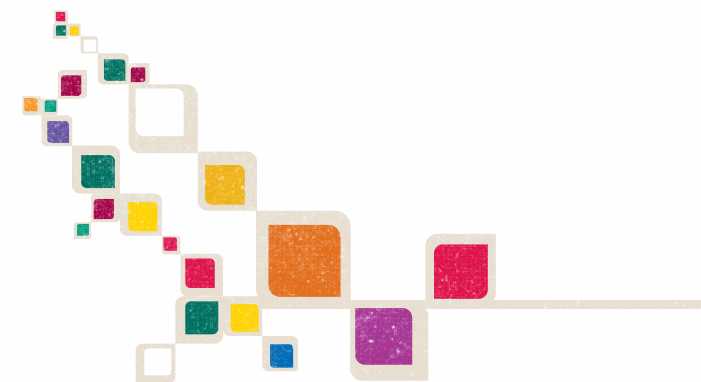
Introduction

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

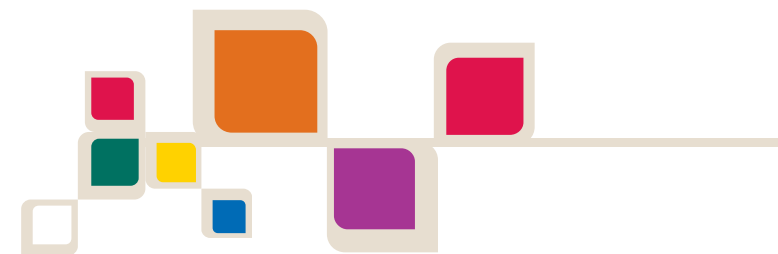
Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- The Income Spectrum (March 2017)
<http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>
- The Board: Creating and Protecting Value (May 2017)
<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/board-effectiveness-report-2017.pdf>

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

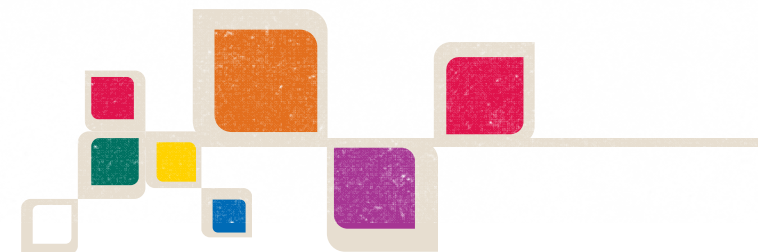


Progress at June 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016</p>	April 2016	Yes	<p>The 2016/17 fee letter was issued in April 2016 and considered by the June 2016 committee.</p> <p>Our fee letter set out the scope of our 2016/17 work and included an outline timetable</p>
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016/17 financial statements.</p>	March 2017	Yes	The Audit plan was presented to the March 2017 Audit Committee.
<p>Interim accounts audit Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	January – February 2017	Yes	We have built on our knowledge of the Council following our audits over the last few years. Issues arising from our interim visit were reported in the Audit Plan.

Progress at June 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2016/17 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	June 2017	No	We received your draft accounts at the end of May 2017 in accordance with the agreed timetable. We commenced our on-site visit on the 5 June 2017 and work is progressing. We will report our findings in our Audit Findings Report to the July 2017 Audit Committee.
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is unchanged from 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	January – June 2017	No	<p>We have carried out an initial risk assessment to determine our approach and we report this in our Audit Plan.</p> <p>We will report our detailed findings in our Audit Findings Report.</p>

Sector issues and developments



Local Government Finance Settlement

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

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

100% business rates retention

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

The results of a recent Municipal Journal survey *2017 State of Local Government Finance* have recently been published. http://downloads2.dodsmonitoring.com/downloads/Misc_Files/LocalGovFinance.pdf

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

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

Social Care Funding

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

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

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

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

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

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

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

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

National developments

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

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

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

Links:

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

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

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

Pooling of LGPS

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

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

Tasks to be completed by April 2018 include:

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

The funds themselves will retain responsibility for:

- investment strategy
- asset allocation

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

Governance arrangements

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

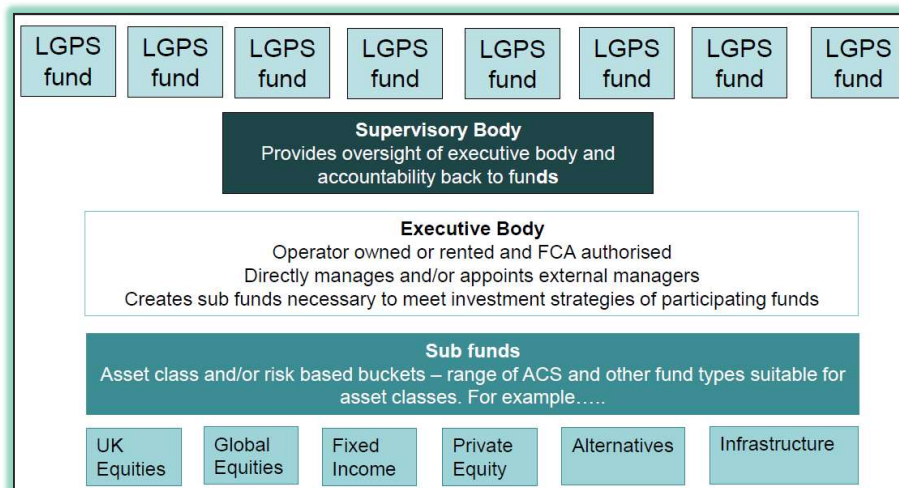
CIPFA in the recent article *Clear pools: the future of the LGPS* highlights the need for good governance particularly in view of the complex web of stakeholders involved in investment pooling. Robust governance will be vital to ensuring a smooth transition and continuing operation of the funds

National developments

Challenge question:

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

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



typical structure of LGPS Pool

Local authority accounts – a guide to your rights

In addition to his statutory duties and powers in respect of the Code of Audit Practice and guidance to auditors, the Comptroller and Auditor General has agreed to maintain and publish Local authority accounts – a guide to your rights

This document provides information on how people can ask questions and raise objections about the accounts of their local authority

<https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights>

Page 23 LAAP BULLETIN 105 Closure of the 2016/17 Accounts and Related matters

This bulletin covers the closure of accounts and related matters for the 2016/17 year and provides further guidance and clarification to complement the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners* (Code Guidance Notes). It addresses frequently asked questions, and other issues that have arisen since the publication of the Code Guidance Notes.

The bulletin focuses on those areas that are expected to be relevant for most authorities. It is not intended to replace authorities' processes for identifying issues, but to complement them.

In addition, the bulletin addresses matters that will generally be applicable to authorities across England, Wales, Scotland and Northern Ireland.

Grant Thornton



The income spectrum

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

Grant Thornton market insight

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

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

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



The Board: creating and protecting value

Our new cross sector Board Effectiveness Report

In all sectors, boards are increasingly coming under pressure from both the market and regulators in terms of effectiveness and accountability. Building on the success of our cross sector audit committee effectiveness survey- Knowing The Ropes, the Grant Thornton Governance Institute extended its research to look at the effectiveness of boards across the corporate, public and not for profit sectors.

This report raise key questions that all boards should ask themselves to challenge their effectiveness. Their organisations may operate in different sectors and be subject to a variety of statutory and governance requirements, but they all share a common overriding principle: the governing body is a collective charged with developing the organisation's purpose.

Key messages:

- There is a strong future focus on boards
- Executive behaviours tend to dominate - not the best scenario for good governance or an organisation's future focus
- There are strongly held opinions about the relationship between the board and the executive which will impact on efficiency
- More than 88% of respondents see their executives as being strong leaders of the organisation
- There is a clear focus on organisational culture and values across all sectors – 93% see the executive board members modelling the values of the organisation
- Non-executives also need to live and breathe those values – only 82% of respondents agreed that the non-executives inspire and guide the executive to realise the organisation's purpose
- Only 75% of respondents feel that the recruitment process of non-executives is rigorous, well-documented or transparent
- Over 60% of board members believe that are adequate processes in place to evaluate performance

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This framework allows organisations to have a better understanding about where they are focusing their energies.

Download the report here: <http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>

Grant Thornton reports

Challenge question:
Are you familiar with this report?



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18 April 2017

Dear Patrick

Planned audit fee for 2017/18

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no changes to the overall work programme for local government audited bodies for 2017/18, following the recent CIPFA/LASAAC announcement that their planned introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities in 2017/18 will no longer proceed. PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £99,873.

The audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2017/18 will be undertaken under this Code, on the basis of the [201718 work-programme and scales of fees](#) set out on the PSAA website. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

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

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

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Pension Fund audit

PSAA has also established a scale of fees for pension fund audits. The scale fee for the audit of the pension fund is £23,859, in line with 2016/17. Our work on the pension fund will be undertaken by our specialist pension fund audit team, led by David Bray.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2017	24,968.25
December 2017	24,968.25
March 2018	24,968.25
June 2018	24,968.25
Total	99,873.00
<hr/>	
Pension Fund audit	
March 2018	23,859.00

Outline audit timetable

We will undertake our audit planning and interim audit procedures between January and March 2018. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2018 and work on the whole of government accounts return in line with the timetable for Local Government Bodies set by Department of Finance.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit (Council accounts and Pension Fund)	November 2017- February 2018	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit (Council accounts and Pension Fund)	June-July 2018	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion (Council accounts)	February-March 2018 Concluded in July 2018	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	August 2018	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2018	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2017/18 are:

	Name	Phone Number	E-mail
Engagement Lead (Accounts and Pensions)	Peter Barber	0117 305 7897	peter.a.barber@uk.gt.com
Senior Manager (Accounts and Pensions)	David Bray	0117 305 7889	david.bray@uk.gt.com
In Charge Auditor (Council accounts)	David Johnson	0117 305 7727	david.a.johnson@uk.gt.com
In Charge Auditor (Pension Fund)	Steph Thayer	0117 305 7821	steph.e.thayer@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner, via jon.roberts@uk.gt.com.

Yours sincerely



Peter Barber
Engagement Lead
For Grant Thornton UK LLP

cc. Kevin Nacey - Director of Finance and Performance

Somerset County Council

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Summary

Our audit activity is split between:

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



Role of Internal Audit

The Internal Audit service for Somerset County Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 30th March 2017.

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

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

Outturn to Date:

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



Internal Audit Work programme

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

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

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

In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised.

Summary of Audit Work 2016/17

Significant Corporate Risks

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



Significant Corporate Risks

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

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

SWAP Performance - Summary of Partial Opinions

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



Summary of Partial Opinions

Three of the four Adults audits were finalised in the period and partial assurance was awarded to each. The significant findings from these have been summarised below.

As has been reported in other recent audits covering direct payments and personal finance contributions, local finance teams each have their own processes for completing validation work and maintaining records, with some being predominantly manual. The current restructuring of the local finance teams should be used as an opportunity to standardise processes to improve efficiency, using reporting capability within AIS where-ever possible.

Adults Financial Management of Placements – ‘Partial’

The objective of the audit was to review the financial control arrangements in place for Adult and Learning Disability placements. This audit was added to the plan during the year following a similar review of the financial controls relating to childrens placements.

The ability to validate invoice payments is currently hampered by a backlog of care plans and other supporting documentation being input onto AIS by care coordinators. Consequentially validation cannot occur in a timely manner and additional time is required to investigate all instances of variation. The results of such delays means some payments were being processed without validation.

Through testing it was identified that home care providers do not always provide sufficient detail on their invoices to be able to check the validity of charges made. As above additional resource is needed to carry out further checking but without information such as client names, hours and invoice periods being clearly stated invoices are being paid without it being possible to properly validate them. A new contract for homecare will be operational from April 2017 and this will require a consistent format across all providers which should improve this situation.

In addition, data input quality requires improvement. From a limited sample of temporary placements weaknesses were identified with inputting care end dates on the AIS system for residential nursing.

Consequentially this can impact on the Finance team's ability to monitor these provisions and ensure payments are ended.

Adults Income Collection – 'Partial'

Maximising income collection is important to the overall financial performance of the Authority. The main areas of weakness can be summarised as follows:

- There is no single team approach to the management of debt recovery across the local finance teams resulting in differing monitoring and control frameworks and inconsistent record keeping between offices and a reliance on hard copy files.
- Debts are chased by individual officers which results in a lack of continuity of chasing when absences occur.
- Outstanding debts are not escalated promptly, in some instances this may allow debts to accrue beyond a client's financial ability to repay. Debts from clients in care homes are already outstanding for 90 days before being managed by the service.
- Debt recovery does not follow the defined corporate standards, whilst there will be some expected variation due to the nature of these debts, these variations should be defined clearly by the service.
- Initial debt chasing by care homes differed in quality, one care home did not provide an adequate breakdown of costs or copies of invoices. This will impact on the success of the debt recovery prior to being transferred over to SCC.

An audit of debt management at a corporate level has also been completed in the year and much work is currently taking place to address weaknesses in debt collection processes.

Adults Safeguarding Alerts – ‘Partial’

Whilst partial assurance has been offered it is acknowledged that significant work has already been undertaken within the financial year to improve the timescales of the triage process and there is a clear demonstrable improvement in performance with effective monitoring processes in place. Weaknesses identified relate primarily to the enquiry process undertaken post-triage and the service has its own action plan for improvement that covers this, which includes developing performance reports and quality assurance. These improvements are scheduled to be completed at the end of June which will enable a follow-up audit to be scheduled in quarter 2.

Summary of Audit Work 2016/17

Update 2016/17

Completed Assignments in the Period



Internal Audit Work Programme Progress to Date

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

- 45 final reports
- 2 draft reports
- 5 discussion documents
- 2 in progress

As can be seen from the above the majority of the plan is now complete. There are just two audits still in progress and work on these is substantially complete with the report for each planned to be issued by the end of the month.

In addition, 39 school visits and 24 early years visits have taken place and have been finalised over the year.

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



SWAP Performance

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

Performance Target	SCC Performance	Partners Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion Reports	92%	92%
<u>Draft Reports</u> Issued within 5 working days	53%	61%
<u>Final Reports</u> Issued within 10 working days of discussion of draft report	49%	53%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	88%	82%

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



Approved Changes to the Plan

Members will note that a number of changes to the plan have been made through the year; one of the key reasons for this is management requests to review identified high risk areas. All changes made have been subject to agreement with the appropriate Strategic Manager and the Strategic Manager – Finance Governance. These changes ensure that our focus continues to be directed to the most important areas.



Conclusion

Overall delivery of the plan this year has progressed well despite some delays experienced, and the agreement of a protocol to use where this occurs has already shown to be of help. Healthy Organisation has been a major piece of work this year and has provided a valuable corporate overview as well as helping ensure that next year's plan focuses on key areas of risk.

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

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

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

Categorisation of Recommendations

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

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

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

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

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Childrens Services	Operational	Education of Children Looked After in Care	Q1	Final	Non opinion	09/09/2016	17	0	10	7	0	0	Non opinion agreed due to significant developments in the year. Opinion based audit scheduled for 2017/18.
Corporate	Governance, Fraud & Corruption	Healthy Organisation – a strategic review	Q1	Final	Medium Assurance	04/07/2016	n/a	0	0	0	0	0	Areas for attention form part of next years plan
Finance and Performance	Governance, Fraud & Corruption	Fraud - Compliance with CIPFA Counterfraud Assessment	Q2	Final	Advice	08/08/2016	n/a	0	0	0	0	0	
Adult Services	Operational	Adults – Financial Management of Care Provision	Q2	Final	Partial	24/10/2016	7	0	4	3	0	0	
Adult Services	Operational	Adults - Income Collection Personal Finance Contributions	Q3	Final	Partial	17/10/2016	9	0	3	6	0	0	Client delays have slowed report progress
Adult Services	Operational	Adults - Safeguarding	Q1	Final	Partial	09/01/2017	4	0	1	3	0	0	Request made to defer the work until Q4
Childrens Services	School	School Theme - Safeguarding in Schools	Q4	Final	Reasonable	04/01/2017	9	0	1	8	0	0	School visits January/February
ECI	Advice	Concessionary Fares	Q1	Final	Advice	01/04/2016	n/a	0	0	0	0	0	
ICT	ICT	SAP Migration	Q1	Final	Advice	18/06/2016	n/a	0	0	0	0	0	Ongoing advice
Childrens Services	Key Control	Troubled Families - Phase 2 Claims	Q1	Final	Grant Certification	29/04/2016	n/a	0	0	0	0	0	Claim periods spread over the year

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
EC1	Follow Up	SEN - High Needs Transport	Q3	Final	n/a	09/01/2017	0	1	0	0	0	0	Further work required - not removed from JCAD.
Childrens Services	Follow Up	Governance Arrangements - Educational Outcomes	Q3	Final	n/a	24/11/2016	n/a	0	0	0	0	0	Satisfactory progress - removed from JCAD.
Childrens Services	Follow Up	Residential Units	Q4	Final	n/a	27/03/2017	0	0	0	0	0	0	Satisfactory progress - removed from JCAD.
Finance and Performance	Key Control	Creditors	Q4	Final	Reasonable	23/01/2017	6	0	1	5	0	0	
Business Development	Governance, Fraud & Corruption	Performance Management	Q2	Final	Advice	01/08/2016	0	0	0	0	0	0	
Childrens Services	Follow Up	Schools - Health & Safety	Q4	Final	n/a	08/11/2016	0	0	0	0	0	0	Recommendations outstanding - not removed from JCAD
Childrens Services	School	School Theme - Prevention of Fraud in Schools	Q4	Draft		01/03/2017	0	0	0	0	0	0	School visits took place in March.
Adult Services	Follow Up	Personal Budgets	Q3	Draft		17/10/2016	0	0	0	0	0	0	Client delays have slowed report progress.
Childrens Services	Operational	Libraries – Consortium Arrangements	Q4	Discussion Document		12/01/2017	0	0	0	0	0	0	
Childrens Services	Operational	The Building of Schools	Q2	Discussion Document		05/12/2016	0	0	0	0	0	0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Business Development	Governance, Fraud & Corruption	Strategic Commissioning	Q4	Discussion Document		16/01/2017	0	0	0	0	0	0	Awaiting the completion of a number of commissioning intention plans before finalising.
ICT	ICT	Information Sharing	Q4	Discussion Document		26/01/2017	0	0	0	0	0	0	
Business Development	Governance, Fraud & Corruption	Procurement – Home Care	Q2	Discussion Document	Advice	16/10/2016	0	0	0	0	0	0	Delay due to need to wait until project sufficiently advanced for audit
Education	Operational	Team Around the School	Q4	In progress		09/01/2017	0	0	0	0	0	0	School visits continued up to June.
Adult Services	Operational	Better Care Fund	Q4	In progress		9/03/2017	0	0	0	0	0	0	There have been delays in receipt of information.
Business Development	Follow Up	Hard FM	Q4	Deferred			0	0	0	0	0	0	Days added to 17/18 review of this area.
Customers and Communities	Operational	Data Subject Access Request (DSAR)	Q4	Deferred			0	0	0	0	0	0	Deferred to 17/18
Adult Services	Operational	The Efficiency & Effectiveness of the new Operating Model	Q2	Deferred			0	0	0	0	0	0	Request for deferral until 2017/18. Replaced with Adults Placements.
Business Development	Governance, Fraud and Corruption	Social Value Policy	Q4	Deferred			0	0	0	0	0	0	Deferred to 17/18. Days added to Healthy Organisation review.
ICT	ICT	User Access/Active Directory Arrangements	Q3	Deferred			0	0	0	0	0	0	Request for this audit to be deferred to 2017/18

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
ICT	ICT	Threat Management	Q3	Deferred			0	0	0	0	0	0	Request for this audit to be deferred to 2017/18
Adult Services	Follow Up	Direct Payments	Q3	Deferred			0	0	0	0	0	0	Due to restructure of local finance teams deferred to 17/18. Days used for other follow-up audits.
Business Development	Governance, Fraud & Corruption	Corporate Contracts	Q4	Deferred			0	0	0	0	0	0	Much work ongoing on corporate contract toolkit that needs to embed, defer to 17/18.
Adult Services	Non Opinion	LD Change Programme Assurance	Q1	Removed			0	0	0	0	0	0	Replaced with DSAR.
Finance and Performance	Key Control	Budget Management and Monitoring	Q3	Removed			0	0	0	0	0	0	Days used for concessionary fares work.
Childrens Services	Operational	Tripartite Funding Panel	Q2	Removed			0	0	0	0	0	0	Replaced with Independent Education Placements – Financial Controls
Childrens Services	Operational	Impact & Effectiveness of Non Maintained Special Schools	Q2	Removed			0	0	0	0	0	0	Replaced with Team around the School.
Business Development	Governance, Fraud & Corruption	Human Resources Security	Q4	Removed			0	0	0	0	0	0	Days used for Healthy Organisation.
ECl	Grant	Growth Deal	Q1	Removed			0	0	0	0	0	0	Audit removed as SCC able to complete the audit certification themselves.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
ECI	Advice	Broadband Programme	Q1	Removed			0	0	0	0	0	0	Removed as audit work completed in 15/16. Days used for 1610 Leisure Services.
ECI	Grant	Review of Grants as they arise through the year	Q2	Removed			0	0	0	0	0	0	Plan to engage outside of the audit plan. Days added to cash handling audit to allow sufficient site visits to take place.
ECI	Grant	Interreg IVB Project - Triple C Funding	Q2	Removed			0	0	0	0	0	0	Removed and plan to engage outside of the audit plan.
ECI	Advice	Contract Audit - Broadband	Q2	Removed			0	0	0	0	0	0	Removed as audit work completed in 15/16. Days used to create concessionary fares review.
Childrens Services	Operational	The Effectiveness of Early Years Funding	Q3	Removed			0	0	0	0	0	0	Days used for Team Around the School.
Childrens Services	Operational	The Effectiveness of Post 16 Education Support for Children with Additional Needs	Q4	Removed			0	0	0	0	0	0	Audit removed from plan and not replaced as insufficient time to programme a further audit.
Schools													
Schools - Primary	School	The Planned Use of School Balances - Hamp Infants	Q1	Final	Substantial	14/07/2016	3	0	0	2	1	0	

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

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Schools - Primary	School	The Planned Use of School Balances - Elmhurst	Q1	Final	Reasonable	29/06/2016	5	0	0	5	0	0	
Schools - Primary	School	School theme – The Planned Use of School Balances - Mark First	Q1	Final	Substantial	06/07/2016	0	0	0	3	0	0	
Schools - Middle	School	School theme – SFVS Swanmead Community School	Q3	Final	Reasonable	04/10/2016	9	0	1	8	0	0	
Schools - Primary	School	School theme – SFVS Churchstanton	Q3	Final	Partial	10/10/2016	13	0	1	12	0	0	
Schools - Primary	School	School theme – SFVS Our Lady of Mount Carmel Catholic	Q3	Final	Reasonable	19/10/2016	8	0	1	7	0	0	
Schools - Primary (School	School theme – SFVS St Dubricius Church of England VA School	Q3	Final	Substantial	17/10/2016	4	0	0	4	0	0	
Schools - Primary (School	School theme – SFVS Stoke St Michael	Q3	Final	Partial	11/10/2016	16	0	1	15		0	
Schools - Primary	School	School theme – SFVS Wellsprings	Q3	Final	Reasonable	14/10/2016	8	0	0	8		0	
Schools - Primary	School	School theme – SFVS Catcott	Q3	Final	Reasonable	07/10/2016	11	0	0	11		0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Schools - Primary	School	School theme – SFVS St Johns First	Q3	Final	Reasonable	18/10/2016	10	0	0	10		0	
Schools - Primary	School	SFVS follow-up Hinton St George	Q3	Final	n/a	29/09/2016							
Schools - Primary	School	SFVS follow-up North Curry	Q3	Final	n/a	12/12/2016							
Schools - Primary	School	SFVS Follow-up St Bartholomew's Church of England First	Q3	Final	n/a	02/12/2016							
Schools	Schools	School theme - Safeguarding Wincanton	Q4	Final	Reasonable	09/02/2017	4	0	0	4	0	0	
Schools	Schools	School theme - Safeguarding Non SCC Establishment 1	Q4	Final	Substantial	26/01/2016	3	0	0	3	0	0	Brookside Academy
Schools	Schools	School theme - Safeguarding Barwick and Stoford	Q4	Final	Reasonable	23/01/2017	9	0	1	8	0	0	
Schools	Schools	School theme - Safeguarding Non SCC Establishment 2	Q4	Final	Substantial	06/02/2017	0	0	0	0	0	0	Stanchester Academy

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Schools	Schools	School theme - Safeguarding Selworthy	Q4	Final	Reasonable	24/01/2017	9	0	1	7	1	0	
Schools	Schools	School theme - Safeguarding PRU South Somerset	Q4	Final	Reasonable	27/01/2017	4	0	0	4	0	0	
Schools	Schools	School theme – Safeguarding Frome College	Q4	Final	Substantial	01/02/2017	4	0	0	4	0	0	
Schools	Schools	School theme - Safeguarding Fiveways	Q4	Final	Substantial	18/01/2017	2	0	0	2	0	0	
Schools	Schools	School theme - Safeguarding Non SCC Establishment 4	Q4	Final	Partial	31/01/2017	11	0	3	8	0	0	King Ina Academy
Schools	Schools	School theme - Safeguarding Non SCC Establishment 5	Q4	Final	Substantial	8/02/2017	2	0	0	2	0	0	Strode College
Schools	Schools	School theme – Prevention of Fraud Mells	Q4	Final	Reasonable	13/03/2017	18	0	0	18	0	0	
Schools	Schools	School theme – Prevention of Fraud St Georges	Q4	Final	Partial	22/02/2017	21	0	5	16	0	0	
Schools	Schools	School theme – Prevention of Fraud Bishops Hull	Q4	Final	Reasonable	06/03/2017	9	0	1	8	0	0	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Schools	Schools	School theme – Prevention of Fraud Chilton Trinity	Q4	Final	Substantial	27/03/2017	4	0	0	4	0	0	
Schools	Schools	School theme – Prevention of Fraud Kingsbury Episcopi	Q4	Final	Reasonable	06/03/2017	13	0	1	12	0	0	
Schools	Schools	School theme – Prevention of Fraud Shepton Mallet	Q4	Final	Reasonable	27/02/2017	19	0	0	19	9	9	
Schools	Schools	School theme – Prevention of Fraud St Aldhelms	Q4	Final	Reasonable	13/04/2017	12	0	0	12	0	0	
Schools	Schools	School theme – Prevention of Fraud St Johns	Q4	Final	Reasonable	07/03/2017	17	0	0	17	0	0	
Early Years													
Early Years	Early Years	Sampford Arundel Pre-School	Q1	Final	Reasonable	05/07/2016	2	0	0	2	0	0	
Childrens Services	Early Years	Samantha Stone	Q1	Final	Substantial	21/06/2016	2	0	0	2	0	0	
Childrens Services	Early Years	Wyvern at The Levels Children's Centre	Q1	Final	Partial	15/06/2016	3	0	1	2	0	0	

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

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	5 = Major ← 1 = Minor					Comments
								Recommendation					
								5	4	3	2	1	
Childrens Services	Early Years	Taunton School Pre-Prep & Nursery	Q3	Final	Partial	16/11/2016	3	0	2	1	0	0	
Childrens Services	Early Years	Smarteets	Q3	Final	Reasonable	06/12/2016	4	0	0	4	0	0	
Childrens Services	Early Years	Blackdown Children's Day Nursery	Q4	Final	Partial	22/03/2017	4	0	3	1	0	0	
Childrens Services	Early Years	Butterflies Day Nursery (The Exchange)	Q4	Final	Reasonable	24/03/2017	3	0	0	3	0	0	
Childrens Services	Early Years	Ladybird Playgroup (Bruton)	Q4	Final	Reasonable	17/03/2017	4	0	0	4	0	0	
Childrens Services	Early Years	Little Steps Nursery	Q4	Final	Reasonable	10/03/2017	3	0	0	3	0	0	
Childrens Services	Early Years	St Mary's Pre-School Ilchester	Q4	Final	Partial	13/03/2017	4	0	1	3	0	0	
Childrens Services	Early Years	Yeovil Teenies Day Nursery	Q4	Final	Partial	07/04/2017	4	0	2	2	0	0	
Childrens Services	Early Years	Dunster Pre-School	Q4	Final	Reasonable	09/03/2017	4	0	1	3	0	0	
Childrens Services	Early Years	Norton Fitzwarren Pre-School	Q4	Final	Reasonable	13/03/2017	2	0	0	2	2	2	

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Risk management update

Service Director: Kevin Nacey, Director of Finance and Performance

Lead Officer: Scott Wooldridge, Governance Manager

Author: Scott Wooldridge and Pam Pursley, Principal Officer-Risk Management

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Cabinet Member: Cllr D Hall, Cabinet Member for Resources and Member

Champion for Risk

Division / Local Member: All

1. Summary/link to the County Plan

- 1.1 The role of the Audit Committee is to ensure there is an effective process for managing risks across the County Council. This report seeks to provide assurance on risk management processes and management actions being undertaken in accordance with the Council's policies and procedures.
- 1.2 The aim of risk management is to identify business risks and effectively manage them in line with the County Council's Risk Management framework.
- 1.3 Effective risk management can have a major impact on the achievement of the objectives, policies and strategies of the authority and relates to all the priorities within the County Plan.

2. Issues for consideration

- 2.1 The Committee is asked to :
 - i) note the latest position with managing strategic risks as set out in this report and Appendix A.
 - ii) note the latest position with services implementing recommended actions for SWAP internal audit partial assurance reports as set out in Appendix B

3. Background

- 3.1 SRMG meets monthly with nominated officer representation from across the organisation. SRMG identify, monitor, review and report strategic risks to Senior Leadership Team (SLT).

3.2 The role of the Audit Committee is to ensure there is an effective process for managing risks across the County Council and it receives a Risk Management update on a quarterly basis. If necessary, Audit Committee is able to question Cabinet Members and Senior Managers about their risk management actions and controls in order to ensure risks remain within tolerance.

3.3 Critical Risks facing the Council

SLT has recently reviewed the following critical strategic risks facing the Council and the management actions being taken:

ORG0043 Maintain a sustainable budget – since the last update the risk score has been reviewed and maintained at a level of 20 (very high) as at the end of May 2017. The risk score reflects the on-going financial difficulties that demand in care services is placing on our budgets as reported in the first financial projections for the Revenue Budget 2017/18.

3.4 As outlined in previous reports, the Government has significantly reduced the levels of funding in Local Government. The Council faces on-going challenges both within the current financial year and in developing a balanced budget for its Medium Term Financial Plan 2017/18 to deliver its 2020 Vision.

3.5 The financial climate for local authorities is particularly uncertain both in relation to the totality of resources available for the sector and the distribution of those resources. The Council continues to lobby for fairer funding for Somerset but Members need to be aware that many other councils face similar financial challenges.

3.6 The 2017/18 financial year cannot be considered in isolation as it is becoming increasingly important to hold reserves capable of smoothing transition and enabling the Council to manage service change in an effective manner.

3.7 As reported previously, not being able to balance the budget has more serious consequences for councils than the public may realise because it is a legal requirement under the Local Government Finance Act 1988.

3.8 The 2016/17 Revenue Budget outturn report was reported to Cabinet on 14 June. The outturn position showed an overspend of £7.049m (which represents 2.26% of the approved budget). The level of overspend took temporarily the Council's General Reserves balances below the minimum recommended range given the size of the budget and taking into account the annual financial risk assessment. The level of reserves will be replenished by the Council Tax collection fund surplus of around £5m. A survey of county councils recently showed that most councils had to use reserves to manage budgets and that on average around £4.5m was used.

3.9 An early review of the 2017/18 Revenue Budget projections is likely to show a potential significant overspend in key services such as Children’s Social Care, Adults Social Care and Learning Disabilities services as they continue to manage considerable increases in demand. The risk is that this trend will continue for at least part of the 17/18 financial year. We need to be prepared to divert resources to support these areas of spend, recognising that the contingency budget is only £7.5m and this has been used in previous years to offset the non-delivery of agreed MTFP savings proposals. The availability and use of reserves is critical in being able to manage spikes in demand and costs incurred. This must be balanced against the risk of other services coming under financial pressure.

3.10 SCC faced similar financial challenges during 2016/17 and put in place a rigorous management plan to address overspend pressures. These management actions are likely to remain a constant feature of achieving a sustainable budget position for the next few years. Audit Committee can be assured that the Senior Leadership Team and Cabinet will continue to manage the financial position, robustly challenge any overspends, implement management actions and develop options in order to bring the overall budget back into balance. The Section 151 Officer will continue to provide financial support, present options and give advice to SLT and the Cabinet to help maintain a sustainable budget for 2017/18 and to generate sufficient savings options as part of the development of the MTFP 2018/19.

3.11 Strategic Risks – summary position

The summary position for the Council’s corporate and strategic risks (attached at Appendix A) sets out the risk scores assessed by relevant SLT Directors.

3.12 Strategic risks are those which affect the council’s strategic goals and objectives e.g. the council’s statutory duties for safeguarding adults and children. The Senior Leadership Team and individual SLT Directors regularly review the strategic risks in Appendix A.

3.13 Officers have compared the latest position with the last update to the Audit Committee in January 2017 and the following is highlighted :

Dimension and Objective	RAG status	
	Jan 17	May 17
Very High risks (red)	4	4
High risks (amber)	5	4
Medium risks (yellow)	5	6
Low risks (green)	1	1

Overall our risk position remains the same as reported previously, and the main change has been:

- (ORG0010) – Safeguarding Adults score moved from 15 (high) to 12 (medium).

The four 'Very High' risks with a minimum score of 16 are:

- (ORG0043) Maintain sustainable budget – score of 20
- (ORG0036) Partnership working – score of 20
- (ORG0009) Safeguarding Children – score of 20
- (ORG0032) Information Governance – score of 16

3.14 In addition to details in 3.3-3.11 about ORG0043, the following provides further information regarding the other very high risks:

- ORG0009 (Safeguarding Children) remains at a score of 20 (very high). Progress for the first year of the Children and Young People's Plan has been reported to the Children's Trust Executive and the Cabinet. The Children's Trust Executive is pleased with the progress against the 7 Improvement Programmes, but recognises there is still much work to be done. Action plans for 2017/18 have been drawn up with a focus on a stepped improvement over this second year to ensure year 3 achieves the outcomes of the CYPP in 2019. Ofsted quarterly monitoring visits have concluded adequate progress is being made and DfE intervention has confirmed a "significant improvement" in Somerset's Children's Services, including more manageable case-loads, a more stable workforce and better partnership working as reported by the Minister in December 2016. Despite this, until a re-inspection, services are judged inadequate and there is a corporate risk for Safeguarding Children that has a very high risk rating. Change is evident but universal improvement remains is a challenge.
- ORG0032 (Information Governance) remains at its previous score of 16 (very high) due to the requirements of the European Union General Data Protection Regulation which comes into force in May 2018.
- ORG0036 (partnerships) remains at a score of 20 following the Brexit referendum result and changes in national government providing uncertainty for levels of future funding for significant strategic partnership programmes like the LEP and Devolution proposals.

3.15 Assurance on the overall risk management process is provided through the Annual Governance Statement and no significant issues have been identified for risk management from 2016/17. Nevertheless, there has been an increase in the level and scale of business risk that the Council faces to deliver its priorities and services. This has been evidenced not just by JCAD and specific reports but also an increase in Internal Audit reports with Level 4/5 recommendations for action by services. Audit Committee continues to take an active role in reviewing services' progress with actions relating to Level 4/5 recommendations.

3.16 The Council also recognises, however, that risk management is as much about exploiting opportunities as it is about managing threats. Risks need to be managed rather than avoided, and consideration of risk should not stifle innovation. In some cases the Council may wish to accept a relatively high level of risk because the benefits of the action outweigh the risk or disadvantages on the basis that the risk will be well managed.

3.17 Level 4/5 internal audit recommendations

At the 26 March 2015 meeting, Audit Committee members decided that all audits where SWAP can only offer “partial” assurance must come back to a future Audit Committee as part of the “follow up” process, and that agreed actions rated as 4 (Medium / High) or 5 (High) need to be formally recorded and tracked through to completion. Audit Committee receive six monthly updates setting a summary of progress.

A summary of the Level 4 / 5 partial assurance audits is set out in Appendix B. It should be highlighted that the Audit Committee has held a number of additional meetings during 2016 and 2017 to receive updates from relevant officers regarding progress with action plans.

3.18 Council wide mitigations and communicating the risk management culture

One of the key elements of the Risk Management Policy and Strategy is the review of risks and application of mitigations on a proportionate basis according to their risk score. This is intended to focus available resources on the areas of highest risk and reflect an increased tolerance of medium and high risks due to the scale of change and financial challenges to the Council.

4. Consultations undertaken

4.1 Strategic Risk Management Group (SRMG) continues to review risk management and the Strategic Risk Register regularly and escalate any issues as necessary to the Senior Leadership Team.

5. Implications

5.1 The risk management reporting arrangements ensure that both senior managers and elected members have regular review of key organisational risks on a regular basis. Coupled with the Performance Dashboard reporting this improves management information and where any urgent management action / resources need to be directed.

- 5.2** Risk Management is integral to the Corporate Governance Framework and supports the Annual Governance Statement. How successful we are in dealing with the risks we face can also have a major impact on the achievement of our corporate priorities and the delivery of services.
- 5.3** There is a risk of external challenge around the effectiveness of the decisions made if the Council's risk management process is not seen to be adhered to in these times of change.

6. Background papers

- 6.1** Council's Risk Management Policy and Strategy agreed by Cabinet in October 2016
Previous update reports to Audit Committee

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

RAG Priority Matrix

	Very likely 5	5 Low at least annual	10 Low At least annual	15 High Monthly	20 Very High Monthly	25 Very High Monthly
Likelihood (a)	Likely 4	4 Low At least annual	8 Low At least annual	12 High Monthly	Escalate To SRMG	
	Feasible 3	3 Low At least annual	6 Low At least annual	9 Medium Quarterly	12 High Monthly	15 High Monthly
	Slight 2	2 Low No action required	4 Low At least annual	6 Low At least annual	8 Medium Quarterly	10 High Business Continuity Plan Annual
	Very unlikely 1	1 Low No action required	2 Low No action required	3 Low At least annual	4 Medium Quarterly	5 High Business Continuity Plan Annual
		Insignificant 1	Minor 2	Significant 3	Major 4	Critical 5
		Impact (b)				

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Appendix A Strategic Risk Report - Somerset County Council (SLT)

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
Page 71	ORG0043 Risk Owner: Kevin Nacey Next Risk Review Date: 01/08/2017	<p>Risk Description: Strategic Risk 2016: Maintain a sustainable budget: Reserves will not be sufficient to manage any in-year overspends for the forthcoming financial year 2017/18</p> <p>Cause: Unforeseen expenditure and overspends exceed the planned provision</p> <p>Consequence: The budget contingency is exhausted and general reserves are approaching minimum recommended levels (£15 m). Where planned expenditure is anticipated to exceed available resources then a S114 and actions report must be produced by The Section 151 officer.</p>	<p>Likelihood :5 Impact :5</p> <p>25</p> <p>Escalate to SRMG</p>			<p>Likelihood :4 Impact :5</p> <p>20</p> <p>Escalate to SRMG</p>	<p>Likelihood :4 Impact :5</p> <p>20</p> <p>Escalate to SRMG</p>	09/06/2017 Score remains the same pending work to establish the end of year forecast. Initial predictions suggest a significant overspend and work over the next two months is required to assess what mitigating actions can be put in place.

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	ORG0009	Risk Description: Strategic Risk 2016: Safeguarding Children: We fail to deliver our statutory service delivery duties and legal obligations in relation to vulnerable children.	Likelihood :5 Impact :5 25 Escalate to SRMG	<ul style="list-style-type: none"> CYPP 7 Improvement Programmes Review: The Children's Trust Executive are pleased with the progress against the 7 Improvement Programmes, but recognise there is still much work to be done. Action plans for 2017/18 have been drawn up with a focus on a stepped improvement over this second year to ensure year 3 achieves the outcomes of the CYPP in 2019 <i>In Progress (35% complete)</i> 	Fiona Phur 07/09/2017 31/08/2017	Likelihood :4 Impact :5 20 Escalate to SRMG	Likelihood :4 Impact :5 20 Escalate to SRMG	07/06/2017 Progress for the first year of the Children and Young People's Plan has been reported to the Children's Trust Executive and the Cabinet. The Children's Trust Executive are pleased with the progress against the 7 Improvement Programmes, but recognise there is still much work to be done. Action plans for 2017/18 have been drawn up with a focus on a stepped improvement over this second year to ensure year 3 achieves the outcomes of the CYPP in 2019. Ofsted quarterly monitoring visits have concluded adequate progress is being made and DfE intervention has confirmed a "significant improvement" in Somerset's Children's Services, including more manageable case-loads, a more stable workforce and better partnership working as reported by the Minister in December 2016. Despite this, until a re-inspection, services are judged inadequate. Change is evident but universal improvement remains is a challenge.

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	ORG0036 Risk Owner: Patrick Flaherty Next Risk Review Date: 05/06/2017	Risk Description: Strategic Risk 2016: Partnership working: We fail to increase our partnership working with a variety of organisations and agencies to deliver cost effective services and increase the investment in our County Cause: the Council does not look for, or instigate new opportunities for future growth and increased efficiency in service delivery Consequence: Costs of service delivery increase, we become less successful in delivering services and fail to secure new investment.	Likelihood :4 Impact :5 20 Escalate to SRMG	<ul style="list-style-type: none"> Develop preferred model for integrated working with the NHS Reviewed 28/03/2017: No change - review post election (4th May) <i>In Progress</i> (95% complete) Devolution Proposal for Somerset & potential partners - Statement of Intent to Central Government 4 Sept 2015 Reviewed 28/03/2017: no change - review post election (4 May) <i>In Progress</i> (90% complete) Linked to /001: SCC is working closely with CCS, and three Somerset NHS Trusts to develop our STP. Reviewed 28/03/2017: no change - review post election (4 May) <i>In Progress</i> (50% complete) 	Patrick Flaherty 05/06/2017 31/07/2017 Patrick Flaherty 05/06/2017 31/08/2017 Patrick Flaherty 05/06/2017 31/08/2017	Likelihood :4 Impact :5 20 Escalate to SRMG	Likelihood :3 Impact :5 15 Monthly	28/03/2017 Reviewed 28/03/2017. Review post election (4 May)
	ORG0032 Risk Owner: Richard Williams Next Risk Review Date: 30/06/2017	Risk Description: Strategic Risk 2017: Information Governance: An event occurs that results in a statutory breach of data protection legislation. This could be an ICT security vulnerability that compromises the PSN network, a significant disclosure of sensitive personal data or another procedural breach of the EU GDPR. Cause: An intentional exploitation of a security vulnerability in the SCC network by hostile agents such as hackers or malware. Non-compliance with the articles and recitals in the EU GDPR in 2018. A significant unintentional data breach of sensitive personal or business data in email, post, fax by an employee, contractor, service provider or an SCC Councillor.	Likelihood :5 Impact :4 20 Escalate to SRMG	<ul style="list-style-type: none"> Publication of EUGDPR Privacy Notice The EU-GDPR requires the publication of a comprehensive Privacy Notice detailing the services provided, the personal data processed, the sharing agreements, the retention periods and access arrangements for data subjects <i>In Progress</i> (20% complete) Induction training for Information Security and Data Protection The EU-GDPR requires that all employees are fully aware of their responsibilities for processing personal data. SCC will endeavour to ensure all new employees are trained in Information Security and Data Protection within 3 months of commencing employment. <i>In Progress</i> (10% complete) 	Peter Grogan 30/08/2017 01/05/2018 Peter Grogan 30/08/2017 01/05/2018	Likelihood :4 Impact :4 16 Escalate to SRMG	Likelihood :3 Impact :3 9 Quarterly	30/05/2017 The Information Governance Team continues to work towards compliance with the GDPR and the deadline of May 2018. There are significant resource issues due to the need to recruit a new Information Governance Officer due to the current post holder accepting a higher paid role in another LA.

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
		<p>Consequence: The Council is exposed to fraud, loss of reputation, legal action by clients or employees and / or the possibility of fines from the Information Commissioner's Office (currently estimated at £100k - £200k but potentially much higher in 2018). Members of the Public are exposed to harm or distress due to the significant unauthorised disclosure of personal data.</p>		<ul style="list-style-type: none"> ◦ Annual Refresher Training for Information Security and Data Protection The EU-GDPR requires that all employees are fully aware of their responsibilities for processing personal data. SCC will endeavour to ensure all current employees are trained in Information Security and Data Protection by issuing mandatory IG training in December each year <i>In Progress (90% complete)</i> ◦ Publication and distribution of EU-GDPR policies to all employees The EU-GDPR requires that all employees are made aware of SCC policy for processing personal data. SCC will endeavour to ensure all employees have received mandatory Information Security and Data Protection, by Metacompliance, prior to the adoption of the EUGDPR in may 2018. <i>In Progress (20% complete)</i> ◦ Information Sharing Agreements Somerset County Council will review and implement all current Information Sharing Agreements in compliance with the EU-GDPR <i>In Progress (15% complete)</i> 	<p>Peter Grogan 30/08/2017 30/07/2017</p> <p>Peter Grogan 30/08/2017 01/05/2018</p> <p>Peter Grogan 30/08/2017 01/05/2018</p>			

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
				<ul style="list-style-type: none"> ◦ Information Asset register Creation of a comprehensive Information Asset Register to enable SCC to identify where personal data is held, who is responsible for it and any risks associated with processing Business analyst from ICT is working on the initial IAR linked to the Applications register, anticipated completion June 2017. IAR has now been drafted, it is attached to the ICT Application asset register and the fields required are being formalised on target for June 2017 <i>In Progress (40% complete)</i> ◦ Effective management of Data Subjects rights SCC must ensure that all data subjects rights are respected with regard to lawful and fair processing and specifically access to records and DSAR processing <i>In Progress (30% complete)</i> 	<p>Peter Grogan 30/08/2017 01/01/2018</p> <p>Peter Grogan 30/08/2017 01/05/2018</p>			

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	ORG0011	<p>Risk Description: Strategic Risk 2016: Health & Safety: Death or injury to a member(s) of the public or a member(s) of staff, volunteers, visiting contractors or service users</p> <p>Cause: Failure to manage our activities, assets, premises and contracts in compliance with our statutory duties and organisational policies in respect of Health & Safety, either directly, or indirectly through our strategic partners</p> <p>Consequence: 1. Death or serious harm ("dangerous occurrence" (defined by legislation)) to a service user, pupil, member of the public or a member of staff; 2. Criminal prosecution and enforcement action under H&S / Fire / Corporate Manslaughter legislation. 3. Civil Claims and/or personal litigation claims for negligence 4. Adverse publicity and damage to reputation for the Council 5. Increased audit inspection 6. Increased costs and financial penalties</p>	<p>Likelihood :5 Impact :5</p> <p style="background-color: red; color: white; text-align: center; padding: 2px;">25</p> <p>Escalate to SRMG</p>	<ul style="list-style-type: none"> ◦ Introduce arrangements on the Learning Centre for key policies/ arrangements and training to be completed Update 12/06/17 <p>Met with Graham Holmes, Martin Shattock and Fiona Packer 22nd May. Decision made to roll out a monthly training plan. TLC will be used and each month a course will be promoted to be completed. H&S have identified the roles that need to complete each module - the group relevant group will be added to that course and the completion rates will be monitored by the correct people/groups.</p> <p>Plan to start roll-out in September 2017. Potential for one module (challenging those not displaying a pass) to commence sooner. <i>In Progress (70% complete)</i></p> <ul style="list-style-type: none"> ◦ Deliver against action plan agreed following SWAP audit of Premises Management 10/04/2017: At present ATRIUM is unable to provide any evidence of Premise Managers Activity/Monitoring Function. However through expanding the use of RAMIS this is now in place and will be monitored through the rest of 2017 reports raised at HSPSG Meetings in April, July and October to confirm processes are functioning. By GLH <i>In Progress (75% complete)</i> 	<p>Clive Mallon 12/07/2017 01/10/2017</p> <p>Claire Lovett (LP) 08/06/2017 31/07/2017</p>	<p>Likelihood :3 Impact :5</p> <p style="background-color: orange; text-align: center; padding: 2px;">15</p> <p>Monthly</p>	<p>Likelihood :3 Impact :5</p> <p style="background-color: orange; text-align: center; padding: 2px;">15</p> <p>Monthly</p>	<p>26/04/2017 26/04/2017: Review C Squire: Current score remains as stated. H & S Service moved to Property.</p>

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
				<ul style="list-style-type: none"> ◦ Ensure visibility of appropriate health and safety-related contract management activity in relation to key contracts 10/04/2017: This has now been published and the HSPSG will be informed at the April 2017 Meeting. By GLH <i>In Progress (20% complete)</i> ◦ Publish and implement Corporate H&S Training Policy 10/04/2017: This has now been published and the HSPSG will be informed at the April 2017 Meeting. By GLH <i>In Progress (90% complete)</i> ◦ Create common processes so staff can be interchanged across County <i>In Progress (10% complete)</i> ◦ Services to include actions related to meeting their H&S responsibilities within their planning processes 10/04/2017: Core brief for April reflects the need to service teams to include H&S as a standing item in Team Meetings. In addition an Induction checklist has been created. This will all be covered again at the HSPSG in April 2017 and monitored at future HSPSG. <i>In Progress (10% complete)</i> 	<p>Carly Wedderburn 05/07/2017 31/08/2017</p> <p>Graham Holmes 08/06/2017 28/07/2017</p> <p>Heidi Boyle 04/07/2017 30/03/2018</p> <p>Claire Lovett (LP) 08/06/2017 30/09/2017</p>			

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
Page 78	ORG0040 Risk Owner: Richard Williams Next Risk Review Date: 09/10/2016	Risk Description: Strategic Risk 2015: Benefit Realisation: Failure to deliver service transformation (financial and non-financial benefits), and necessary cost savings, performance improvements, and legislative changes requiring significant service re-design through our Core Council Programme. Cause: Transformation not considered a corporate priority with funding and resources not prioritised to this area. A lack of joint commissioning priorities to identify innovative ideas for future transformational change and a lack of collaboration between SCC services and partners. Consequence: Inability to balance the budget, reputational damage and fines through a failure to meet legislative change, stagnation or deterioration in performance impacting on the service we provide to our customers (including some of the most vulnerable people in the community).	Likelihood :5 Impact :5 25 Escalate to SRMG	<ul style="list-style-type: none"> ◦ Review need for Business Case refresher training during service planning UPDATE 02022016: business case training and master classes rolled out. Description amended to reflect this <i>In Progress</i> (10% complete) ◦ Collaboration between Services and provision of specialist knowledge to the Core Council Programme projects/programmes Reviewed 02022016: Review effectiveness of SME forum November 2016 <i>In Progress</i> (50% complete) 	Daniel Forgham-Healey 02/02/2017 31/03/2017 Daniel Forgham-Healey 01/11/2016 30/11/2016	Likelihood :3 Impact :5 15 Monthly	Likelihood :3 Impact :5 15 Monthly	13/06/2016 The Core Council Programme is now well embedded in the organisation and SLT reporting cycle. I am therefore satisfied that the benefits realisation linked to these core programmes is both well monitored, reported and has due corporate priority / visibility

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	ORG0007	<p>Risk Description: Strategic Risk 2014: Business Continuity: Short or long-term service disruption may occur</p> <p>Cause: [because of] Lack of formal arrangements in place or being finalised that enable managers to review risks in the planning for business continuity</p> <p>Consequence: [resulting in] Major disruptive challenge to service provision and unplanned costs.</p>	<p>Likelihood :3 Impact :5</p> <p style="text-align: center;">15</p> <p>Monthly</p>	<ul style="list-style-type: none"> ◦ Business Continuity Steering Group Hold regular meetings of the Business Continuity Steering Group. Membership includes SCC service representatives and colleagues from the District Councils. Purpose of the Steering Group is to embed and promote effective business continuity arrangements throughout the local authorities and contracted services. In 2017/18 meetings are scheduled for May, August, November and March. <i>In Progress (10% complete)</i> ◦ Annual test of business continuity plans Hold a table-top exercise to test the SCC Corporate Business Continuity Plan and the supporting service level plans. District councils are invited to participate. Build on the lessons identified in Ex Viral Crisis held in March 2017. <i>In Progress (10% complete)</i> ◦ Annual update of SCC Corporate Business Continuity Plan Revise the SCC Corporate Business Continuity Plan annually or following an activation of the corporate level arrangements. Plan was last updated and re-issued in January 2017. <i>In Progress (10% complete)</i> 	<p>Nicola Dawson 26/08/2017 31/03/2018</p> <p>Nicola Dawson 26/11/2017 31/03/2018</p> <p>Claire Lovett (LP) 26/06/2017 31/01/2018</p>	<p>Likelihood :3 Impact :4</p> <p style="text-align: center;">12</p> <p>Quarterly</p>	<p>Likelihood :3 Impact :4</p> <p style="text-align: center;">12</p> <p>Quarterly</p>	08/05/2017 The risk score has reached it controlled risk score target and remains at 12. P Hewitt 08/05/17

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	ORG0002	<p>Risk Description: Strategic Risk 2015: Commissioning: Failure to adequately commission services and/or failure in the market and supply chain</p> <p>Cause: Demand led response and not outcome driven (trying to deliver the same service with less resources is no longer feasible), limits the ability to deploy resources previously identified for investment in preventative services</p> <p>Consequence: Resulting in transfer and a reduction in planned long term savings and the council being unable to meet statutory obligations and/or to deliver the County Plan objectives, Incur additional financial costs, fail to achieve value for money, reputation damage, vulnerable individuals at greater risk, financial penalty</p>	<p>Likelihood :5 Impact :5</p> <p style="text-align: center;">25</p> <p>Escalate to SRMG</p>	<ul style="list-style-type: none"> ◦ Workforce Development in place to ensure commissioning staff have the right skills & competencies for the role 03/02/2016: New SM in post and developing plan to embed commissioning in SCC including workforce development plan. Commissioning Board to review plan in February. <i>In Progress (60% complete)</i> ◦ SCC Service level Business Continuity Plans in place for supply chain failure There remains a considerable amount of work to do on supplier failure but the Business Continuity Steering Group is treating this as a priority at its next meeting. Paula Hewitt 26/07/16. There are currently 56 SCC service level business continuity plans every one of which has considered the risk of supply chain failure. <i>In Progress (90% complete)</i> ◦ A&H commissioning intentions for 2015 16 has been drafted and commissioning structure revised to align it to the TOM. A&H commissioning intentions for 2015 16 has been drafted and commissioning structure revised to align it to the TOM. We are currently working through workplans to ensure resources are aligned to the new Commissioning Intentions <i>In Progress (10% complete)</i> ◦ Discussions with commissioners to ensure information available is appropriate and readily accessible. Review 5 Mar 2015: Regular updates with SCMG on a monthly basis regarding latest insight and intelligence <i>In Progress (60% complete)</i> 	<p>Mickey Green 02/08/2017 28/07/2017</p> <p>Nicola Dawson 26/08/2017 28/04/2017</p> <p>Stephen Chandler 06/05/2017 28/04/2017</p> <p>Malc Riches 30/04/2017 30/09/2017</p>	<p>Likelihood :3 Impact :4</p> <p style="text-align: center;">12</p> <p>Quarterly</p>	<p>Likelihood :3 Impact :4</p> <p style="text-align: center;">12</p> <p>Quarterly</p>	10/04/2017 Risk score remains unchanged. P Hewitt 10/04/17

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	ORG0024 Risk Owner: Richard Williams Next Risk Review Date: 03/02/2017	Risk Description: Strategic Risk 2011: Operations: Quality of service delivery is inconsistent and fails to meet our customers expectations Cause: Funding constraints coupled with increasing demand. This continues as we move to a new MTFP period and the likely CSR announcement for us. Consequence: Loss of customer confidence and trust in the Council, impacting on the reputation of the council	Likelihood :4 Impact :4 16 Escalate to SRMG	<ul style="list-style-type: none"> Putting in place effective contract management at a senior level throughout the Council Update 25/06: Greater commercial awareness cascaded through organisation. Establishing greater clarity between day - to -day Contract Management via operations and Commercial management delivered via procurement team. as part of SWAP Audit <i>In Progress (40% complete)</i> Ensure adequate management information and reporting is in place to monitor quality through the Business Intelligence Function <i>In Progress (80% complete)</i> 	Richard Williams 30/09/2016 31/03/2017 Malc Riches 07/09/2017	Likelihood :4 Impact :3 12 Quarterly	Likelihood :4 Impact :3 12 Quarterly	03/08/2016 This remains a risk to the Council as budgets tighten still further and as in year demands continue to grow, particularly in children's services and adult services. As such its status needs to remain.
	ORG0010 Risk Owner: Stephen Chandler Next Risk Review Date: 10/07/2017	Risk Description: Strategic Risk 2016: Safeguarding Adults: We fail to deliver our statutory safeguarding activity in relation to adults Cause: there is a risk that death or injury to a vulnerable member of the public or a member of staff, where the county council has not completely fulfilled its responsibilities may occur Consequence: leading to increased audit inspections, personal litigation claims, adverse publicity for the council and possible financial penalties	Likelihood :3 Impact :5 15 Monthly	<ul style="list-style-type: none"> Establish a dedicated ASC Safeguarding and Quality Service and ensure it effectively and efficiently manages and responds to A dedicated Safeguarding Service has been in place since Sept 2015. Action plan in place to manage growing demand, and significant work now underway to ensure performance standards are understood and targets routinely met. Recent SWAP Audit undertaken which recognises both strengths and areas requiring further attention. ASC Restructure (expected by June 2017) will have significant impact on current model of service delivery and capacity, and split the current function between ops and commissioning. <i>In Progress (90% complete)</i> 	Mel Lock 10/07/2017 30/06/2017	Likelihood :3 Impact :4 12 Quarterly	Likelihood :3 Impact :4 12 Quarterly	21/04/2017 Reviewed 20/4/2017 by M Lock. Impact reduced

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	ORG0042 Risk Owner: Chris Squire Next Risk Review Date: 24/07/2017	Risk Description: Strategic Risk 2015: HR: The risk of not having the employee capacity to deliver and support delivery of core front line services Cause: Combination of austerity measures and market forces in being able to attract suitably qualified people to work for the Council on a permanent basis Consequence: Reduced levels of service activity, more reliance on existing employees and possible issues with consistency on quality.	Likelihood :4 Impact :4 16 Escalate to SRMG	<ul style="list-style-type: none"> ◦ Locum's covering permanent posts. On-going recruitment campaign Reviewed 26/04/2017: No Change <i>In Progress</i> (50% complete) ◦ 'Entry level' schemes used (e.g. 'Step Up to Social Care') & graduate social workers Reviewed 26/04/2017: no change <i>In Progress</i> (60% complete) ◦ Closely monitored operationally & at Programme Improvement Boards Reviewed 26/04/2017: No change <i>In Progress</i> (75% complete) ◦ Develop process for establishment control Reviewed 26/04/2017: C Squire: no change <i>In Progress</i> (95% complete) ◦ Establish Adults Service Workforce Board Reviewed 26/04/2017: no change <i>In Progress</i> (75% complete) 	Chris Squire 24/07/2017 Chris Squire 24/07/2017 Chris Squire 24/07/2017 Chris Squire 24/07/2017 31/08/2017 Chris Squire 24/07/2017 31/10/2017	Likelihood :3 Impact :4 12 Quarterly	Likelihood :3 Impact :3 9 Quarterly	26/04/2017 Reviewed 26/04/2017: C Squire - No change
	ORG0001 Risk Owner: Paula Hewitt Next Risk Review Date: 08/08/2017	Risk Description: Strategic Risk 2014: Civil Emergencies: A major civil emergency results in loss of life and major disruption to services Cause: we do not adequately plan for civil emergencies including the testing of plans and prioritisation of our resources, Consequence: impact on Somerset County Council's reputation and standing locally and Nationally	Likelihood :4 Impact :5 20 Escalate to SRMG	<ul style="list-style-type: none"> ◦ Test the new Joint Emergency Response Arrangements: Exercise Electrum 2017 Hold an emergency exercise for all six Somerset local authorities to test the new sections of the Joint Corporate Emergency Response and Recovery Plan. The exercise is scheduled for October (deferred from June due to date clashes) and will be preceded by a programme of awareness briefing and training. During May, over 30 Business Support staff were trained in their emergency centre support roles. <i>In Progress</i> (25% complete) 	Nicola Dawson 13/09/2017 30/11/2017	Likelihood :2 Impact :5 10 Monthly	Likelihood :2 Impact :5 10 Monthly	08/05/2017 The risk score remains unchanged at this review. P Hewitt 08/05/17

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	ORG0031 Risk Owner: Trudi Grant (JB) Next Risk Review Date: 15/12/2017	Risk Description: Strategic Risk 2014: Public Health: Non-delivery of statutory functions and legal obligations in relation to protecting and improving the health and well-being of the local population Cause: Increased demand and costs of health and social care services Consequence: Possible deaths, inability to respond to serious disease outbreaks/epidemic, rises in avoidable deaths and morbidity. Lack of business continuity, reduced public confidence, litigation claims, bad publicity, reduced social and economic prosperity.	Likelihood :5 Impact :5 25 Escalate to SRMG			Likelihood :2 Impact :5 10 Monthly	Likelihood :2 Impact :5 10 Monthly	16/03/2017 Statutory Assurance has been reviewed - risk to be reviewed again in 6 months
	ORG0025 Risk Owner: Simon Clifford 2 Next Risk Review Date: 28/05/2017	Risk Description: Governance: Our decision-making cumulatively increases inequality Cause: As a result of decision-making which is ill-informed, unsubstantiated and the cumulative impact of these decisions being considered Consequence: Organisation - We may find that the consequences leave SCC open to legal challenge or action. Increased demand for and future costs of service. Community – The community could be potentially negatively impacted if there is not a collective consideration of changes to service. Whilst there is the potential for this	Likelihood :4 Impact :5 20 Escalate to SRMG	<ul style="list-style-type: none"> Staff and Members have an opportunity to understand their requirements under the Equality Act 2010 Staff and Members have an opportunity to understand their requirements under the Equality Act 2010 <i>In Progress (75% complete)</i> Establish continuing dialogue with communities to establish whether the impact is as expected Establish continuing dialogue with communities to establish whether the impact is as expected <i>In Progress (60% complete)</i> 	Tom Rutland 23/03/2017 31/12/2016 Tom Rutland 23/03/2017 31/12/2016	Likelihood :3 Impact :3 9 Quarterly	Likelihood :3 Impact :3 9 Quarterly	28/02/2017 Risk of uncontrolled worst case is increased due to new budget setting system. current risk is controlled by continued application of policies and protocols to ensure impacts and inequalities are regarded ahead of decisions being taken.

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
		to affect all members of the community by their nature it could affect groups identified under the Equality Act 2010 more profoundly and disproportionately. Some of the wider impacts on the community could be: increase in poor mental health, substance misuse, NEETS, young people leaving the county, loss of community cohesion and an increase in community tension. should any of these occur it will accept the individual, their community and potential increase service need from local authorities.						
	ORG0022	<p>Risk Description: Strategic Risk 2014: ICT: Unintentional events, including changes to our IT system, or intentional attempts that damage our systems, property, reputation or one of our other resources.</p> <p>Cause: Communication disruption, reduced satisfaction with services e.g. unplanned downtime for ICT, increased FOI culture. Increase in claims for compensation, increased external / internal fraud, increased tendency to 'work the system'.</p> <p>Consequence: Risk to our customers wellbeing if data can not be accessed, financial cost - reduced funding to meet objectives, reputation damage, ties up management time, cost of extra control, possible aversion to risk taking.</p>	<p>Likelihood :4 Impact :5</p> <p style="background-color: red; color: white; text-align: center; padding: 2px;">20</p> <p>Escalate to SRMG</p>			<p>Likelihood :3 Impact :2</p> <p style="background-color: green; color: white; text-align: center; padding: 2px;">6</p> <p>Six Months</p>	<p>Likelihood :2 Impact :2</p> <p style="background-color: green; color: white; text-align: center; padding: 2px;">4</p> <p>Six Months</p>	13/06/2016 There will always be a risk of either unintentional or malicious damage to our ICT systems. As we gain more control of our systems and build our security, the probability of occurrence recedes. Nevertheless this remains a constant area for vigilance

Report Selection Criteria

Status Flag=ACTIVE - ISNULL(Project Code) - Business Unit Code=ORG

APPENDIX B - PARTIAL ASSURANCE INTERNAL AUDIT REPORTS

Risk Ref	Risk Sponsor	Risk Description	Business Unit	Latest Review Date	Status	Corporate Director	Date of Follow-up audit	Status of Follow-up	Comments from Audit
SWAP0001	Mel Lock	SWAP Partial Assurance Audit Report - Direct Payment	Adults & Health Operations (MLock)	13/09/16	Open	Stephen Chandler	Q2 2016/17 and Q3 2017/18	In Progress	First follow-up completed but some further work required. Second follow-up delayed to allow finance restructure to embed.
SWAP0002	Stephen Chandler	SWAP Partial Assurance Audit Report - Deprivation of Liberty	Adults & Health Operations (MLock)	31/05/17	Open	Stephen Chandler	Q3 2016/17 and Q1 2017/18	In Progress	Further follow-up work required in 2017/18
SWAP0003	Mel Lock	SWAP Partial Assurance Audit Report - Personal Budgets	Adults & Health Operations (MLock)	13/09/16	Open	Stephen Chandler	Q3 2016/17	In Progress	Completion delayed to allow sufficient time for improvements to be put in place.
SWAP0004	Sue Rogers	SWAP Partial Assurance Audit report - Early Years Entitlement Claims	Education Commissioning (SRogers)	07/12/16	Open	Julian Wooster	Q3 2016/17 and Q2 17/18	In Progress	Further follow-up work required in 2017/18
SWAP0005	Becky Hopkins	SWAP Partial Assurance Audit Report - Retention of Foster Carers	Children & Families Operations (CWinter)	07/12/16	Open	Julian Wooster	Q2 2016/17 and Q1 2017/18.	Complete	Two follow-ups complete and some work remains outstanding. Schedule full audit in 17/18.
SWAP0007	Claire Winter	SWAP Partial Assurance Audit Report Homefinders - Foster Care Information System	Children & Families Operations (CWinter)		Open	Julian Wooster	Q1 2017/18	In Progress	
SWAP0009	Philippa Granthier	SWAP Partial Assurance Audit Report - CLA and Educational Independent Placements - Financial Controls	Childrens services	26/04/17	Open	Julian Wooster	Q1 2017/18	Not started	Follow-up action has taken longer than planned and audit delayed to Q2.
SWAP0010	Sue Rogers	SWAP Partial Assurance Audit Report - Home to School - Special Educational Needs and High Needs Funding	Education Commissioning (SRogers)	13/09/17	Open	Julian Wooster	Q3 2016/17 and Q4 2017/18	In Progress	Further follow-up work required in 2017/18
SWAP0012	Dave Farrow	SWAP Partial Assurance Audit Report - Planned Use of School Balances	Education Commissioning (SRogers)	31/03/17	Open	Julian Wooster	Q1 2017/18	Not started	Follow-up action has taken longer than planned and audit delayed to Q2.
SWAP00013	Graham Holmes	SWAP Partial Assurance Audit Report - Premises Health and Safety in Schools	Health and Safety	15/05/17	Open	Claire Lovett	Q4 2016/17 and Q3 2017/18.	In Progress	Further follow-up work required in 2017/18
SWAP0014	Darren Cole	SWAP partial Assurance Audit Report - Software Asset Management	Commercial & Business Services (RWilliams)	23/08/16	Open	Richard Williams	Q1 2016/17	In Progress	First follow-up completed but some further work required. Second follow-up delayed to give time for to embed and scheduled for Q4 2017/18.
SWAP0015	Darren Cole	SWAP Partial Assurance Audit Report - Hardware Asset Management	Commercial & Business Services (RWilliams)	13/09/16	Open	Richard Williams	Q1 2016/17	In Progress	First follow-up completed but some further work required. Second follow-up delayed to give time for to embed and scheduled for Q4 2017/18.
SWAP0016	Richard Williams	SWAP Partial Assurance Audit Report - Contract Management	Commercial & Business Services (RWilliams)	03/08/16	Open	Richard Williams	Q4 2016/17 and Q3 2017/18.	In Progress	First follow-up completed but some further work required.

SWAP0017	Andy Kennell	SWAP Partial Assurance Audit Report - ICT Healthcheck	Commercial & Business Services (RWilliams)			Richard Williams	Q4 2017/18	Not started	
SWAP0018	Darren Cole	SWAP Partial Assurance Audit Report - ICT Benefits Management	Commercial & Business Services (RWilliams)			Richard Williams	Q3 2017/18	Not started	
SWAP00019	Graham Holmes	SWAP Partial Assurance Audit Report - Corporate Health and Safety - Premises Management	Health and Safety	15/05/17		Claire Lovett	Q1 2017/18	In Progress	
SWAP0020	Joanna Mickens	SWAP partial Assurance Audit Report - Structural Failure of School Buildings	Property Services (CLovett)	02/05/17	Open	Richard Williams	Q1 2015/16	In Progress	Original Audit was followed up in 15/16 however most of the recommendations were still in progress. Further follow-up delayed to allow embedding of the SKANSKA contract. Second follow-up scheduled for Q4 2017/18.
SWAP0022	Jane Newell	SWAP Partial Assurance Audit Report - Concessionary Fares	Economic & Community Infrastructure	13/09/16	Open	Paula Hewitt	Q3 2016/17 and Q4 2017/18	In Progress	First follow-up completed but further work required.
SWAP0023	Oliver Woodhams	SWAP Partial Assurance Audit Report - Passenger Transport. Complete awaiting follow-up with SWAP	Transporting Somerset	16/12/16	Open	Paula Hewitt	Q3 2016/17 and Q3 2016/17	Complete	Two follow-ups undertaken and not all recommendations fully implemented. Recommend a full audit in 2018/19.
SWAP0024	Phil Lowndes	SWAP Partial Assurance Audit Report - Section 106 Agreements	Traffic & Transport Development	13/09/17	Open	Paula Hewitt	Q4 2016/17 and Q4 2017/18	Not started	New system being implemented, second follow-up needed to review improvements once this is operational.
SWAP0025	Scott Wooldridge	SWAP Partial Assurance Audit Report - Impact Assessments Post Decision Making	Finance & Performance (KNacey)	22/05/17	Open	Kevin Nacey	Q4 2015/16	Complete	One risk has been accepted because of resource limitations.
SWAP0027	Jon Padfield	SWAP Partial Assurance Audit Report - AIS Data Quality	Adults & Health Operations (MLock)		Open	Stephen Chandler	Q2 2016/17 and Q2 2017/18	In Progress	Follow-up focusing on data quality undertaken in 2016/17. Further work scheduled for 2017/18.
SWAP0028	Janet Johnston	SWAP Partial Assurance Audit Report - Personal Finance Contribution - Income Collection	Adults & Health Operations (MLock)		Open	Stephen Chandler	Q4 2017/18	Not started	
SWAP0029	Jon Padfield	SWAP Partial Assurance Audit Report - SCC Financial Management of Care Provision	Adults & Health Operations (MLock)		Open	Stephen Chandler	Q3 2017/18	Not started	
	Martin Gerrish	SWAP Partial Assurance Audit Report - SCC Corporate Debt Management	Finance & Performance (KNacey)			Kevin Nacey	Q3 2017/18	Not started	

Draft Annual Governance Statement 2016/2017

Service Director: Kevin Nacey, Director of Finance and Performance

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Cabinet Member: Cllr D Hall, Cabinet Member for Resources

Division and Local Member: All

1. Summary/link to the County Plan

- 1.1. This report invites members of the Audit Committee to consider the attached draft Annual Governance Statement (AGS) for the County Council.

Subject to members' approval, this will then be signed by the Leader of the Council and the Chief Executive, and the Statement will form part of the 2016/2017 Statement of Accounts.

- 1.2. Good governance, as evidenced in the Annual Governance Statement, is an essential pre-requisite to any organisation pursuing its vision effectively, and underpins that vision with effective control mechanisms and risk management.

2. Issues for consideration

- 2.1. Members of the Audit Committee are asked to comment on and approve the content of the draft Annual Governance Statement for 2016/2017 (Appendix A).

3. Background

- 3.1. The Accounts and Audit (Amendment) (England) Regulations 2015 require the County Council as proper practice to produce an Annual Governance Statement to sit alongside the County Council's accounts. The purpose of this statement is to provide assurance that the County Council has a sound governance framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives. The production of an Annual Governance Statement is therefore a mandatory requirement.

- 3.2. The County Council is also required to carry out, at least annually, a review of effectiveness of its governance framework. This review of internal controls provides additional assurance that the Statement of Accounts gives a true and fair view of the County Council's financial position at the reporting date and its financial performance during the year.

This review was undertaken by the officers on the Governance Board, (which includes both the Monitoring Officer and the s151 Officer), and was informed by a wide range of internal and external sources. The review sought to consider

whether there were any serious governance issues and what actions would be needed to deal with them.

The process was carried out in line with guidance published in 2016 by CIPFA / SOLACE in the new “Delivering Good Governance in Local Government”. This updated framework applies to all Annual Governance Statements prepared for the financial year 2016/2017 onwards, so this is the first time that we have undertaken the review and produced the Statement under these criteria. As is typical with requirements, there are extensive Guidance Notes as to how to complete the exercise. In reality, the format for the Annual Governance Statement is heavily prescribed for us.

The circular diagram included in the Annual Governance Statement shows the 7 key principles of governance that authorities are obliged to consider. Beneath each of these principles are a number of sub-principles and beneath the sub-principles are behaviours and actions that would demonstrate compliance (91 in total). There are also examples of what could be used to demonstrate such compliance.

Our approach was to delegate the responses to the appropriate officer (e.g. the Monitoring Officer for anything constitutional), and where possible to use existing documentation and links in responding. The output has been a spreadsheet detailing the evidence in some considerable detail. This has been sent to the external auditors, for them to review and consider against what they know about the organisation. The 7 relevant sections in the Annual Governance Statement have been drafted very much from our detailed review.

3.3. The results and conclusions of this detailed review are positive, and in line with the Healthy Organisation report.

There are a very few areas amongst the 91 behaviours where we cannot demonstrate complete compliance:-

- The framework suggests that “members appraisals” would be one possible example under the “behaving with integrity” principle. There is no Council appraisal of the performance of individual councillors, but we do have a Members Code of Conduct and a Standards Committee. It is our understanding that we are not along amongst local authorities in this respect.
- One behaviour is to ensure that external providers of services are required to act with integrity and high ethical standards. It is very difficult for us to actually “ensure” this.

There are a number of ways we try to manage in this area, such as anti-collusion declarations during any tendering process, qualitative measures in our contract appraisal, agreements in place when we enter into partnerships for service delivery, and the provisions of our Anti-Fraud policy, where “zero tolerance” extends to everyone.

The conclusions from this latest review are that we still have a strong governance framework in place, and that we can demonstrate our compliance.

This is not to say that we can fully mitigate our risks, nor that we can ensure full compliance with our governance. This could be shown in some “Partial” assurance audits that will come to Audit Committee in the future, and potentially in breaches of Codes of Conduct and necessary HR actions. But, officers have confidence that the “building blocks” are in place.

- 3.4.** There are other sections of the Annual Governance Statement that are required in order to give greater assurance about our arrangements, either through the Delivering Good Governance in Local Government framework itself or from other CIPFA publications.

The CIPFA Statement of the Role of the Chief Financial Officer in Local Government is a specific requirement. The ability of the s151 officer to be involved in and influence the strategic direction of the authority is an essential control, particularly as the financial situation for all authorities remains a high risk. It would be a serious governance issue if we could not demonstrate that the s151 officer was in a position and had the necessary attributes to carry out his statutory role. The table in the Statement confirms our compliance in this matter.

- 3.5.** In accordance with the CIPFA “disclosure requirements”, when the draft Annual Governance Statement is approved, the Governance Board will turn the remaining outstanding issues and forward work into a single Action Plan. This will comprise all the steps that officers believe would further strengthen our governance. Many of these will already be on-going actions, such as the continual review of the Constitution and key financial policies.

This process is helped by the relatively recent Healthy Organisation report produced by SWAP, which covers these areas well, and already includes an agreed Action Plan for improvement. Governance Board will add to this Plan as necessary.

Progress with the delivery of this year’s Action Plan will be kept under regular review by the Governance Board and reported back to members during 2017/2018.

- 3.6.** Best practice suggests that the Annual Governance Statement should reflect the unique features and challenges of the County Council, and that it should also be forward looking. This year’s Statement has again deliberately included Somerset examples of both good governance measures that have been implemented locally, and also of the significant challenges ahead. By doing so, it also highlights some of the areas, which if not controlled, could present additional corporate risks in 2017/18. For example, this includes where we are rolling out new ways of delivering services to our residents and undertaking significant major projects
- 3.7.** The contents of the Annual Governance Statement will need to be reviewed immediately before the publication of the final accounts to ensure that the

governance framework and risks have not significantly changed since the review was carried out.

This will give Audit Committee members a final opportunity to review and confirm that the Statement (at the July meeting) is in accordance with their understanding.

- 3.8.** The Council continues to go through a period of great change, as it delivers of the Council's objectives with fewer resources and through new mechanisms for delivery. All these changes increase the potential risk, which must be recognised and managed.

The Governance Board therefore believes that it is even more important to ensure that strong governance continues throughout the organisation.

4. Consultations undertaken

- 4.1.** The Monitoring Officer and the Responsible Financial Officer have both been consulted in the preparation of the Annual Governance Statement. Members of Governance Board have been actively involved in the preparation of the Annual Governance Statement, and we have also held discussions with officers in other key areas, such as HR and Communications.

5. Implications

- 5.1.** All included above.

6. Background papers

- 6.1.** Delivering Good Governance in Local Government: a framework (CIPFA/SOLACE)

The Role of the Chief Financial Officer in Local Government (CIPFA)

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

Draft Annual Governance Statement (2016/17)

This section gives the results of our yearly assessment of how well we are managing and controlling risks to achieve our aims and meet the responsibilities we have by law.

Responsibility

We are responsible for making sure that we:

- carry out our business in line with the law and proper standards;
- protect public money and account for it properly; and
- use public money economically, efficiently and effectively.

We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to a combination of **economy, efficiency and effectiveness**. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and the management of risk.

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1)(b) of the Accounts and Audit Regulations 2015 require that for a local authority in England the statement is an Annual Governance Statement.

In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. For a local authority in England this requires the statement to be in accordance with Delivering Good Governance in Local Government: Framework (2016) and the CIPFA Code of Practice on Local Authority Accounting for 2016/2017. In preparing and publishing this Statement, we therefore meet these statutory requirements. Somerset County Council has an agreed local code of corporate governance. (A copy of these documents can be obtained from Martin Gerrish, Strategic Manager – Finance Policy and Place at mgerrish@somerset.gov.uk).

Defining governance and the local governance framework

The Framework defines governance as follows:-

“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”

“To achieve good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times.”

“Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders”.

The governance framework as operated locally at Somerset County Council comprises:-

- i) **systems** (such as SAP, our financial system, and JCAD, our risk management system);
- ii) **policies** (such as the Constitution, Standing Orders and Scheme of Delegation, HR policies); and
- iii) **culture and values** (such as the 4C's, good communications, codes of conduct and the Standards Committee)

These allow by which the authority is directed and controlled and through which it accounts to, engages with and leads the community. It enables the authority to set its strategic objectives, monitor their achievement and consider whether they have led to the delivery of appropriate, cost-effective services. There is also regular review by internal and external audit, and by various inspections. At an officer level, the Governance Board has the responsibility for monitoring compliance and for continually improving governance arrangements. The Governance Board is chaired by the Director of Finance and Performance, comprises a number of the Senior Leadership Team and professional leads such as legal, audit, risk and the Monitoring Officer.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Somerset County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. It ensures they are managed efficiently, effectively and economically.

The review of internal controls provides assurance that the Statement of Accounts gives a true and fair view of the authority's financial position at the reporting date and its financial performance during the year.

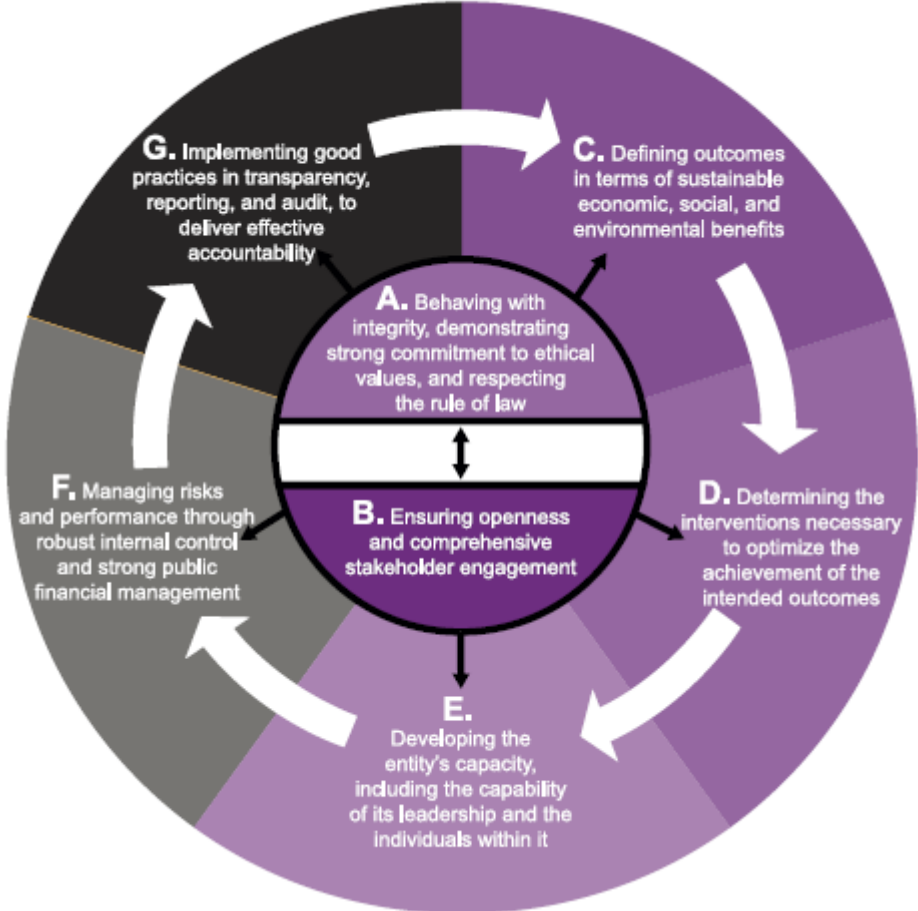
The governance framework has been in place at Somerset County Council for the whole of the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts. The County Council continually seeks to improve its governance arrangements, and evidence of continued "best practice" is found within the governance reviews referred to below.

Review of our governance framework

Delivering Good Governance in Local Government: Framework (2016) is an update to the 2007 publication, and 2016/2017 is the first financial year for which this framework applies. Whilst there is some clear correlation with the principles set out, it has required the Governance Board to carry out a full review based on the 7 new principles and numerous sub-principles and actions, and to consider the level of Somerset County Council's compliance for each. The Framework offers examples of evidence that could be used in demonstrating compliance.

There is a substantial amount of documentation and links which underpin this review and the information contained within this statement, which can be obtained from Martin Gerrish, Strategic Manager – Finance Policy and Place at mgerrish@somerset.gov.uk.

The principles within the new Framework are set out schematically below:-



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

Behaving with integrity

Somerset County Council has both a Members Code of Conduct and an Officers Standards of Conduct, which the respective individuals are required to adhere to. There is an intention to strengthen this by developing an Officers’ Code of Conduct for future inclusion in the Constitution.

All members of the County Council are obliged to sign an “acceptance of office” template, and post-election have a full induction and training programme, including the Members Code of Conduct. This will again come to the fore as elections are held in May 2017 for the next quadrennium. The County Council also runs a “buddy” system, whereby each new member is allocated a senior officer as a point of contact for any questions or concerns that they might have, such arrangements lasting until the member is established.

Officers sign contracts of employment, and are required to complete a probationary period of employment as standard. There are a multitude of ways in which the organisation communicates its expectations with its staff. The 4 C’s (Care and Respect, Customer focus, Collaboration and Can Do) describe our values, which all employees are expected to work to, and we have built expected behaviours and competencies on. They form part of every member of staff’s personal annual appraisal. We reinforce the importance of the

4C's through our Staff Awards, where staff are asked to nominate colleagues who have demonstrated these values in their work.

All relevant HR policies are in place, and made available from the intranet homepage. These include a formal disciplinary procedure; a Whistleblowing Policy; an Equalities Policy; a Data Protection Policy; anti-fraud, corruption, bribery and money laundering policies. We maintain a register of interests and a register of gifts and hospitality for both members and staff.

Core Brief and Members Core Brief are used to reach staff and members, and often include reminders and guidance about behaviour and conduct.

Demonstrating strong commitment to ethical values

SCC operates a Standards Committee for members, which reports regularly to the Council as the first main item of business because of the importance of standards of conduct. The Council has decided to retain a Standards Committee even though it is not a legal requirement. All formal meetings of the Council require declarations of interest from committee members as a standing item, and meetings are both minuted and recorded. There is also a member complaints policy. The Code of Conduct for Members and Co-opted Members set out in Part 2 of our Constitution makes specific reference to the need to adhere to seven principles of public life (the Nolan principles).

Respecting the rule of law

SCC's Constitution sets out our legal requirements around decision making and other constitutional arrangements, and there is significant guidance on the intranet to guide officers in ensuring that Decisions are taken by the appropriate committee, member or officer under the Scheme of Delegation. Key member roles and responsibilities are set out in the Constitution, and statutory officer posts (with appropriate Job Descriptions) are an integral part of the Council's structure.

The sign-off process for Decision reports require sign-off amongst others by County Solicitor, the Monitoring Officer, and Corporate Finance, and requires the author to set out (amongst other details) the legal implications of the proposed Decision.

An Equalities Impact Assessment must be completed for all decisions – unless the Equalities Manager has agreed otherwise. The Monitoring Officer will not sign-off reports unless the Equalities Impact Assessment has been completed and sent to Community Governance.

All contracts must be let in accordance with SCC's Contract Standing Orders, and with the guidance of specialist procurement officers in order to comply with the legal requirements such as the EU procurement regulations.

There are a number of protocols that we operate in order to create the conditions for statutory officers and members to fulfil their responsibilities, such as a Member / Officer Protocol, the Tell Local Councillor Protocol and a Protocol on Members' Access to Information and other Confidentiality Issues.

B. Ensuring openness and comprehensive stakeholder engagement

Openness

Our Constitution states that a key principle for decision-making in Somerset County Council is a presumption in favour of openness. It also details the Access to Information requirements in relation to agendas, meetings, report minutes, summary of outcomes and decision records. All Committee meetings are held in public session, with Public Question Time, unless there is an overriding need for confidentiality, which would be strictly in accordance with the appropriate regulations. The public are permitted to record our meetings, and we also keep an audio record of proceedings.

Our Key Decisions are all publically recorded, and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. We publish our Cabinet forward plan of business, again in accordance with Access to information requirements. We have a Community Governance Website that clearly directs officers and report writers to the detailed requirements to take decisions in accordance with the Constitution.

We automatically provide a substantial amount of information on our and our partners' websites. We comply with the transparency requirements, and go through the annual assurance process to confirm that this is the case. We publish our spend information as required to do so under the regulations. We have an intention to increase the amount of data provided.

We are very open with our communications and Press Releases. We have a corporate website that provides up to date information on Council services, structure and democratic process (includes an online Newsroom). We use Press Releases and digital communications channels used to highlight progress, key decisions and developments. Our Press releases are distributed to all Somerset media and posted on website Newsroom. They are also distributed to all members. We use social media channels used to share news, such as Corporate Facebook and Twitter accounts, along with campaign/service specific accounts.

We publish a Your Somerset newspaper delivered free to all homes in Somerset on a quarterly basis. This highlights key service changes and developments, success stories and shares information to help access services.

We continue to engage with our partners, stakeholders and staff through a variety of media. We continue to run the Listening, Learning Roadshows. This is a large scale public engagement initiative, with events across Somerset, engaging on budget and priorities and current key issues. It has now been running for 4 years and has spoken to approximately 19,500 residents. Reports with the findings of these exercises are shared with Cabinet/SLT and part of the consultation package considered in budget setting process. They are also published on SCC website. Staff receive a weekly Our Somerset and a monthly Core Brief.

Engaging comprehensively with institutional stakeholders

Somerset County Council has a strong record of consultation and engagement. We have a consultation website with suitable guidance and a dedicated consultation officer. In 2016/2017 we have contributed to 66 consultations and external surveys with around

7,000 individuals engaged. We have also assisted with three internal staff surveys to the entire workforce

Some of the key consultation and engagement work carried out over the last year includes:

- Review of discretionary fares on local bus services;
- School Admission Arrangements
- Dulverton School - Change of age range
- Dunster Pavement Consultation
- People aged 5-18 who have experienced sexual abuse trauma
- Parents Childcare Entitlement consultation

We have a Partnership Register that provides a list / record of all partnerships that SCC is involved in. Partnership Lifecycle Guidance is available and refreshed on an annual basis. The guidance highlights key points to consider at each stage of the partnership lifecycle and provides links to relevant internal and external guidance and best practice.

We have an increasing number of successful fora to engage with specific stakeholder groups.

We are leading a consortium of 20 local authorities and partner organisations to ask for more powers from Government. Devolution is important to the South West and Somerset will play a leading role. This will include working towards a Combined Authority in the most appropriate form with our partners.

The partnership working with our health partners is of increasing importance in both service delivery and in shared financial efficiencies. NHS England has challenged the health and care system to develop a Sustainability and Transformation Plan (STP), which is a 5 year forward view, and Somerset County Council has been fully engaged as a full partner in the STP development process. This is to participate in the design of health and care systems in Somerset to secure better health outcomes for the residents of Somerset, and to ensure better access to appropriate services. It is also to ensure the financial sustainability of health and care services in Somerset. Our Chief Executive is the Senior Responsible Officer for the STP. There is also a Health and Wellbeing Board with its own Constitution, a Somerset Prevention Charter and a tobacco control declaration. All of these have been developed with our health partners.

There is a quarterly Voluntary, Community and Social Enterprise (VCSE) Strategic Forum with senior staff from the County Council, District Councils, Clinical Commissioning Group, and other key county-wide services to enable an exchange of information and views for the benefit of Somerset's people. Membership of the forum continues to grow and now includes Chamber of Commerce to begin to provide an important link to businesses.

In 2016 over 60 delegates attended the first Armed Forces Covenant conference with plans to run a similar event again in 2017 to coincide with Armed Forces Week. In 2016 we strengthened links with other south-west covenants which culminated in a south-west Covenant Fund bid and we are awaiting the outcome.

The Somerset Waste Partnership with all 5 Districts continues to run both waste disposal and waste collection services across the County. It has its own Joint Committee (the Somerset Waste Board), Constitution and Inter-Authority Agreement. It is still a unique undertaking nationally, and has provided substantial financial benefits to all partners and strong performance around areas such as recycling and food waste.

We undertake an annual Joint Strategic Needs Assessment (JNSA) with case studies and the outcome of consultation with specific population groups, (2017 older people, 2016 vulnerable young people). Other groups include a Carers' Forum, a Children's Stakeholders Forum, a UK Youth Parliament and an equalities group annual conference.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

SCC has very clearly defined outcomes that it has set out publically for the benefit of the residents of Somerset. The published County Plan 2016-2020 includes a Vision for Somerset and states the aims of more jobs; more homes; more powers from government; more local co-operation; better health; better education and prospects; better roads, rail, broadband and mobile signal. There is a strong commitment to the importance of adult and childrens social care.

There are also a number of longer term stated ambitions, which comprise a university for Somerset; a new market town; a major jobs boost through the creation of a business park; a significant push on energy initiatives; devolved powers from government and further joining up of our services with the NHS.

The County Plan recognises the financial challenges that the County Council faces, and seeks to bring in more funding and resources to be sustainable in the future. It seeks to remove social, economic and health equalities across the County. We recognise the need to work with our partners such as the Local Enterprise Partnership and the NHS to make our services sustainable.

Within this wider Vision, are a number of specific areas that underpin it such as our Devolution Bid that sets out the outcomes that we will deliver by 2030, the local context and our record of delivery, and the opportunities in the South West. It also sets out what central government would need to devolve in order to make this happen.

There are various processes that necessarily in place in order to ensure that we manage the change to our services and to our governance in an appropriate manner. We regularly report our progress in public on the Core Council Programme, which is the way in which we govern a number of major change initiatives that we are undertaking to improve our services. Performance information (via our Wheel) and financial information (via budget monitoring) are taken to Cabinet quarterly in order to consider the delivery of services and the financial position within the resources that are available. We have a Strategic Risk Management Strategy approved, and a risk management system (JCAD) to monitor our risks against our aims. Risk management is taken to the Audit Committee on a quarterly basis, and officers who have a responsibility for key risks have often presented their issues and mitigations in addition.

When we take decisions, such as the Learning Disabilities provider or the Medium Term Financial Plan (MTFP) process, we ensure that we not only consult, but also carry out a full equalities impact assessment, including a cumulative MTFP assessment.

Sustainable economic, social and environmental benefits

There are a number of ways in which the County Council ensures sustainable economic, social and environmental benefits through its operations, in addition to the Vision in the County Plan.

The capital programme regularly includes a number of investments that provide these benefits, such as a well-maintained highways network, provision for new schools, a substantial contribution to rural superfast broadband connectivity in the South West and a number of individual economic development projects designed to stimulate economic growth within the County such as innovation centres.

Recently, through the Somerset Waste Board, we have taken the decision to move almost entirely away from landfilling of our residual waste, and to enter a long-term contract with our waste disposal provider to establish an Energy From Waste facility instead. We have also continued to support additional recycling at kerbside, with the new Recycle More project seeking to increase the materials captured and diverted into recycling, and with other specific waste avoidance schemes.

We have already been working through our CASA project, to bring our services (and others) into the same physical location. This year we were delighted to open our first Customer Library Hub in Orchard Court, Glastonbury. This new space incorporating SCC, NHS, Mendip District Council and Citizen's Advice with an integrated Customer Service 'front desk' has been well received and praised by the local community. Not only does it save cash for reinvestment in frontline services it also makes it easier for our customers to access a range of services in one place designed around them and not the providing organisation. This work will continue, under the One Public Estate title.

When making any decisions, in accordance with our Constitution and guidance, there is a requirement to consider all impacts of the decision, and to clearly set out the reasons for the decision being made. Through our work on equalities, we make every effort to ensure fair access to services for all.

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

Determining interventions

The Framework requires behaviour that ensures decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided. The need for feedback and stakeholders is also important.

Somerset County Council's decision making processes as set down in our Constitution meet these requirements. Either decisions are made in the appropriate committee, such as Cabinet, with papers distributed in advance or debates and decisions clearly minuted, or they are made by the appropriate officer or member through the decision-making timetables and templates. Consultations and feedback are an integral part of the County Council's decision-making processes.

It is part of our way of working that the MTFP refresh each year is presented at Scrutiny prior to Cabinet consideration. Key decisions within the MTFP are also presented to the relevant scrutiny committee before decisions are taken. The overall MTFP strategy and

approach is also considered by all Scrutiny committees and Cabinet. Last year the MTFP was discussed at length at each of the three scrutiny committees twice and the approach had been presented to Cabinet both in September and again in December. The opposition and scrutiny chairs receive decision reports prior to publication as part of our governance framework. The overall scrutiny and audit framework plays a key role in shaping decisions and therefore their intended outcomes.

The County's Capital Investment Programme is included in these discussions with Scrutiny and Cabinet. There is an asset strategy group which makes recommendations to SLT and Cabinet and has three Cabinet members generally in attendance (those cabinet members with the significant portfolios of schools and infrastructure, alongside the Finance Cabinet member). The capital programme is influenced by much of the policy debate at Place Scrutiny.

In addition, on a number of occasions in the last 12 months there have been joint cabinet and CCG meetings to discuss our relative financial strategies as part of the STP work in which the Council's finances play a key role.

Planning interventions

Somerset County Council is a commissioning organisation, and its senior officer structure clearly reflects that approach with Lead Commissioner. A Commissioning Board is in place to oversee this activity, which is attended by key members of the Senior Leadership Team and by commissioning specialists.

Our intranet has specific guidance as to how we work through the commissioning cycle of Review, Analyse, Plan and Do. The commissioning plans are driven by the Medium Term Financial Plan and our commissioning intentions are built into a 'Commissioning Plan Tracker'. Individual Service Plans are then produced for the relevant managers to implement and deliver. A significant amount of work has been undertaken in 2016/2017 to align our commissioning intentions and turn them into service plans, with a new template and automated pre-population of MTFP savings and risk for greater integration and reduced duplication. Planning and MTFP timetables are also publicised.

Our Medium Term Financial Plan (MTFP) has been run on a thematic process, with an individual Senior Leadership Team member being responsible for each theme. There has been done to ensure that the MTFP is very much commissioning led across the authority as a whole, rather than run in service silos without enough regard for the wider authority's finances and services.

Our Forward Plans set out clearly the forthcoming business that will be taken to the relevant decision-making committees and by key officers and members. Somerset County Council conforms to all the relevant legislation and best practice in publishing such plans and in publishing papers ahead of such meetings.

Our Core Council Programme includes a number of built in checkpoints for individual project's business cases to ensure that they are on track. This is now a well-established process, with an in built cost model.

We have demonstrated our flexibility in-year during 2016/2017, reacting to the changing budgetary position caused by increasing demographic and service pressures within our social care services. The Chief Executive implemented a 10 point plan in order to freeze any expenditure that was not statutory, essential and time-bound in order to protect the

overall financial resources available. As a result, the predicted outturn overspend was significantly reduced by the end of the financial year.

We regularly and routinely report our performance against our plans and budgets. In addition to the reports to Cabinet, each SLT Director now has an individual scorecard that summarises key performance indicators, project risks and financial information, which is discussed with the Chief Executive. The Core Council Programme has its own dashboard that is reported to the Senior Leadership Team. In light of the previous OFSTED findings and re-inspection regime, there is a fully developed reporting mechanism for children's services and QPRM papers.

Should the need arise, Business Continuity Plans have been developed and made ready. We have received Substantial assurance from the South West Audit Partnership as to the quality of this work, and are now engaged in helping partners with the same process.

Optimising achievement of intended outcomes

Our MTFP approach for this year, as described in September to Cabinet and during September Scrutiny committees, has been developed between September 2016 and February 2017 to such an extent that we have reduced forward year budget gaps significantly. Our MTFP is now seeking to find future savings of less than £20m across a 3 year period. Previously, this figure has been as high as £75m for a similar period. The management of savings over the last 5 years has all been with a clear focus from the administration on protecting the most vulnerable. This has featured in each County Plan produced and been a base from which the intended outcomes for services can be driven. Over this period our approach has been consistent. We set out to manage demand, manage costs and manage our own resources.

The themes were first presented to Cabinet back in September and have been developed further since then into the documents that went to Full Council in February. This approach has created a smaller number and a more joined up set of savings ideas that will provide a clear focus and can be resourced more easily. They will be developed into decision reports over the next few months and will then follow the normal governance process – some as Cabinet decisions, some as Cabinet member decisions and some as officer decisions. Each theme has a lead in Cabinet and in SLT. The seven themes were presented in the form of business cases making their intended outcomes much clearer than in the past when we had a long list of individual service proposals.

It is extremely difficult to balance funding with the service priorities we have. As with all other upper tier authorities, the pressures on Adult and Children's finances is intense, but the remainder of services fully understand the Council's priorities in this regard and produce excellent budget management and innovative savings proposals to meet the needs of the Council.

E. Developing the entity's capacity, including the capacity of its leadership and the individuals within it

Developing the entity's capacity

The Framework requires us to consider the use of our assets on a regular basis to ensure their continuing effectiveness. In terms of highways activities, there is already a requirement to management our network along principles established in the Transport Asset Management Plan (TAMP) and Highways Infrastructure Asset Management Strategy (HIAMS). Such activities, which are essential to ensure that we make the best

use of our resources in maintaining the highway, are financially rewarded through the DfT Local Highways Infrastructure Incentive Fund. Our work on highways asset management was recognised at year end when the County Council was recognised a Band Three authority – the highest available - by the Department for Transport. This in effect means that we are amongst the best county councils across the country, and it gives us access to extra funding in certain circumstances.

On the property side, we continue to review our operational use of buildings, such as our work through the One Public Estate (formerly CASA) as we rationalise our assets and make them more customer focussed. Senior officers within Property regularly meet with services, such as childrens and libraries in order to review the use and opportunities of our buildings. There is an Asset Strategy Group set up in order to oversee all our assets and our capital investment programme.

Whilst the County Council has always been a member of various benchmarking groups, particular work was done in 2016/2017 to benchmark key services against other comparable local authorities and seek to understand where we can improve.

We continue to work with key partners, as set out in the County Plan and elsewhere, to combine resources, work efficiently and provide joint services to our residents. Our Performance Wheel now has a dedicated Partner Section so that we can monitor our progress in this regard.

We have published Our People Strategy. This deals with a wide range of topics such as developing the workforce's skills and capacity, managing performance, succession planning, managing absence, recruitment and retention, health and wellbeing, reward and recognition. All of these topics are considered to allow the workforce to be engaged, empowered and enabled to deliver the best services to the people. We use programmes such as the 4C's to embed these behaviours amongst our staff. The Learning Centre is a growing on-line resource for training and development purposes. There is a significant amount of HR guidance available to managers and staff on the intranet dealing with a wide range of staffing matters and policies. There is a workforce planning toolkit available.

Developing the capability of the entity's leadership and other individuals

Somerset County Council's Constitution sets out a role description for members and a Member / Officer protocol. It also sets out the legal roles of the Leader and Chief Executive and their relationship, and a high level Council and Cabinet Scheme of Delegation. The various Standing Orders and Financial Regulations of the Council are reviewed at least annually by the Full Council and in the interim by the Constitution Committee. The Cabinet and the Senior Leadership Team meet regularly to discuss forthcoming business and issues.

Following on from elections, as will happen from May 2017, there is a full member induction programme to allow all members, but particularly any new ones, to understand how the Council works and the key services that it provides. New members are allocated a "buddy", who will be a reasonable senior officer who can help with initial signposting around the County Council and be available to help address any concerns or questions arising. There is an annual member training programme and Personal Development Plans (PDPs) for each member. Ad hoc training, such as the Statement of Accounts for Audit Committee members are arranged at the appropriate point in the annual cycle. All of the member training and support occurs under the oversight of the cross party Member Development Panel.

The Constitution also sets out the rights of the public to engage with the Council and its business through access to information, access to agenda and reports of forthcoming meetings and public question time provisions at formal meetings.

The Council has previously undertaken peer review of its activities and performance, and continued to report back against the recommendations until they had been achieved. It also responded positively to previous reports, such as the establishment of a further scrutiny committee for childrens' services following the previous OFSTED inspection.

All officers will have a formal Job Description and Assignment Sheet, setting out both the general responsibilities of their grade and the specific responsibilities of their individual role. Learning is widely available through the on-line Learning Centre, and where appropriate from the central training budget held by HR in order to use across the authority. Workforce planning identifies any succession planning matters.

A number of HR policies and initiatives are in place to maintain the wellbeing of the workforce, such as Health and Wellbeing Champions, Mental Health First Aiders, Carefirst and Occupational Health.

F. Managing risks and performance through robust internal control and strong public financial management

Managing risk

SCC has a formal risk management policy and strategy in place, which have been endorsed by the Senior Leadership Team and the Audit Committee.

There is a quarterly Risk Management update report to the Audit Committee, which looks at the highest scoring risks and monitors the progress of mitigations that are being undertaken to reduce either the likelihood or impact of the risks. Each risk has an allocated risk owner, who has the responsibility to review the risks, and to ensure that all mitigations are completed in the appropriate timescale. Audit Committee has called in the risk owner to the public meeting where they have required further assurance as to management of the individual risk. This has been the case with the overall financial position and with health and safety, for example.

We have a dedicated risk management IT system (JCAD) to record, monitor and report on our risks. Output from this system is for the relevant managers, but it is also a key component of the officer Strategic Risk Management Group (SRMG). This group is chaired by the Director of Finance and Performance, and membership includes risk management officers, service representatives and related disciplines such as audit and insurance managers.

Our Core Council Programme, which deals with major changes across the authority and by its nature has to consider the risks arising, has its own established risk management and issues strategy as it carries out its transformational work.

Managing Performance

Cabinet receives a quarterly Council Performance Report, which provides an overview of the Council's performance across the organisation. This report provides members and senior officers with the information they need to lead and manage the performance of the outcomes set out in the County Plan and the organisation.

The report has been updated to reflect the County Plan that was adopted by Full Council in February 2016 and a review of the priorities and the performance information that contributes to them has been carried out. Appendix A of the report is the Performance Wheel, which now has seven segments which reflect the “People’s Priorities” which are widely consulted upon through the Listening Learning, Changing Roadshows. There are four “Council” segments which seek to measure how well the council manages its relationships with partners, staff and the public and how good its ‘internal management’ processes are. There is one segment that seeks to reflect the performance of the Vision Projects being undertaken by the Vision Volunteers.

The report uses a RAG status for each Wheel segment and a direction of travel (improving, staying the same or deteriorating performance). Underpinning each of the segments is a series of metrics that are used to evaluate the performance.

On the same report, Cabinet receives an update on the progress of the Core Council Programme strategic priorities through its Dashboard reporting. Each of these priorities has a Senior Responsible Owner, who is a member of the Senior Leadership Team. The Core Council Programme also has its own Core Council Board to manage the delivery.

During 2016/2017, further work was undertaken to give Directors their own scorecard to manage key performance indicators across their span of responsibilities. This is used by the Chief Executive in line management meetings with his most senior staff.

There is a Performance Management and Framework Overview available on The Learning Centre.

Work has been done during 2016/2017 on the County Council’s Value For Money statement. This is partly to consider how we will respond to the external audit requirements on this subject, but also to confirm how Somerset will demonstrate its commitment to VFM.

SCC operates a total of 3 separate Scrutiny Committees, having added another committee specifically to improve member capacity on childrens’ services following the previous OFSTED inspections. These are public meetings, and the terms of reference for Scrutiny are set out in our Constitution and reviewed at least annually.

Financial performance is also taken quarterly to Cabinet in budget monitoring reports co-ordinated by Corporate Finance, who provide any necessary guidance, and prepared on the same basis as the Statement of Accounts.

Robust internal control

Our internal audit work is closely aligned with our risk management processes. Any internal audit report that only achieves “Partial” assurance is logged onto the JCAD system and all risks identified within Partial audits are tracked. Only when a Follow Up audit confirms that the management actions have been completed will the Partial audit be closed on JCAD. In addition, the recipient of a Partial audit is required to attend Audit Committee to explain to members how they are addressing the agreed actions arising out of the audit. To ensure that this was achieved, additional Audit Committee meetings were arranged in 2016/017 at the direction of the members.

SCC’s Audit Committee is very active, and in addition to the usual role of “those charged with governance” such as approving the Statement of Accounts, has received a number of Service Showcases (such as Business Continuity and IT) to consider the progress and

performance of these important functions. Our external auditor has previously commented very positively on the engagement and effectiveness shown by the Audit Committee.

Our internal audit function is provided by the South West Audit Partnership (SWAP). SWAP is a public sector not-for profit company that is wholly owned by a number of local authorities who have joined together to pool resources and share expertise. There is an increasing number of other public sector organisations joining SWAP as partners, providing further resources and skills to its already well-trained and qualified staffing. SWAP complies with all statutory requirements, and all best practice, such as that laid down in the Public Sector Internal Audit Standards. Peer reviews are used to provide an independent assessment of SWAP's processes. SWAP has recently won the inaugural innovation in audit award at a national Public Finance event. Judges commented that

"We really liked the Healthy Organisation themed reviews and behavioural model, which tackled important issues around assurance fatigue and systemic failure. It also demonstrated the benefits of a partnership, but firmly grounded in each organisations governance approach."

Our working relationship with SWAP is contained with an Internal Audit Plan and a Charter. These, together with our internal audit strategy, are worked up with SWAP contacts, SCC's audit lead and senior officers before being approved by the Audit Committee. Resources are specifically targeted at areas of greatest risk.

SCC has a robust Anti-Fraud and Corruption policy, with an absolute zero tolerance approach towards fraud. There are also subsidiary policies on Bribery and Money Laundering. All policies and work on fraud are reviewed annually. SCC participates fully in the National Fraud Initiative with other local sector organisations, to share data to catch fraudulent activity, and has recently reviewed its fraud provisions in relation to CIPFA's Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption. SWAP has a number of officers who are trained fraud specialists for any necessary investigation. The Internal Audit Plan has a resource available for fraud and governance guidance and reactive work.

Managing Data

SCC has its own Information Governance Board, which approves and monitors policy, risks, issues and security incidents. The Information Governance Manager is the designated Data Protection Officer. There is a comprehensive framework of Information Governance Policy that includes, Data Protection, ICT Acceptable Use, Monitoring and Surveillance, Data Breach Reporting and Communication. SCC is registered with the Information Commissioner's Office and is both PSN and NHS IG Toolkit compliant. All employees receive both induction and annual refresher information governance training. Items on this topic are also included in Core Brief.

SCC has overarching Information Sharing Protocols with our principle partners the NHS and the Police. We also have a number of Information Sharing Agreements with our other public sector partners to ensure the effective efficient and secure sharing of information. A register is maintained to ensure these agreements are kept up to date. When data is processed by a private sector body contracts include relevant data protection, confidentiality and FOI clauses to ensure secure data processing.

Services collecting, processing reporting information run regular audit procedures against their data to ensure accuracy for both the delivery of services to the public and for the planning and commissioning of services. Wherever possible this data is validated by

review meetings with individual clients and comparisons with independent data sources. Key client databases have in-built validation procedures to ensure data quality is as good as possible at point of being recorded. This is further supported by a suite of validation reports that identify issues/gaps with data and these are accessed by both operation staff and support staff.

Strong public financial management

Our Finance service is fully staffed. Key posts are filled with suitably qualified and experienced staff. Subject matter experts are employed in key technical posts such as insurance, pensions and treasury management. Continuing Professional Development (CPD) is supported as resources permit, and we have run our own CPD sessions previously and plan to do so again.

Financial updates are regularly reported to Cabinet, and where appropriate to other committees such as Audit Committee. This includes regular budget monitoring and outturn reports, plus updates on our Medium Term Financial Planning (MTFP). All decision papers (for committees, Cabinet member or senior officer delegated decisions) require financial sign-off before the decision can be taken. Finance officers provide support to transitional work under the Core Council Programme.

All expected financial policies and procedures are in place, and subject to review as appropriate. Our financial system, SAP, has all the relevant division of duty controls in ordered and expenditure, and there is a hierarchy of financial delegations, with only the most senior officers being able to commit SCC to significant expenditure. We have a strong track record of recovering monies owed to the County Council.

Our MTFP processes are critical, and we have a commissioning and theme-based approach to finding efficiencies (such as in procurement), alternative service delivery methods and generating income in order to balance our books.

We have received positive feedback from both internal and external auditors in their specific statutory roles. The Internal Audit Plan has resources allocated to looking at financial systems and processes within SCC. There is a strong track record in previous internal audit reports, with Substantial or Reasonable assurance regularly achieved from this independent reviewer. The external audit reports regularly to the Audit Committee and has regularly commented positively on SCC having the appropriate financial controls in and the appropriate stewardship and leadership in place to be effective.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Implementing good practice in transparency

Somerset County Council routinely publishes a large amount of information about itself and its activities. Our performance reports are published on our websites, and we distribute Your Somerset free of charge to our residents. As expected, we have a transparency site to comply with the relevant legislative requirements to publish both spend and certain categories of information. This is reviewed at the Governance Board.

Committees meet in public session unless there is a statutory need for a confidential item to be considered. Agendas are published on our website in advance of each meeting. We have recently implemented MODGOV software, which makes it easier to follow background papers for agenda items and decisions made in one place.

Implementing good practices in reporting

A number of reports are produced that set out our activities and inform the organisation, residents and stakeholders as to our progress. The Leader's report is taken to Full Council for information and for the Council to consider the Cabinet recommendations where necessary. There are also regular reports from the Monitoring Officer, section 151 officer and County Solicitor as and when required. There is also a requirement for the Chair of each Committee to take an Annual Report to Council to update on their work during the previous year.

All decision making reporting follows an approach that requires such decisions to be taken by an appropriate committee, member or senior officer, and requires sign-off by finance, legal, HR and the Monitoring Officer. There is a need to consult or inform relevant members ahead of the decision being taken. Our Cabinet Member and officer Key Decision reports are published.

We report back on the staff survey results, and particularly where these have been implemented. This is on our website on the "You said, we did" pages. We publish our Staff Survey results in full, such as the June 2016 Staff Engagement Survey. We also report back through Core Brief and through management teams to staff.

In our Statement of Accounts, we include a narrative on the financial position and on challenges that the County Council is facing. We always include the Annual Governance Statement alongside the Accounts for the period that they both represent.

Assurance and effective accountability

As above, we report on all Partial internal audits received from the South West Audit Partnership, and the relevant managers are required to attend Audit Committee to explain what actions they are taking in order to address the audit report's findings. Any internal audit report that achieves Partial (or No Assurance) automatically receive a Follow Up audit to check on progress. Only the auditor can close an audit, and only when they are satisfied as to completion of actions.

Would we to receive any corrective action required by the external auditor through the Accounts process, we would report back our progress through the Audit Committee public meetings.

Where we have had Peer Reviews in the past, we have had a public action plan to make any recommended improvements, which remained open and was regularly reported on until actions were completed.

Officers have Job Descriptions that set out corporate and individual responsibilities for their role, and there is a Constitution Scheme of Delegation that sets out what powers and responsibilities fall to which committee, individual member or officer. Our Governance Board has, as part of its remit, the role of sounding board and advice to the Monitoring Officer (or other officers as required) in considering any potential issues that he (or they) are obliged to investigate. There is a Standards Board for members.

When we report progress, such as the Core Council Programme, we include the names of the responsible officers, who are to ensure delivery of that particular initiative. We follow project management principles throughout this Programme.

The Role of the Chief Financial Officer

In June 2016, CIPFA published an updated CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). We are obliged to include a specific statement on whether the authority's financial management arrangements conform to the 5 governance requirements of this CIPFA Statement, and, where they do not, to explain why and how they deliver the same impact.

Statement	SCC response
The Chief Finance Officer in a public service organisation:	The Director of Finance and Performance at Somerset County Council:
1. is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest	1. is a member of the Senior Leadership Team attending all SLT meetings, reporting directly to the Chief Executive. 2. is a member of both Commissioning Board and Governance Board 3. has overall responsibility for the MTFP and financial strategy and reports regularly to Cabinet and Council
2. must be actively involved in, and able to bring influence on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy	1. is (or is through his appointed representative) on all major officer groups and committees such as OFSTED, Learning Disabilities, SWB 2. has financial sign off of all Key Decisions before they can be implemented 3. is a member of SRMG and attends Audit Committee 4. signs off all grant terms and conditions before they can be accepted
3. must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.	1. has sole authority for Financial Regulations, Financial Procedures, the Income Code of Practice and all underlying policies and procedures 2. has overall responsibility for the internal audit function and plan 3. has management responsibility for the VFM work in the Performance team
4. must lead and direct a finance function that is resourced to be fit for purpose	1. has a finance structure in place with suitably qualified and experienced individuals in all senior positions 2. chairs a Finance Management Team of Strategic and Service Managers to give direction and to shape financial plans
5. must be professionally qualified and suitably experienced	1. is a CIPFA qualified accountant, with experience across a wide range of

	financial disciplines 2. is an active member of the Society of County Treasurers and is a spokesperson for waste, environmental and growth issues
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Review of effectiveness

Somerset County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This has been undertaken by the officer Governance board, which is chaired by the Section 151 Officer. This review of effectiveness is informed by a number of pieces of evidence, which have included:-

- the detailed work undertaken to answer the 7 new principles and numerous sub-principles and actions under the new governance Framework, and the evidence provided from a wide variety of managers and subject matter experts
- the Healthy Organisation report commissioned from the South West Audit Partnership to review all key elements of governance at Somerset County Council
- the Internal Auditor’s proposed annual opinion report for 2016/17
- officers’ views on the effectiveness of the internal audit function through a review taken to Audit Committee annually in line with the new Public Sector Internal Audit Standards
- external auditors’ comments as part of their Statement of Accounts and Value For Money audits, including their positive assessment of internal audit
- the work and effectiveness of the Audit Committee itself, as summarised in its annual report to Full Council
- the comments received in relation to the positive progress being made in response to the previous OFSTED inspections
- comments from other review agencies and inspectorates
- a review of the work undertaken by the Governance Board over the previous financial year, including its widened membership and terms of reference
- the work undertaken on the Value For Money framework
- individual knowledge of individual Governance Board members
- quarterly reports to the Audit Committee relating to risk management and key risks presented

A key source of evidence to support the Annual Governance Statement come from our internal auditors, and this will come from the Annual Report and Opinion of the South West Audit Partnership (SWAP). During the year, the South West Audit Partnership reported in public to every Audit Committee in accordance with our Charter, and brought a number of control issues to the attention of the members.

The internal auditor has confirmed that, subject to the satisfactory completion of the 2016/2017 Internal Audit Plan, she expects to give “Reasonable Assurance” in respect of the areas that they have reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

There have been a number of individual audits that have only achieved “Partial Assurance” in 2016/2017, but this is accepted because our Internal Audit Plan strategy specifically

directs audit resources to areas that management consider are riskier in nature and require strengthening.

The auditor has commented that the management response to SWAP's findings is generally very good. The process has been greatly enhanced by Audit Committee's "calling in" of "Partial Assurance" audits and the monitoring on JCAD of all risks deemed Medium/High or High. In her opinion, this demonstrates effective control and governance.

A formal report and opinion from the internal auditor will come to the Audit Committee on 29th June.

The Audit Committee itself, acts as "those charged with governance". The Committee meets regularly, considers a wide range of business to seek assurance, and has been confirmed as "effective" by the external auditor.

Officers have concluded that there are effective measures in place to deliver governance as set out in the Framework. It is acknowledged that no framework can be entirely complete and effective, and that all governance arrangements need to be monitored to ensure that they are still fit for purpose and also that they are adhered to.

Where the review has suggested a possible improvement to our governance, this has been considered by the Governance Board and as a result officers will draw up an Action Plan to be agreed by Audit Committee and monitored during the forthcoming financial year to ensure delivery. This is in accordance with the CIPFA Code of Practice.

Significant governance issues

There is an expectation that an Annual Governance Statement is also forward focussed in that it considers governance issues that Somerset County Council will need to address as it carries out its functions in the forthcoming financial year.

The work done by the South West Audit Partnership under the Health Organisation audit provides a valuable basis for reviewing our governance processes across a wide range of support services in particular. Each finding contained within this audit has a response and an owner to address the audit finding in the forthcoming financial year. It is planned that the Healthy Organisation audit is repeated in early 2018/2019. Effectively, this provides the basis for an Action Plan on governance issues, to be monitored by the Governance Board in the first instance.

Overall, the Healthy Organisation audit and work done in response to the Delivering Good Governance in Local Government: Framework provided a positive reflection of our current governance arrangements.

The financial position remains of concern, despite additional monies received for the BCF. A balanced budget has been set for 2017/2018, and the reserves available to us for 17/18 are at the same level as the previous year, taking into account the Council Tax surplus. However, as the Revenue Support Grant reduces to nil over the next 2 years, and with the growing pressures of the significant financial pressure from demographic growth in social care, from additional statutory duties and from legislation such as the minimum wage, members and officers alike both acknowledge the need for careful financial planning and further savings to be delivered.

There is further financial uncertainty over how Brexit may impact on the County Council.

The role of the Core Council Programme and our commissioners to effect changes to our services will be critical as a result. We remain a commissioning led organisation and will continue to seek the most effective, efficient and economical way of delivering services to our residents and visitors, regardless of provider.

The importance of continued economic development across Somerset remains, not least because of the forthcoming switch to local retention of business rates. Support for economic development is being delivered in a number of ways – through Hinkley, through enhanced broadband provision under the Connecting Devon and Somerset project, and through individual opportunities to attract business growth to Somerset.

There are a number of specific examples of where the County Council will need to demonstrate good governance in delivering specific future services and plans, often in partnership arrangements. Some of the key ones are:

Sustainability and Transformation Plan (STP)

Somerset County has been defined as the local STP footprint and the lead health agencies (CCG, Taunton and Somerset NHS Trust, Yeovil District Hospital Trust, Somerset Partnership NHS Trust) have been charged with developing the STP. Throughout the NHS have sought to ensure that the STP has a health and social care focus. The Chief Executive has been leading the STP programme and the SCC Leadership team are heavily engaged as a full partner in the STP development. Governance issues that need to be addressed will include the pooling issue for budgets and the decision-making powers of whatever entity is created to provide health and social care, specifically how members of the Health and Well-Being Board and Cabinet can influence decisions affecting Somerset residents.

<http://democracy.somerset.gov.uk/documents/g261/Public%20reports%20pack%2021st-Nov-2016%2010.00%20Cabinet.pdf?T=10>

OFSTED

Following the 'Inadequate' judgement from the Ofsted Inspection carried out between 20 January 2015 and 11 February 2015, the Secretary of State, in May 2015, instructed SCC to work with officials at Essex County Council, as "the Department's advisers".

Much work has been done since that time, with regular reports to Cabinet and Scrutiny. As part of the monitoring arrangements for the DfE Quarterly Performance Review Meetings (QPRM), Children's Services have met all the requirements of the Direction to the satisfaction of the DfE Advisors (Essex County Council). Following reports from the DfE advisors, the Minister of State for Vulnerable Children and Families has confirmed in December 2016 that there has been "significant improvement" in Somerset's Children's Services, including more manageable case-loads, a more stable workforce and better partnership working. The Minister noted that these changes have led to tangible improvements in social work practice, resulting in children and families receiving a considerably better service than previously.

We await the Ofsted re-inspection with dates not yet known.

Learning Disabilities

The contract between Dimensions UK Ltd, Discovery SCBV and Somerset County Council commenced on April 1st 2017. This was the culmination of a long procurement process that has seen the workforce of over 1,000 staff in our Learning Disabilities service transferred to a social enterprise. The decision to transfer the LDPS emerged from the need to make significant changes to the way that the service is delivered. The current, in-house, service had become increasingly unsustainable, less competitive and had a number of poor physical environments. Some of the service provision did not readily support positive integration of people with a learning disability within their broader community and in essence segregates them. The service was also limited in the range of support provided. The service needed to modernise and in order to be both attractive to future customers and provide a modern range of support as well as ensuring sustainability the service needs to address its major cost element which is staff costs.

Heart of the South West Local Enterprise Partnership

During 2016/17, the Heart of the South West Local Enterprise Partnership (HoTSW LEP) was awarded £56.7m Growth Deal funding from the Government's Local Growth Fund, a fund set up to fund projects that benefit local areas and economies. DCLG paid the monies to Somerset County Council as the accountable body for the Local Growth Deal.

More information on the Heart of the South West LEP can be found here:

www.heartofswlep.co.uk

The Senior Leadership Team will be instrumental in identifying and managing the risks which arise from all these developments and will ensure that our governance arrangements continue to be fit for purpose.

Pat Flaherty
Chief Executive
July 2017

David Fothergill
Leader of the Council
July 2017

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Debtor Management and Pre-Action Protocol

Service Director: Kevin Nacey, Director of Finance and Performance

Lead Officer: Martin Gerrish, Strategic Manager – Financial Governance

Author: Martin Gerrish, Strategic Manager – Financial Governance

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

Cabinet Member: Cllr D Hall, Cabinet Member for Resources

Division and Local Member: All

1. Summary/link to the County Plan

- 1.1. This report reviews the recovery of outstanding debts (monies owed to SCC) for the 2016/2017 financial year, including the performance and position at year end. The report also shows the latest available position in terms of outstanding debts and their composition as at the end of May 2017.
- 1.2. The achievement of good performance in this area is linked to the County Plan in relation to “bring in more funding and resources”.

2. Issues for consideration

- 2.1. Members are asked to comment on the position in relation to outstanding debt performance at the end of the financial year and previous month.
- 2.2. Members are asked to consider the Pre-Action Protocol and support the proposed action plan from officers to mitigate the impacts on Somerset County Council.
- 2.3. Members are asked to agree the cessation of the current target of no more than 15% of debt being over 90 days old, until a new target (post Pre-Action Protocol) can be developed.

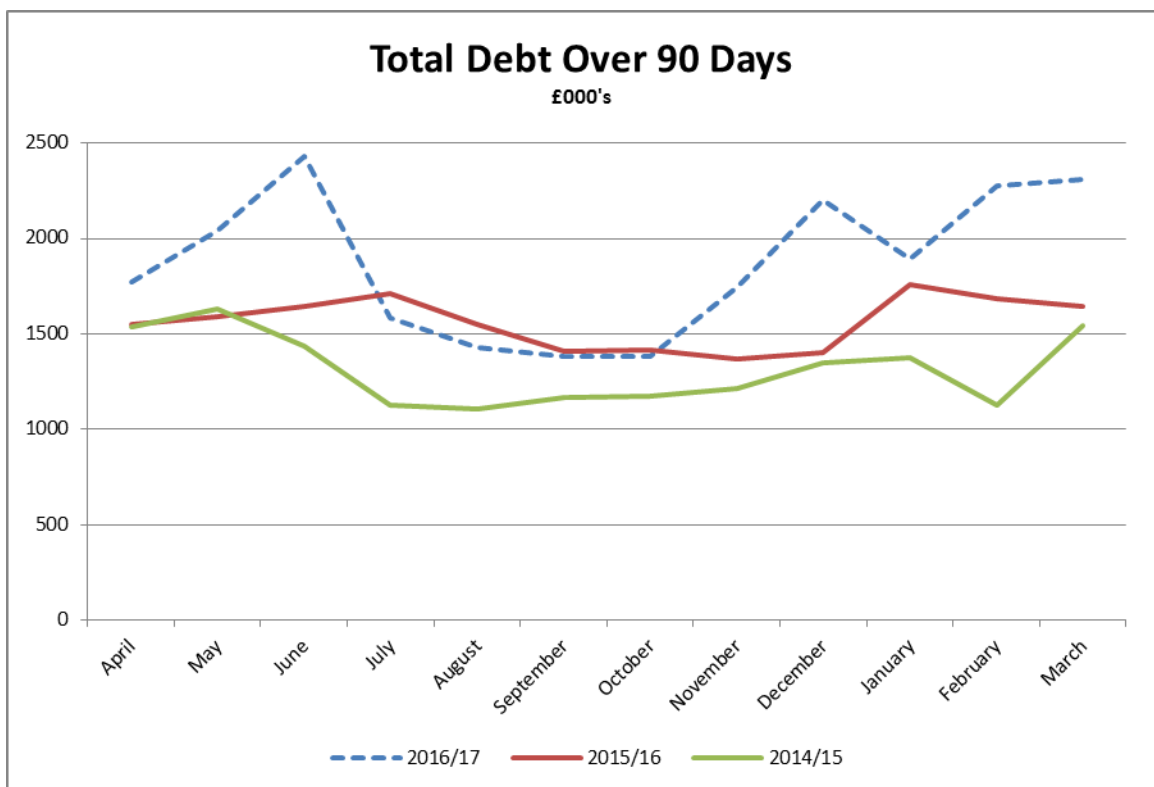
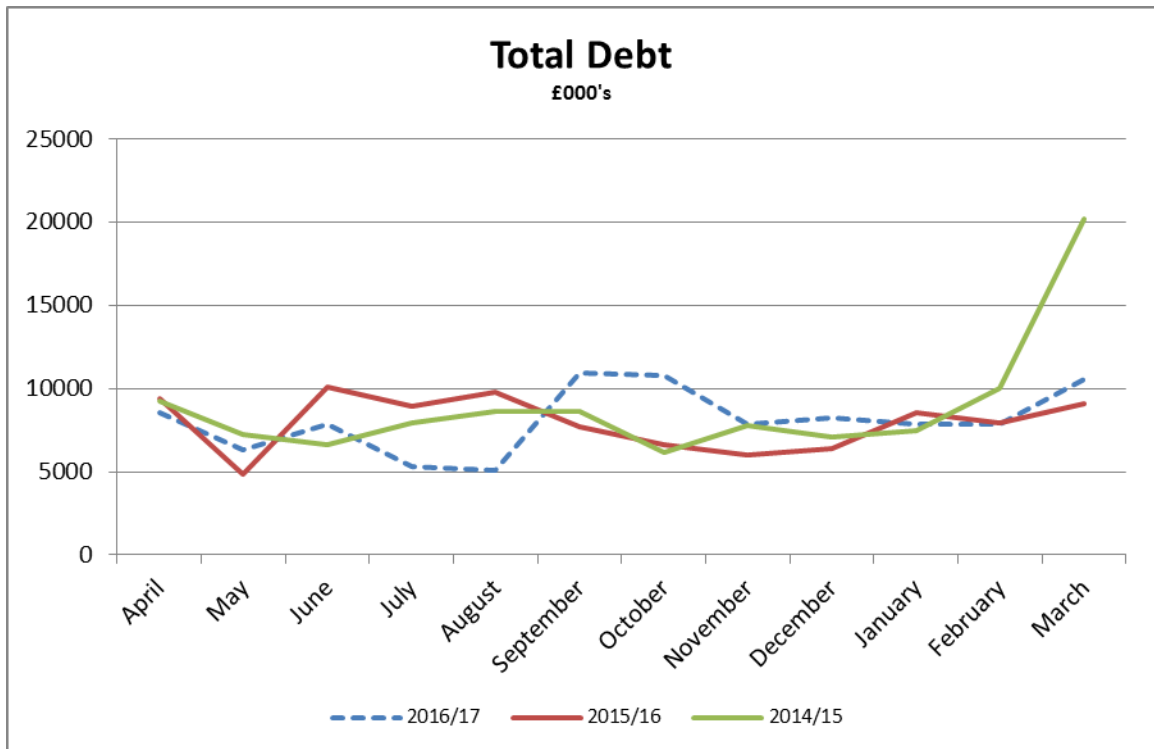
3. Background

3.1. Headline figures as at 31st March 2017

Services’ total net outstanding debt reported on the Accounts Receivable system stood at **£10.583m** as at 31st March 2017. This compares with a figure of £8.989m as at 31st March 2016.

The percentage of debts over 90 days as at 31st March 2017 was **21.47%**, which compares to 17.9% over 90 days as at 31st March 2016. A breakdown of the larger debts and debtors by category is included below. Our target, which would demonstrate a strong performance, is 15%.

The graphs below show the total debt at the end of the month for the previous 3 years, and the amount of that debt which is over 90 days old. As can be seen, whilst total debt remains relatively consistent, debts over 90 days have been higher than previous years for the last 6 months.

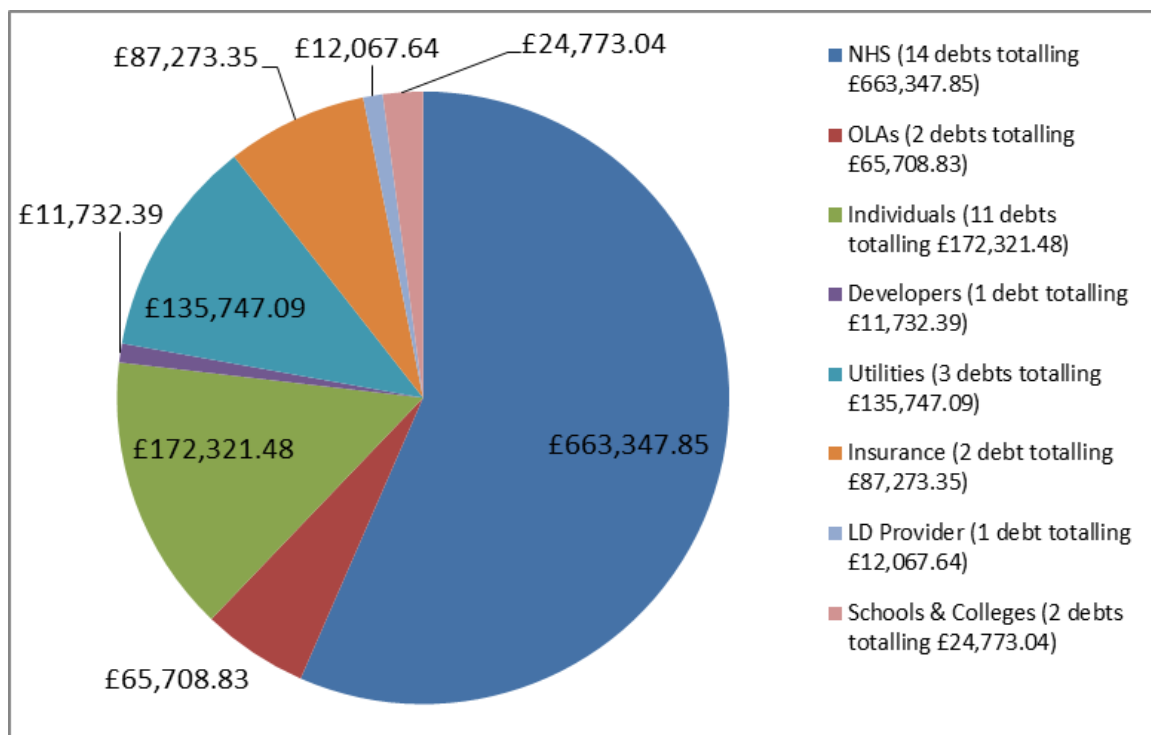


Outstanding debt in itself is not an issue for the County Council, and it would not be a problem if the total amount of fees and charges raised at any one time were to increase as services sought to maximise income. The continued level of underlying debt over 90 days has not improved in the latter half of 2014/2015.

The confidential meeting after the March 2015 meeting explained some of the reasons behind the residual amount of long-term debt (particularly around social care recovery, where processes are often elongated by the legal processes, such as around individuals' estates). However, members' attention is drawn to the additional proposed measures set out below to try and reduce this amount.

3.2. Breaking down the year end debt position

At the year end, the over 90 days debt totalled **£2.307m**. Thirty-six of these debts were over £10,000 in value, and these large debts comprised £1.173m, or 50.8% of the total debt over 90 days. The pie chart below demonstrates the category of debt and value making up these large debts at 31st March 2017.



As at end of May, both local authority debts (OLAs) and the single LD Provider debt have been paid in full. In addition, 4 of the NHS debts have also been cleared. The total reduction of these large debts between 31st March and 31st May was £163,275.52 (13.92% of the total).

3.3. Year End Write-Offs

One of the key measures that we bring to Audit Committee when reporting year end is the amount and reasons for debts being written off. Figures that come from the Accounts Receivable system show a consistent performance in this area when compared to previous years.

We have found a slight improvement in this measure from previous years. Whereas we had always looked at the gross debt raised, it is probably more accurate to take the gross debt less any credits raised against this figure (reissues, errors etc).

Even with this change in calculation, the net debt raised was £88.579m, and the net write-offs were £0.122m, giving a **99.86% collect rate**. This remains very comparable with previous years' performance – 2015/2016 restated would have been 99.82% (previously 99.84%).

3.4. Causes of write-offs

The Legal Debt Recovery Officer has looked at the reasons for debt write-off that have been listed on the write-off authorisation sheets.

It has to be acknowledged that this is not an exact science. Sometimes the reason quoted for write off is not clear, or potentially falls into a number of categories. It is quite possible looking at the analysis and the forms that there is certainly a level of overlap between "Not cost effective to pursue" and "All debt options exhausted" and these might have been interchanged on some write-off forms.

The write-off form has been redesigned for 2017/2018 onwards, and the

The causes are analysed in the table below:-

Reason Quoted	2015/2016	2016/2017
Not cost effective to pursue	66.4%	13.82%
All debt options exhausted	8.66%	23.91%
Deceased	3.71%	24.35%
Unenforceable	3.09%	11.60%
Insolvent/bankrupt/administration/liquidation	0.61%	6.51%
Other	17.53%	19.80%

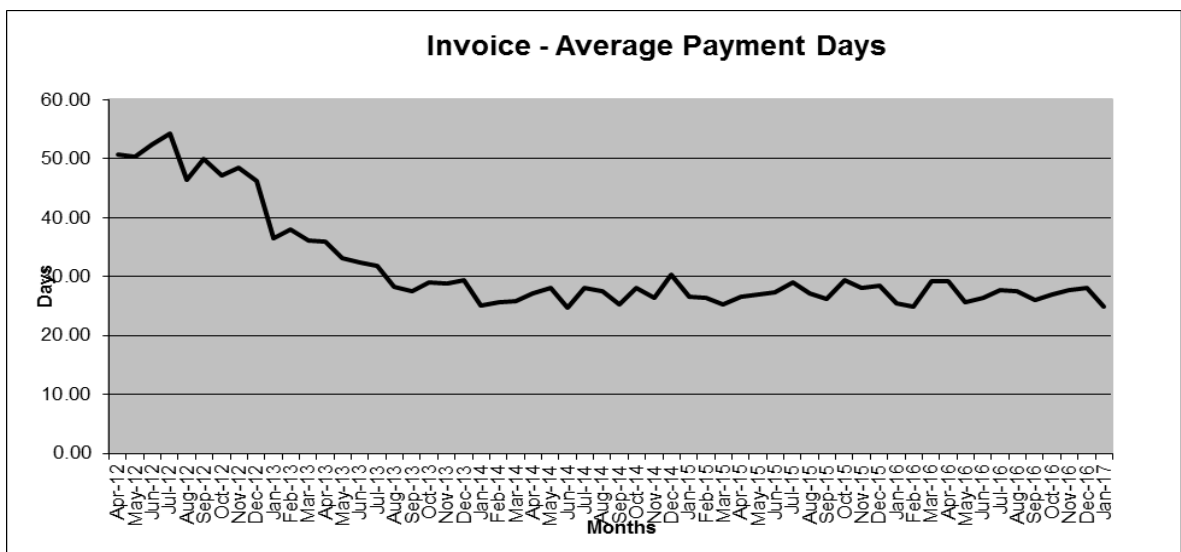
"Other" covers a wide range of reasons, such as when we are unable to trace a debtor, Court Orders, where a settlement is reached, where an error has been made (by us), service decisions not to pursue, exchange rate differences or when the Statute of Limitations has been reached and the debt is no longer enforceable as a result.

The single most common cause for write-offs over the last 2 years remains a simple economic test. At a certain point in the process, depending on the outstanding value, the costs of proceeding with legal debt recovery (i.e. the costs and fees of issuing court proceedings, which may not be recoverable), can outweigh the amounts to be recovered. Typically such smaller debts have been pursued up to the “Letter Before Action stage”, when a decision is made whether they are indeed cost effective to pursue. (This will be particularly of concern when the new Pre-Action Protocol comes into operation – see below).

3.5. Average payment days

The other criterion that officers consider important in debt collection is the calculation of the average number of days for an invoice to be paid. Obviously, this cannot be calculated until a sufficient period of time has elapsed to allow for debts to be paid, so our latest analysis is for January 2017 at 24.84 days.

The average payment days have now been consistently below 30 since December 2014.



If we assume a “cost of carry” as 1% for a whole year, we can make an estimate of the costs of older debt to the County Council. For the £2.307m at year end, £1.805m was between 90 and 365 days old as 31st March, and £0.502m over 365 days old.

For modelling purpose, if we take that the 3-12 months averaged about 6 months at year end, and the debt over a year averaged about 15 months, then the “cost of carry” is only c£17,000 per annum. This is only based on a snapshot in time, and can only be illustrative at best. It also does not take into account money the County Council owes to other parties.

3.6. Latest debt figures and significant debts outstanding

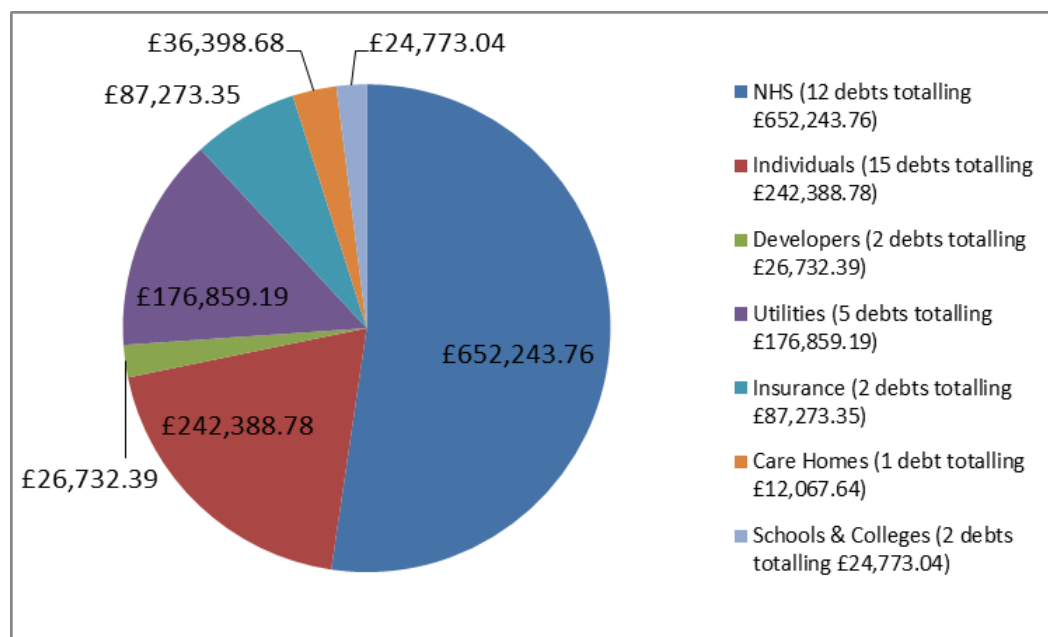
Services' total net outstanding debt reported on the Accounts Receivable system stood at **£13.366m** as at 31st May 2017. This compared with £6.134m as at 31st May 2016.

Debt over 90 days stands at **£2.404m** as at 31st May 2017, which equates to **17.93%** of the total debt. Appendix A shows the current split of debts by services, and the movement between the end of March and the end of May.

3.7. Breakdown of latest debt figures

There are a total of 39 debts over 90 days old and over £10,000 as at the end of May 2017. In total, these larger, older debts total **£1.247m**, or 51.9% of the total debt over 90 days old.

The breakdown of these larger debts is very similar to the end of year figures:-



3.8. New Measures

Previous Audit Committee reports have included a number of new measures that were being implemented to improve our debt recovery performance, including:-

- We have now migrated legal debt recovery to the Norwel system, which is the standard IT system for managing legal cases. (The previous system ARMS was no longer supported. It is also expected that the reports from Norwel will be easier to run and require less manual intervention to reconcile to SAP).
- We commissioned some work from SWAP to look at where there were “bottlenecks” or weaker performance or where controls needed improving. Many of these were around the services, before the debt was passed to the Legal Debt Recovery Officer.

- We have been re-drafting the Income Code of Practice in line with the SWAP recommendations and to speed up the process. This included the idea that services could issue a “Letter Before Action (LBA)”, which is the commencement of any legal recovery processes.
- Debts are a more regular agenda item on the Finance Management Team

This work has, unfortunately, been de-railed by the imminent Pre-Action Protocol, which has caused us to review all of our processes and approach.

3.9 Pre-Action Protocol requirements and analysis

The Pre-Action Protocol comes into force on 1st October 2017. It only applies to debts owed by individuals and by sole traders. It does not apply to business-to-business debts. Two snapshot months of debt information were analysed. Both suggested that (excluding Debts to Accrue) c12% by value and c30% by volume of our debts over 90 days old are with individuals or sole traders. Clearly, this will therefore impact on Somerset County Council’s debt recovery.

Broadly speaking, the Protocol is an attempt to reduce the amount of debt cases coming to the courts, by requiring more stages to be completed and exhausted, (and in more detail), before legal action can be taken. It will also ensure that proceedings that cannot be avoided should go through the courts more efficiently as all information will have already been exchanged. Regrettably, as a result, the requirements of the Protocol are going to **significantly impact** on the time (and even the possibility) of our recovering debts from individuals and sole traders.

The new measures introduced into the Protocol include:-

The **requirement**, when sending a Letter of Claim (effectively a Letter Before Action) to include a substantially increased volume of information about the debt claimed including the actual written or verbal agreement from which the debt arises. (This would be problematic if the agreement is not legally correct and binding, or if it cannot be produced).

The **requirement** to include an Information Sheet about the process, a Reply Form and a Financial Statement for completion in the Letter of Claim.

The **expectation** that both parties will seek to resolve the dispute without starting court proceedings. This could take the form of discussion and negotiation, or could be an Alternative Dispute Resolution (ADR) such as mediation from a third party.

The **warning** that, if a matter proceeds to litigation, the court will expect parties to have complied with this Protocol. The court will take into account non-compliance when giving directions for the management of proceedings.

Effectively, the Letter of Claim starts a 30 day “clock”, and if the debtor has not responded in that period then court proceedings can be commenced. However, there are a number ways that the debtor can stop the clock, or even reset it to 30 days, such as:-

- Requesting further information about the debt that was not included in the Letter of Claim (another 30 days minimum will elapse).
- Returning the Reply Form even if it is not completed correctly (another 30 days to discuss the debt, plus potentially further time if we need to request the Form's completion).
- Returning the Financial Statement, even it is not completed correctly (another 30 days to discuss the debt, plus potentially further time if we need to request the Statement's completion).
- Requesting more time to seek debt advice (another 30 days minimum will elapse).
- All of the above options that are available to the debtor are actually included on the Information Sheet that we are obliged the send to the debtor.

3.10 Pre-Action Protocol action plan

It is essential that the relevant officers respond to mitigate the impact, and a number of actions are already planned:-

All services are being required to review their income budgets to determine the extent to which the Protocol applies to them (i.e. individuals and sole traders) , and for what types of income.

The Legal Debt Recovery Officer and Accounts Receivable Team Leader will meet with each service (or their financial contacts) and review each affected income stream to consider (at least):-

- Whether it is possible to introduce a requirement for payment to be made up front, i.e. before the service is provided to the individual / sole trader.
- Whether or not it would be appropriate to offer incentives for early or immediate payment.
- Whether we are offering enough payment channels for the service to encourage payments.
- Whether or not the contractual documentation around the service provided is suitably robust and whether it needs to be strengthened to be suitable to issue with the Letter of Claim.
- How the service will help the Legal Debt Recovery Officer to complete all the other documentation that is required to send a fully effective Letter of Claim.

The presumption has to be that all such income will be moved to payment in advance or on the point of delivery, unless there is a reason why not. An example might be the payment of County Tickets over the travel period, where we have seen genuine cases of hardship and where a full upfront payment may not be possible in all cases.

4.. Consultations undertaken

- 4.1 Debt management is considered monthly at the Finance and Performance Management Team meetings. Debt is also regularly reported to Cabinet.

5. Implications

- 5.1 If debt is not collected promptly it greatly increases the risk that it may need to be written off which has an impact on the revenue budgets of services.

6. Background papers

- 6.1. Previous reports to Audit Committee.
- 6.2. Pre-Action Protocol documentation and requirements.

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

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APPENDIX A - DEBT OUTSTANDING BY AREA AS AT 31/05/2017

Directorate	Not overdue	0-30 days £000	31 to 90 days £000	91 to 365 days £000	365+ days £000	Total (Gross) £000	Unassigned Cash £000	Total (Net) £000
Adults & Health Comm	0	0	219	122	5	346	-1	345
Adults & Health Ops	89	5436	640	441	211	6817	-1	6816
Business Development	27	144	2223	140	77	2612	-16	2596
Customers & Communities	0	4	119	0	0	122	0	122
Children & Family Ops	7	13	107	304	10	440	-5	435
ECI Comm	4	7	2	0	1	13	0	13
ECI Ops	116	267	585	167	151	1287	0	1287
Schools & Early Years	36	25	9	6	10	86	-4	82
Finance & Performance	4	43	107	490	9	653	-1	652
Children & Learning Comm	42	12	48	172	5	279	-14	265
LD Ops	59	19	10	45	37	170	-2	168
Support Services for Education	8	111	465	2	0	585	-3	582
Public Health	0	0	2	0	0	2	0	2
Total £	394	6079	4535	1890	515	13413	-47	13366
Total %	2.93%	45.33%	33.81%	14.09%	3.84%	100.00%		

Total % over 90 days = 17.93%

PREVIOUS DEBT FIGURES (AS AT 31/03/2017)

Directorate	Not overdue	0-30 days £000	31 to 90 days £000	91 to 365 days £000	365+ days £000	Total (Gross) £000	Unassigned Cash £000	Total (Net) £000
Adults & Health Comm	0	315	0	122	5	442	-1	441
Adults & Health Ops	88	1654	352	433	211	2738	-113	2625
Business Development	30	847	20	119	80	1096	-6	1089
Customers & Communities	0	119	7	0	0	126	0	126
Children & Family Ops	15	184	39	288	10	536	-5	530
ECI Comm	4	6	1	0	1	12	0	12
ECI Ops	348	2172	315	94	144	3073	0	3073
Schools & Early Years	39	19	4	8	11	82	-5	77
Finance & Performance	14	533	39	487	8	1080	-3	1078
Children & Learning Comm	79	263	69	185	4	601	-15	586
LD Ops	119	78	18	59	29	303	-6	297
Support Services for Education	8	518	56	11	0	594	-8	585
Public Health	0	63	1	0	0	64	0	64
Total £	745	6771	922	1805	502	10746	-163	10583
Total %	6.93%	63.01%	8.58%	16.80%	4.67%	100.00%		

Total % over 90 days = 21.47%

VARIATIONS FROM THE PREVIOUS PERIOD (*)

Directorate	Not overdue	0-30 days £000	31 to 90 days £000	91 to 365 days £000	365+ days £000	Total (Gross) £000	Unassigned Cash £000	Total (Net) £000
Adults & Health Comm	0	-315	219	0	0	-96	0	-96
Adults & Health Ops	1	3,781	288	8	0	4,079	112	4,191
Business Development	-3	-703	2,203	21	-2	1,516	-9	1,507
Customers & Communities	0	-115	112	0	0	-3	0	-3
Children & Family Ops	-8	-172	68	16	0	-96	0	-95
ECI Comm	0	1	1	0	0	2	0	2
ECI Ops	-232	-1,905	270	73	7	-1,786	0	-1,786
Schools & Early Years	-3	6	5	-2	-1	4	0	5
Finance & Performance	-10	-490	68	3	1	-427	2	-425
Children & Learning Comm	-37	-251	-21	-13	0	-322	1	-320
LD Ops	-60	-59	-9	-14	8	-134	4	-130
Support Services for Education	-1	-407	409	-9	0	-8	5	-3
Public Health	0	-63	1	0	0	-62	0	-62
Total £	-352	-692	3,613	84	13	2,667	116	2,783

Improvement in % = 3.54%

(*) A positive figure in the Variations table denotes an increase in the amount of debt owed to SCC of that particular type and age. A negative figure in the Variations table denotes a decrease in the amount of debt owed to SCC of that particular type and age.

Figures are rounded to the nearest £000

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Review of Internal Audit

Service Director: Kevin Nacey, Director of Finance and Performance

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Cabinet Member: Cllr D Hall, Cabinet Member for Resources

Division and Local Member: All

1. Summary/link to the Annual Plan

- 1.1. A professional, independent and objective internal audit service is one of the key elements of good governance in local government. Internal audit forms a part of the governance that provides assurance on all areas of the County Plan. In our assurance framework, based on CIPFA and ALARM, internal audit is the third (and last) “line of defence” on assurance matters.
- 1.2. In addition, there is an obligation under various pieces of legislation for the County Council to ensure that it has an effective internal audit function.
- 1.3. To ensure that our internal audit function (as provided by the South West Audit Partnership) remains “adequate and effective”, officers carry out an annual review of SWAP’s performance. For 2016/2017, this process has again been assisted by pieces of assurance from other organisations.

2. Issues for consideration

- 2.1. Members are asked to note and comment on the review carried out by Somerset County Council officers and independent validation into the effectiveness of the internal audit function from the South West Audit Partnership in 2016/2017.

3. Background

3.1. Statutory requirements

The statutory requirements for internal audit have not changed:-

- The Accounts and Audit (England) Regulations state that “A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.”
- Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the proper administration of those affairs.” CIPFA has defined “proper administration” in that it should include “compliance with the statutory requirements for accounting and internal audit”.

3.2. CIPFA

The CIPFA Statement on the Role of the Chief Finance Officer in Local Government states that the Chief Finance Officer (CFO) must:

- Ensure an effective internal audit function is resourced and maintained;
- Ensure that the authority has put in place effective arrangements for internal audit of the control environment;
- Support the authority's internal audit arrangements: and;
- Ensure that the Audit Committee receives the necessary advice and information, so that both functions can operate effectively.

3.3. Public Sector Internal Audit Standards (PSIAS)

These Standards have been in force since 1st April 2013 and have recently been updated and applied from 1st April 2016, applying the Institute of Internal Auditors (IIA's) International Standards to the UK public sector.

The objectives of the PSIAS are to define the nature of internal auditing, and to set basic principles for carrying out internal audit in the UK public sector.

They establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The Standards apply to all internal audit service providers, whether in-house, shared services or outsourced. They also set out the expected behaviour with a Code of Ethics.

As part of the June 2017 review, SCC officers have considered how SWAP complies with these standards, particularly the "Attribute Standards" or "Performance Standards", which have not changed in the new Standards.

These provide a ready checklist for us to consider our Internal Audit functions against. Within each Attribute or Performance Standard, are a number of requirements that we have tested SWAP against. The most pertinent ones are set out below as assurance examples in the table below.

3.4.

Public Sector Standard	Illustration of SWAP compliance
Purpose, Authority and Responsibility	<p>The Standard requires this to be formally defined in an internal audit charter.</p> <p>This is reviewed annually by SWAP and presented to Audit Committee alongside the Internal Audit Plan for the forthcoming year.</p> <p>The Charter includes all requirements of the Standard, such as the responsibilities of the auditor and management, and the reporting lines open to the auditor, including the “unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the Council’s Chief Executive or the External Audit Manager”.</p>
Independence and Objectivity	<p>SWAP has absolute organisational independence as a separate legal entity, and Directors appointed by the partners are non-executive.</p> <p>By reporting to the Audit Committee (the Standard uses the term “board”) directly and publically, this removes any possibility of inappropriate SCC management interference.</p> <p>Access to all levels within SCC (as above) also increases this compliance with this Standard.</p> <p>This also ensures that the internal auditor do not have to “subordinate” their judgement, which is another Standard test.</p>
Proficiency and Due Professional Care	<p>SWAP is staffed by an increasingly higher proportion of qualified auditors, who direct work from any junior staff members. All SWAP officers in senior posts are suitably qualified.</p> <p>SWAP’s audit delivery processes have been independently assessed and meet all professional expectations. SWAP’s methodology as they carry out their audit work is highly suitable in driving the auditor to meet this Standard.</p>

Quality Assurance and Improvement Programme (QAIP)	SWAP has had a QAIP since before the Standard came into effect. This is regularly reviewed by SWAP managers and the Board of Directors.
Managing the Internal Audit Activity	<p>SWAP is heavily involved in the planning work ahead of the Internal Audit Plan, which includes our risk-based priorities. The Plan looks at other sources of assurance that are available.</p> <p>SWAP is able to comment on the audit days (i.e. resources) allocated to the Internal Audit Plan, and has done so in the past when audit days were reduced to confirm that it can provide an annual opinion.</p> <p>The partnership arrangements make it less probable that the work will suffer from unexpected loss of staff. Our plan and processes include the necessary annual audit opinion and for it to be brought to the Audit Committee in public session.</p>
Nature of Work	<p>SWAP audit reports always “include appropriate recommendations for improving the governance process” and such key objectives as “communicating risk”.</p> <p>SWAP audit reports also consider key areas in this Standard such as “information technology governance”.</p>
Engagement Planning	<p>SWAP always provides a Terms of Reference for each piece of work, with the necessary discussion and agreement of the relevant SCC manager.</p> <p>Each Term of Reference will include a preliminary assessment of the risks. The scope (and days allocated) of SWAP audits ensures that they cover sufficient work to address the agreed-upon objectives.</p> <p>Should this not be the case as the work is delivered, this is reviewed and additional days allocated as required.</p>

<p>Performing the Engagement</p>	<p>Our Financial Procedures make the necessary provision for SWAP to access all necessary information to perform the audit.</p> <p>There is an agreed escalation process, endorsed by Audit Committee, to deal with any poor clienting by SCC officers.</p> <p>SWAP's audit methodology and supervision by senior auditors provides the necessary assurance on ensuring objectives are met and on quality.</p>
<p>Communicating Results</p>	<p>Individual audits include a "close-out" meeting with the relevant managers to report findings and to discuss recommendations.</p> <p>All opinion audits are subject to a rating system from Substantial to No Assurance.</p> <p>Communication on completed audits and key risks and findings are provided quarterly to Audit Committee.</p> <p>Overall results for a financial year are given in the annual opinion.</p>
<p>Monitoring Progress</p>	<p>The reports to Audit Committee also detail the progress on the Internal Audit Plan overall, and the assurance levels that have been given.</p>
<p>Communicating the acceptance of risks</p>	<p>If the internal auditor believes that managers are accepting a level of risk that is unacceptable to the organisation, the Charter sets out the availability of communication routes open to the auditor.</p>

Our own internal review of the Standards concludes that SWAP complies with the Public Sector Internal Audit Standards in all significant respects.

3.5. External Validation

Confidence in SWAP also comes from a number of external sources:-

i) The Devon Audit Partnership reviewed SWAP in March 2016, to ensure that it complied with the applicable standards. This was at SWAP's own request, following a self-assessment process. The IIA's Quality Assessment Manual suggests a scale of three ratings, "Generally Conforms," "Partially Conforms," and "Does Not Conform." "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.

Part of the external validation process involved speaking with a wide range of partner officers to seek their thoughts and views on how SWAP meets expected targets, and their view on the quality of service being provided. In addition, interviews took place with SWAP executive, management and staff to discuss arrangements and to confirm that SWAP's expected practices are being operated in practice. SWAP's approach to risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, and a representative sample of the internal audit activity's workpapers and reports were reviewed.

Devon Audit Partnership concluded that "SWAP is a well-established provider of professional internal audit services to a number of public sector organisations. The internal audit activity meets the Standards and SWAP management regularly look to ways to improve the service they provide (e.g. by developing the "healthy organisation" approach) and add value to all of their partners and clients. A well-developed Quality Assurance Improvement Plan is in place that captures areas for development and provides a good record of progress against targets. Consequently, our comments and recommendations are intended to build on an already efficient and effective internal audit provider."

As a result, Devon Audit Partnership's "overall opinion that the internal audit activity **generally conforms** with the Standards and Code of Ethics".

There have been no detrimental changes in SWAP's internal audit work or approach since this date, and therefore reliance can be placed on this review.

ii) The Devon Audit Partnership's continues to act as the internal auditor to SWAP. They have just reported (May 2017) on the accounting arrangements for the South West Audit Partnership (SWAP) for the financial year ended 2016/17. This is a positive report, and has been included as Appendix B to this report.

iii) SWAP's external auditor, PKF Francis Clark, has just completed its work on the SWP accounts for 2016/2017, in compliance with the requirements of the Companies Act 2016. There were no issues reported and the accounts gave a "true and fair view".

iv) Grant Thornton, as part of their work, reported to Audit Committee in March 2017 that they had "completed a high level review of internal audit's overall arrangements" and concluded that "our work has not identified any issues which we wish to bring to your attention". This is consistent with all previous external audit reports.

v) SWAP has recently won the innovation in audit award at Public Finance event. This is the first time that CIPFA have held such an event and this is excellent public recognition. The judges commented "We really liked the Healthy Organisation themed reviews and behavioural model, which tackled important issues around assurance fatigue and systemic failure. It also demonstrated the benefits of a partnership, but firmly grounded in each organisations governance approach."

vi) SWAP is a finalist in the Municipal Journal Achievement Awards for Excellence in Governance and Scrutiny (the results will be known before Audit Committee meets).

3.6. Development within SWAP

As a company, SWAP continues to develop since it became operational on 1st April 2013. It continues to be a sought-after service, and Powys, Cheltenham Cotswolds and West Oxfordshire have joined as partners in the last financial year. Cheltenham Borough Homes and UBICO are also now receiving services from SWAP, although they are not a partner. Altogether, some 24 partners and other clients now use SWAP's services.

SWAP and its Directors have been focussing on marketing in the last financial year, facilitated by external advice, and are looking at how to continue the expansion of both partner and non-partner income. SWAP now has a formal Marketing Strategy in place.

The Board of Directors meets regularly and agendas include a maintained risk register and a Quality Assessment Improvement Plan (QAIP). This plan captures all actions arising from peer reviews and progress to achieve the agreed management actions.

The Board of Directors also review a large number of performance indicators in addition to those listed in Appendix A in what is termed a Balanced Scorecard, including timeliness and delivery, customer feedback questionnaires, financial issues and staff sickness levels.

Directors receive regular training about their roles, and about the responsibilities of being a Director.

3.7. Review Process

The review process was undertaken by the Strategic Manager – Financial Governance, and overseen by the Director of Finance and Performance. It considered the statutory obligations, the governance arrangements for SWAP, and also looked at the key performance indicators on the Audit Partnership's delivery (set out in Appendix A).

From the performance indicators that are set out in Appendix A, officers conclude that SWAP continues to meet its own high performance standards.

There are further notable positives that have arisen from this review:-

- SWAP has again been able to maintain its average day rate at £244. (Members will recall that the number of audit days purchased was reduced from 1,701 to 1,533 in 2015/2016, hence the reduction in charge to the County Council).
- Somerset County Council no longer participates in the CIPFA Audit Benchmarking process, but previous information shows that this was £75 below the national average of £319 in 2013/2014. The CCAN survey in 2015/2016 suggested an average of £278 per day, but this was from a smaller sample of only 16 respondents.
- SWAP continues to show financial stability and resilience, which provides comfort for our future service. It has absorbed the loss of audit days from SCC and other partners over the last few years.
- The team that supports Somerset County Council are increasingly knowledgeable about the services they audit, and increasingly able to help officers to identify risks and management actions as a result.
- There is a noticeable increase in Senior Leadership Team members making requests for SWAP time. This suggests an increasing confidence in their role amongst key officers.
- Somerset County Council has access to specialist audit and related services through SWAP, which continue to be of a uniformly high standard, such as IT audit and anti-fraud expertise.
- SWAP has remained highly responsive in responding to changing circumstances at Somerset County Council, and has been very flexible in how they deploy resources to meet necessary changes in the audit plan.
- SWAP has been extremely helpful in running and monitoring the progress of "Partial" audits through the Audit Committee review process and through JCAD.
- Despite a higher level of Partial audits as we tackle high-risk areas, the level of satisfaction with the audit work has actually increased.

3.8. Conclusion

The officer conclusion is that the South West Audit Partnership continues to provide an adequate and effective internal audit function for Somerset County Council, and can demonstrate good value for money.

4. Consultations undertaken

- 4.1. Informal discussions were had with some other client officers and members of the Board of Directors of the South West Audit Partnership.

5. Implications

- 5.1. All contained within the report.

6. Background papers

- 6.1. "Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector"
- 6.2. "South West Audit Partnership (SWAP) - External Quality Assessment of SWAP Internal Audit Activity"
- 6.3. Previous internal audit reports to the Audit Committee, including the Internal Audit Plan and Charter (March 30th 2017).

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

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Performance Measure	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17 to date
Levels of satisfaction from feedback questionnaires	84% (48 questionnaires returned)	84% (13 questionnaires returned)	81.3%	81.8%	82.3%	87%	88%
Audits completed in year compared to revised plan (all at least at final draft stage)	99% (101 out of 102)	95% (72 out of 76)	87% (73 out of 84)	94% (73 out of 78)	92% (65 out of 71)	85% (74 out of 87)	93% (87 out of 94)
Key Control Audits completed in year compared with plan (all at least at final draft stage)	100% (7 out of 7)	100% (17 out of 17)	100% (10 out of 10)	100% (9 out of 9)	117% (7 against 6 planned)	100% (6 against 6 planned)	100% (4 against 4 planned) Less key control audits reviewed annually in line with risk based strategy now carried out on a cyclical basis
Total completed audits and reviews	101	72	83 Planned – 84 Completed to Report – (11 in progress)	81 Planned – 78 (plus 47 Individual School Report) will be completed to Final Report – (5 in progress)	71 Planned - 76 (including 38 individual School Reports) will be completed to Final Report (11 drafting or	87 revised Plan (including 29 individual School Reports) completed to Draft or Final Report (13 in	94 revised Plan (including 39 individual School Reports) completed to Draft or Final Report (7 in

REVIEW OF INTERNAL AUDIT

APPENDIX A

					in progress)	progress)	progress)
Cost of audit service to SCC	£517,640	£459,080	£415,160	£415,160	£415,160	£373,644	£373,644
Number of actions for improvements agreed by Managers		240	265	357	206	407 to date	429 to date
Value for Money – average cost of audit day compared to CIPFA (benchmarking)	SWAP = £244	SWAP = £244	SWAP = £244	SWAP = £244 CIPFA Benchmark Average = £319 per day	SWAP = £244	SWAP = £244 CCAN survey – average = £278 per day (16 respondents)	SWAP = £244

Appendix B : Internal Audit report for the South West Audit Partnership 2016/17

I can confirm that we have now completed our internal audit of the accounting arrangements for the South West Audit Partnership (SWAP) for the financial year ended 2016/17. I am pleased to report that our audit did not find any areas of concern and I am confident that the processes in place are adequate to support SWAP's annual report and financial statements.

The purpose of our audit was to review the systems of financial and other controls over the Partnership activities and to provide an opinion as to whether the operating procedures are working effectively and satisfactorily. Our work was undertaken in accordance with the Public Sector Internal Audit Standards.

As part of the audit work we undertook an assessment of compliance with relevant procedures and controls and our findings are based on the areas examined and appropriate sample checking.

Key Findings

Our audit concluded that accounting statements prepared during the year were prepared on the correct accounting basis, were supported by an adequate audit trail from underlying records, and debtors and creditors were properly stated.

All financial transactions relating to SWAP are recorded using the SAGE Financial Information Management System (FIMS) operated within the Partnership.

Orders are raised via FIMS and authorised by a member of SWAP's senior management team. Goods are received via the system and matched to the service/goods provided. Invoices are received and certified by the SWAP Admin staff and authorised by one of the SWAP senior management team.

A number of SWAP staff have procurement cards and statements are checked and reviewed by the admin staff and authorised by one of the senior management team. A review of a sample of procurement card payments confirmed that good systems of control were in place and purchases coded correctly.

Invoices are raised via the FIMS system and all income receipted and recorded on the system.

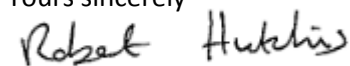
Payroll transactions are managed through South Somerset District Council and feed into FIMS on a monthly basis. A robust payroll checklist is maintained to administer and monitor the payroll on a monthly basis.

Regular bank reconciliations are performed and regular budget monitoring reports are produced to ensure transactions are accurately recorded and any variances investigated and resolved.

From a review of the FIMS system reports, sample checking of invoices and payments, and the professional services provided by Francis Clark, Chartered Accountants, my view is that the internal control framework is satisfactory and that the accounts will fairly represent the transactions of SWAP for the 2016/17 financial year.

The Partnership has maintained a strategic risk register for a number of years. In recognition that the register had been in place prior to SWAP setting up as a company, the Senior Leadership Team have reviewed the register and at the end of 2016/17 presented the Board of Directors with a revised register for their input moving forward.

Yours sincerely



Robert Hutchins

Head of Devon Audit Partnership



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Forward Work Plan

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Cabinet Member: Cllr D Hall, Cabinet Member for Resources

Division and Local Member: All

1. Summary/link to the County Plan

- 1.1. Members have previously asked that we keep track of forthcoming items coming to Audit Committee, and also that officers ensure that the Committee has Partial assurance audits brought to it in a timely manner.
- 1.2. Officers have started to pre-populate some of the agenda items where they are known or anticipated. A Future Work Plan will be brought to the Audit Committee on at least a quarterly basis.

2. Issues for consideration

- 2.1. Members are asked to note the outline Agendas for the July 2017 and September 2017 meetings, as set out in Appendix A to this report, and to comment on any further items that they would like to be scheduled.
- 2.2. Members are asked to consider other agenda items that have been on this June agenda, and whether they would like to have a further update on any of these audits, risks or topics.

3. Background

- 3.1. Audit Committee has set out the requirement for any internal audit from SWAP that only achieved Partial Assurance to come to a future public meeting and for the manager(s) responsible to update members as to their progress against the agreed action plan.
- 3.2. There is also a number of “staple” Audit Committee items that form part of either the annual Statement of Accounts cycle, or that are regularly brought to Audit Committee as part of its general risk and governance role. July’s meeting will need to be predominantly given over to the Statement of Accounts and related reports, but it might be possible to include a small number of other items.
- 3.3. It is always possible, and has been the case in the recent past, that additional Audit Committee meetings can be added to incorporate the workload.

4. Consultations undertaken

4.1. None required

5. Implications

5.1. Any items requested not yet covered by the draft Workplan at Appendix A will require scheduling by officers, in conjunction with the Chair.

6. Background papers

6.1. Previous Audit Committee decisions on the process for dealing with Partial Audits.

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

APPENDIX A : Draft Audit Committee Work Programme

<u>Future Agenda Items</u>	<u>Notes</u>
<u>27th July 2017</u>	
Statement of Accounts	<p>To approve the County Council's accounts, final Annual Governance Statement and Value for Money arrangements.</p> <p>This will include a number of key supporting documents, such as the report from the external auditor on their work and their findings, and the internal auditor's Annual Opinion.</p>
<u>21st September 2017</u>	
External Audit Update	The external auditor will need to update the Audit Committee on the conclusion of their audit work.
Internal Audit Update	The regular progress report from SWAP on the completion of the 2017/2018 Internal Audit Plan, highlighting any high risks that have arisen from their work.
Debtor Management	The regular performance report on our progress to collect monies owed to the County Council and the causes of outstanding debts.
Risk Management	The regular update on progress in mitigating the highest scoring risks that face the County Council.
<u>23rd November 2017</u>	
Internal Audit Update	The regular progress report from SWAP on the completion of the 2017/2018 Internal Audit Plan, highlighting any high risks that have arisen from their work.
Debtor Management	The regular performance report on our progress to collect monies owed to the County Council and the causes of outstanding debts.
Risk Management	The regular update on progress in mitigating the highest scoring risks that face the County Council.

Future Items (for noting)	
Anti-Fraud and Corruption Update	This report is scheduled for the January 2018 meeting.
Internal Audit Plan and Charter	The 2018/2019 proposed Plan and Charter will come to the February / March 2018 meeting.
Annual Audit Committee Report For Council	<p>To sign off the Chair's report to Full Council of the year's work of the Committee.</p> <p>This will be brought to the appropriate Audit Committee ahead of the Full Council meeting to which it will report.</p>
Partial Audits and Risks	<p>To review any completed internal audits that have only received a Partial Assurance.</p> <p>These can be added to any suitable agenda as time, circumstances and member requests dictate.</p>