



Healthy Organisation – A Strategic Review

Final Report

Issue Date: 11th January 2019

Working in Partnership to Deliver Audit Excellence

Executive Summary

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

Summary Assessment

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

Detailed Assessment

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

Appendices:

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

Executive Summary

Overview

The concept of a Healthy Organisation review was developed by the South West Audit Partnership and the West of England Chief Internal Auditors Group to provide an objective assessment of the management control framework or 'health' of an organisation.

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

For each of the corporate themes, the strength of the management control framework in place was assessed against a benchmark model by identifying the presence, or otherwise, of key controls. This included the use of assurance from other sources, such as external audit, as well as recent internal audit reports. The work was carried out during 2018 with testing completed by the end of November 2018. A senior manager from SCC was appointed as a key contact for each theme and outcomes were agreed with them ahead of producing this overall report.

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

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

A Healthy Organisation review was first carried out at Somerset County Council in 2016/17. An overall Medium Assurance opinion was given. The termination of the South West One contract, as well as significant financial pressures were the main contributing factors to the opinion given.

All areas for attention in the original review were assigned to a senior manager in the report and these have been monitored by the governance board using a Healthy Organisation scorecard. In addition, audit work has been carried out in both 2017/18 and 2018/19 covering key areas of weaknesses. This year's review provides an assessment of progress made against the last report.

Significant progress has been reported in two areas with both Performance Management and People Management moving to 'Green' this time. Key actions agreed within the last report were found to have been addressed, including the roll out of an updated performance management framework and a new People Strategy.

Other themes reported as 'Amber' last time have remained so. Risk management has moved from 'Green' to 'Amber'. The most significant reason for this has been the focus of the Council during 2018 to addressing the shortfall in financial resources needed to secure a sustainable future for the Authority. The Financial Imperative Programme (FIT) has been set up to identify and implement the savings needed to achieve this. Although we have seen evidence of progress being made across themes, more recently as resources have been diverted to deliver the FIT Programme, delivery of non-FIT related work has often slowed or has been stopped temporarily.

This report identifies those areas which will support the Council to move to 'Green' and are key to its success in doing so. Most of these 'areas for attention' have already been recognised as such by services. This report should be used to update the Healthy Organisation dashboard to allow progress to continue to be monitored. In addition, to provide assurance that improvements have been put in place, all areas for attention will be included in the 2019/20 internal audit plan; either as a separate audit or as part of a Healthy Organisation follow-up review planned for Autumn 2019.

Following the section on overall assurance below, each theme is summarised with a management overview and beyond this more detailed findings for each theme have been provided. Appendix A then maps areas requiring attention to the 2019/20 Internal Audit Plan.

The assurance for each of the nine themes referred to above have been reviewed and depicted in the following chart. This indicates an overall **Medium Assurance** opinion. As outlined above, the ongoing financial related pressures and the focus of council resources on the Financial Imperative Programme, slowing progress in some key areas, have led to this conclusion.

Overall assurance graph



R/A/G Rating Key:

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

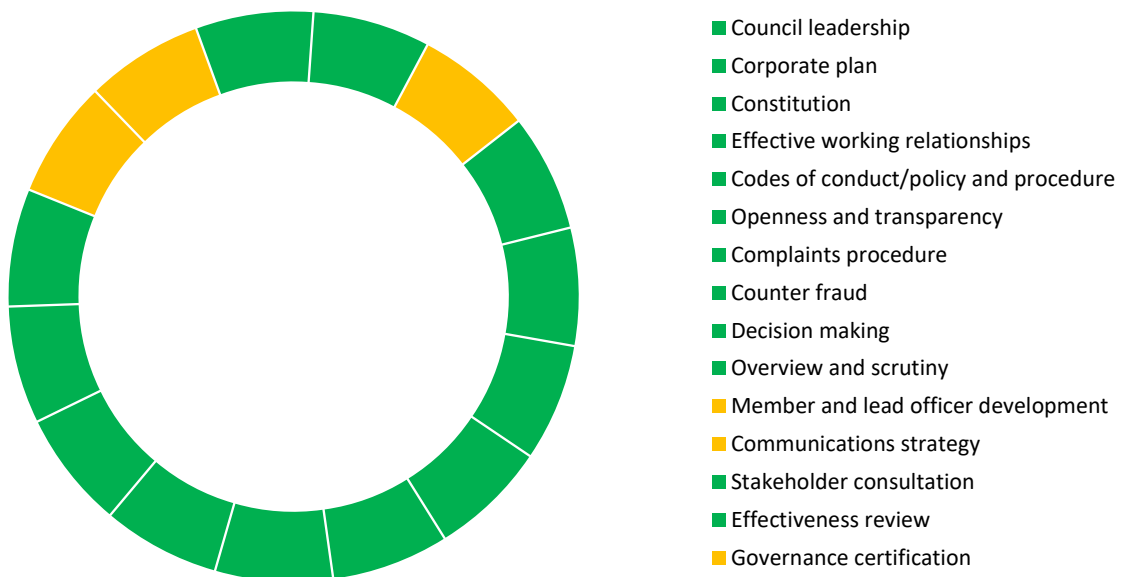
Summary Assessment by Theme

1. Corporate Governance

GREEN

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

Corporate Governance Assurance Wheel



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

AREAS OF STRENGTH

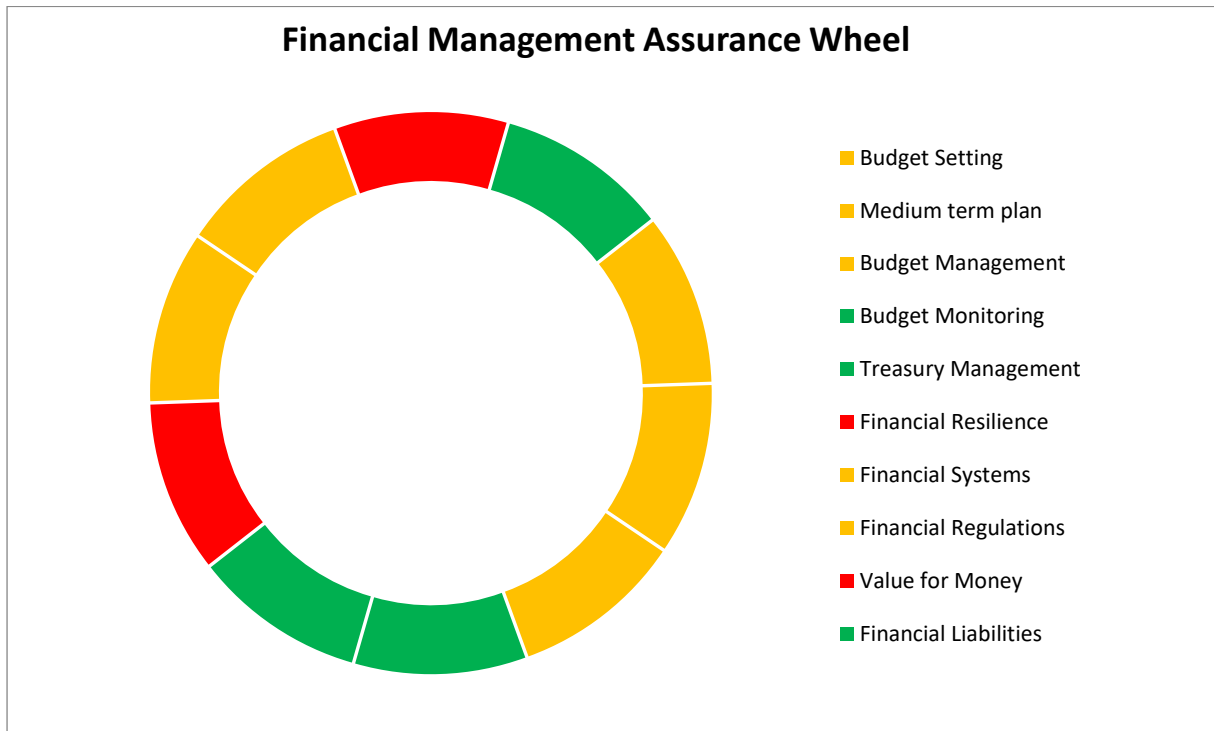
- A sound constitution, framework for leadership and decision making.
- Overview and scrutiny provided by the Audit, Standards and three scrutiny committees.
- A new medium term Somerset Vision and Business Plan for 2018/19, building on the existing County Plan.

- A risk based internal audit plan that is regularly reported upon and includes a robust system for monitoring high priority actions.
- An established complaints process.
- An established member induction training programme and development strategy.
- Consultation and engagement published on the SCC website.
- The Council has an Anti-Fraud and Corruption Strategy and participates in the National Fraud Initiative.

AREAS FOR ATTENTION

- A framework for Senior Management Training and Development has now been developed. Although it has been piloted, at the time of this review it had not been officially launched across the organisation.
- The Council's branding is currently under review, with branding guidelines dating back to 2012. Progress is slow due to the need for the Financial Imperative work to take precedence.
- The Annual Governance Statement (AGS) is a review of the effectiveness of governance arrangements. The format of the action plan is changing and will form part of the Governance Board scorecard in the future. The current plan has just three actions outstanding, but we have been unable to obtain evidence of the successful completion of all other previous actions, which covered seven pages.
- The Employee Standards of Conduct is overdue for review and has not been updated since September 2015. There are plans to align the Officer Code more closely with the Member Code, but there is insufficient opportunity to do so until Financial Imperative work has concluded.
- The Consultation Toolkit is dated November 2014 and, therefore, should be revisited to ensure it remains reflective of current requirements.

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



The focus of the whole council this year has been working towards addressing the shortfall in financial resources to secure a sustainable future for the Authority. Action taken to date has included rebasing the 2018/19 budget, introduction of the Financial Imperative Programme and improved budget monitoring. Much work is still needed to address the future years funding gap and the depleted level of reserves. An **Amber** RAG rating recognises both the effort that is being applied but also the challenge that still remains.

AREAS OF STRENGTH

- The Council has implemented a Financial Imperative Programme to identify opportunities for savings in order to reduce funding gaps in 2018-19 and 2019-20.
- The revenue budget has been revised during the year which has enabled the Children's Services budget to be rebased.

- Clear arrangements are in place for monitoring, updating and reporting the in-year financial position. The frequency of reporting to both Members and the Senior Leadership Team (SLT) has increased this year.
- The recommendations made by Grant Thornton in relation to the clarity of reporting have been implemented with additional detail now included in budget monitoring reports.
- An unqualified audit opinion and annual governance statement from the External Auditors on the 2017/18 financial statements.
- A comprehensive set of Financial Regulations and Financial Procedures.
- Annual Benchmarking of Treasury Management, with results at least in line with other contributing Local Authorities.
- Financial liabilities are identified and managed proactively.

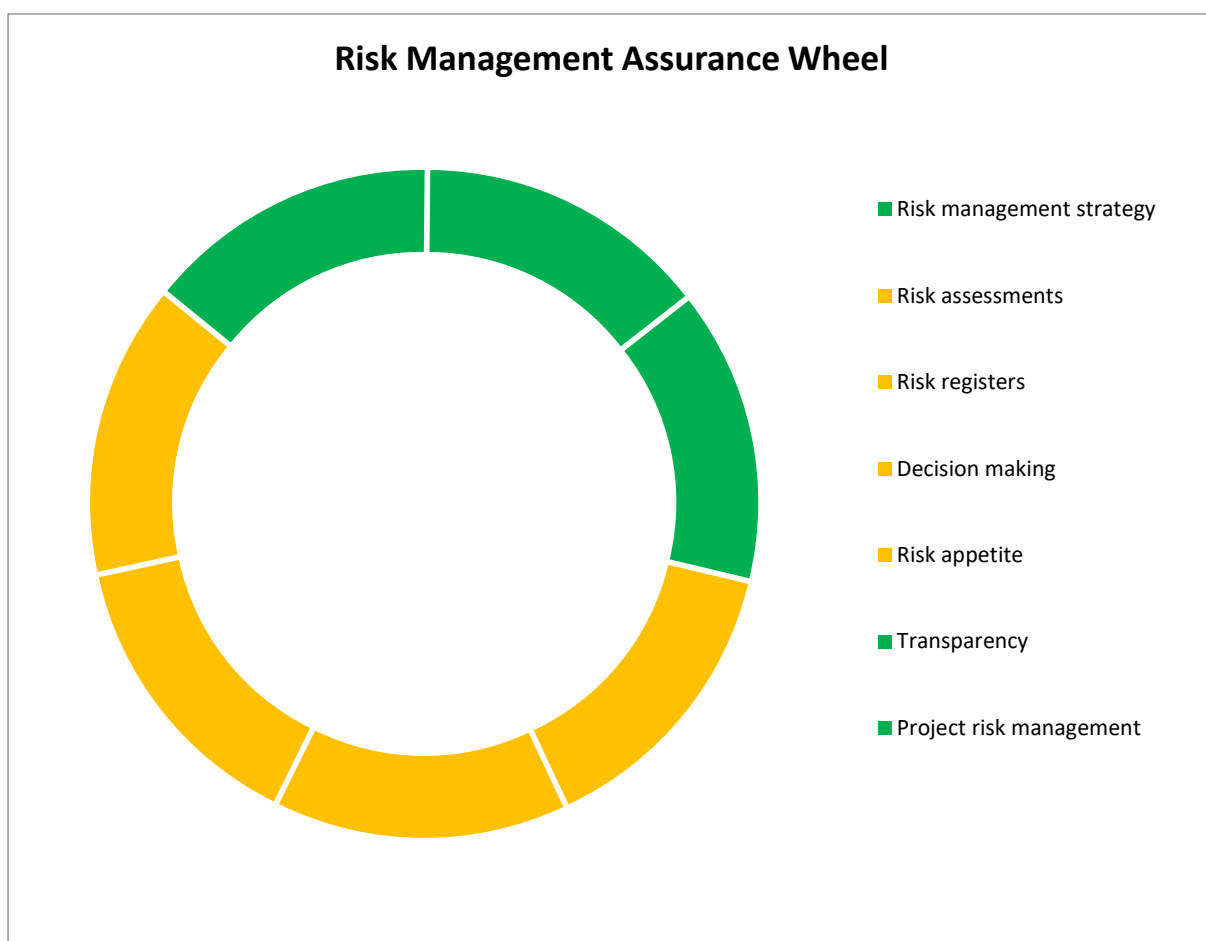
AREAS FOR ATTENTION

- A Medium-Term Financial Planning (MTFP) audit was performed in 2017-18 and a partial opinion was reported that included significant weaknesses around this process.
- The current MTFP and Capital Strategy do not clearly link to the new the Joint Somerset Vision, County Council Vision and Business Plan.
- The use of service plans as a financial management tool has not been successful and a new approach is needed.
- It is acknowledged that the key focus of the Council is to address the funding gap; however, at the time of this review an initial assessment estimated a £19m shortfall for 2019-20. Since then, further detailed analysis has identified a gap of £15m that now needs to be addressed through service proposals for change.
- In November 2018, the Council reported that the sum predicted to be available in the General Reserve at the end of March 2019 is £7.8m, just 52% of the recommended figure of £15m.
- A SWAP audit of Debt Management was awarded partial assurance, and the follow-up review in 2016/17 reported that ten recommendations remained outstanding. An SAP ICT Control audit also gave a partial assurance opinion.
- For 2017-18, Grant Thornton provided a 'qualified adverse' conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- A draft Value for Money Strategy has been produced but, at the time of reporting, has not yet been approved or implemented.

- The Financial Procedures have not been updated since May 2015 and therefore require update. Corporate guidance for cash handling is in the process of being developed with a launch planned for January 2019.

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



There is an agreed Risk Management Strategy and risk is reported to Members and SLT. Despite good practice in parts of the Council, weaknesses have been identified that have resulted in the award of an **Amber** RAG rating. Fully describing risks and completing subsequent updates, with mitigating actions to demonstrate active risk management across the Council, was not fully embedded.

AREAS OF STRENGTH

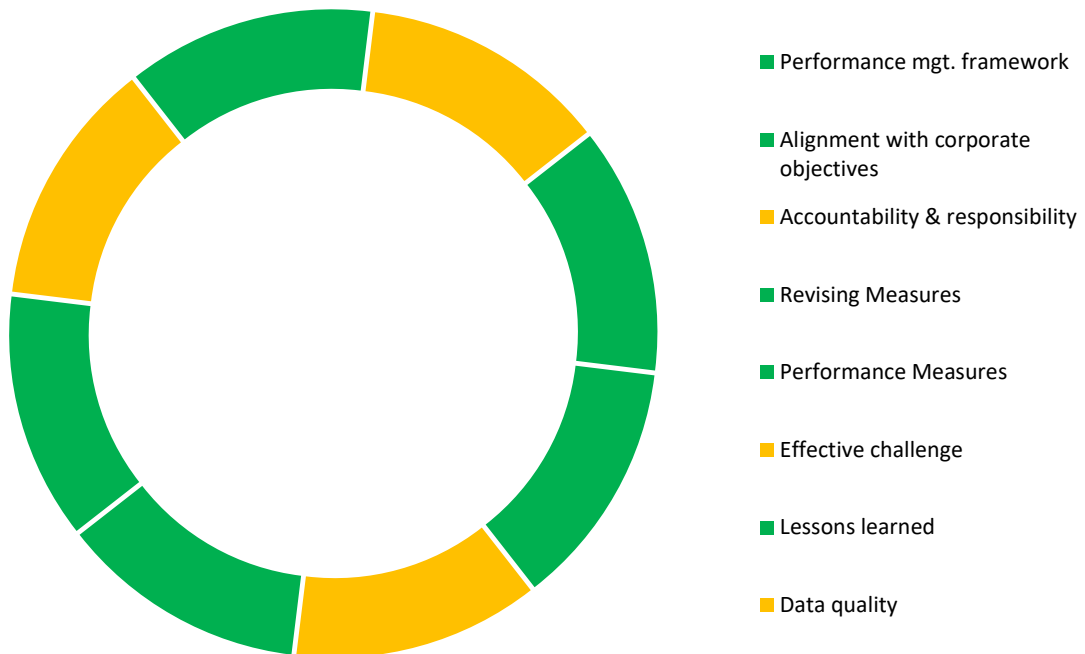
- An approved Risk Management Policy and Strategy.
- A Strategic Risk Management Group (SRMG) with Members acting as risk 'champions' to help provide scrutiny and challenge.
- A Corporate Risk Register that includes risks that link to the County Plan as well as other strategic risks.
- Members receive a risk update on a quarterly basis.
- A risk priority matrix in place to assess risk against likelihood and impact.
- A committee report template requiring all key and non-key decisions to be supported by an assessment of risk.
- There is a corporate system 'JCAD' used to assign and monitor risks.
- The Council's Risk Management Strategy makes specific reference to managing risks in programmes and projects.

AREAS FOR ATTENTION

- Details of risks are not always fully populated in JCAD or kept up-to-date by risk owners to provide ongoing evidence of mitigating action. There was reduced assurance of active risk management, as the updating of JCAD is often driven by the Principal Risk Officer rather than the risk owner themselves or from challenge from their management teams.
- Although risk management is built into commissioning, operational and service plans, further development is needed to ensure that these are fully described and match to risks recorded in JCAD.
- Several service risks have been reported as being above the Council's risk tolerance for a significant period and further work is required to assess the existence and effectiveness of mitigating actions in place.
- The information on risk assessment provided to decision makers is limited and could be improved by ensuring that inherent and residual risks are captured along with the actions that have been put in place to move between the two.

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

Performance Management Assurance Wheel



Performance Management is established council-wide, supported by the Planning and Performance Team. A **Green** rating has been given; this reflects recent improvements made – the updated Performance Management Framework; the new suite of performance indicators; and the new corporate performance reporting system. These now align clearly with the Council’s Business Plan with the linkage demonstrated by the Golden Thread.

AREAS OF STRENGTH

- A Performance Management Framework which links each performance measure to corporate objectives and provides clear guidance.
- A new corporate performance reporting system and a new suite of indicators which align with the Strategic Outcomes and Priorities in the Business Plan.
- A council-wide system for monthly performance review.
- Review of performance measures via the annual service planning process.
- Clear information provided in the corporate performance reports to help identify under-performing areas.
- Performance information used to inform future plans; this process is set out as a key theme - 'Plan', 'Do', 'Review' and 'Revise' - in the Performance Management Framework.

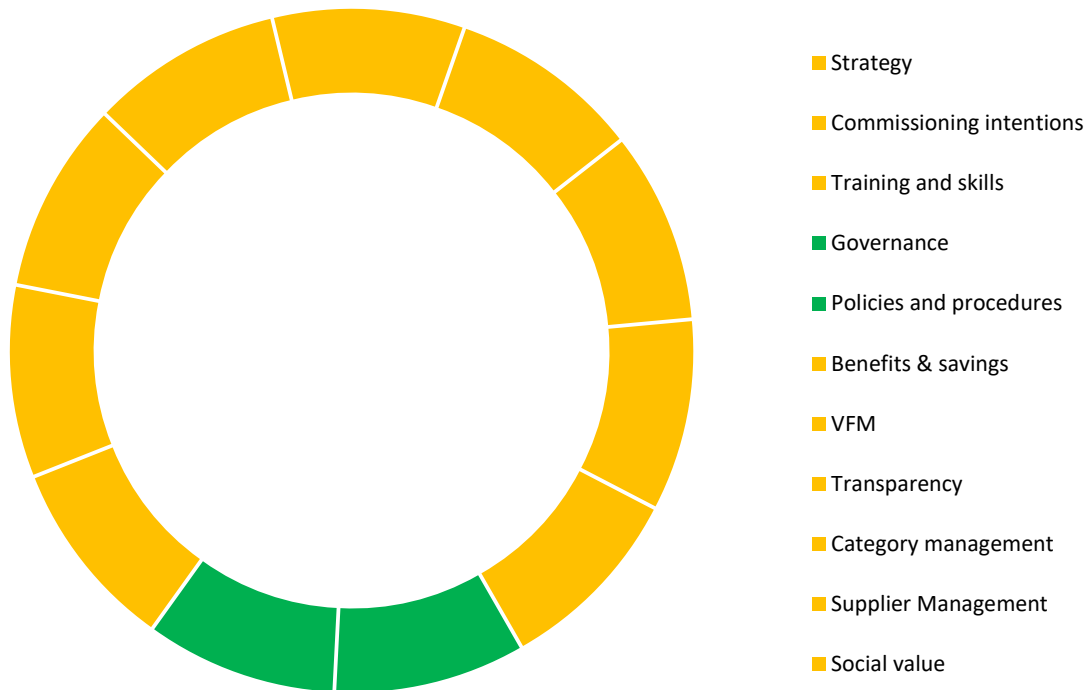
AREAS FOR ATTENTION

- The Performance Management Framework requires updating to reflect the new reporting system which has just been introduced, including the full Chief Executive role. A formal system for regular review and update of the Framework is also required to ensure the information is up-to-date.
- A full version of the Business Plan should be published on the Council's website, and information to clarify the link between the County Vision and the Business Plan should also be provided.
- The officer responsible for each performance measure is not clearly identified.
- The escalation system where performance is below required standards requires expansion to include how corrective action should be agreed, recorded and monitored.
- Corporate performance reports should contain previously stated actions to ensure these are fully monitored.
- The Data Quality Strategy should be implemented and embedded promptly.

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

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

Commissioning and Procurement Assurance Wheel



It is recognised that a significant amount of work has taken place over the last two years in relation to both Commissioning and Procurement. The results of this can be seen above in relation to Governance and Policies and Procedures, both of which are fundamental to the delivery of effective procurement and commissioning activities. The Amber RAG rating has been given in recognition that this work is ongoing and needs to continue to further strengthen control frameworks, and to ensure that commissioning and good procurement practice is fully embedded across the Council. Given the progress seen to date, there is good reason to believe that this will be achieved.

AREAS OF STRENGTH

- An up-to-date Commissioning Vision & Operating Model is in place and is available to staff.
- Commissioning plans are produced on an annual basis and most services have produced new plans for 2018/19 using a corporate template.
- Courses covering commissioning, procurement, social value and contract management are available.
- A Strategic Commissioners Group with representation from all service areas is in place and provides oversight of the commissioning process.
- The Council's Scheme of Delegation and Contractual Procedural Rules set out the levels of decision-making authority required and the process by which procurement activity should take place.
- A specialist procurement team is in place to support and advise services.
- A Commissioning Gateway requires completion of a self-assessment at each stage of the commissioning cycle before progression to the next stage.
- Members of the Cabinet hold responsibilities for oversight of commissioning activity. A Link Member for the procurement function is also in place.
- The Commercial & Procurement and Commissioning Development teams both have performance scorecards in place which are reported to Senior Leadership Team.
- Commissioning guidance and Contract Procedural Rules are up-to-date and available through the SCC Intranet.
- A Contract Manager's Group is in place and is attended by commissioners and led by the Commercial Contract Management team. The Commercial & Procurement team are also represented at both the Commissioning Board and Strategic Commissioners Group.
- A corporate approach to contract management has been developed over the last two years and is now in the process of being embedded across the organisation.
- The Commercial & Procurement service maintain a benefits tracker which is used to record anticipated savings and benefits from procurement activity.
- The Council maintains a Corporate Contract Register which can be used to identify the most significant contracts by value.

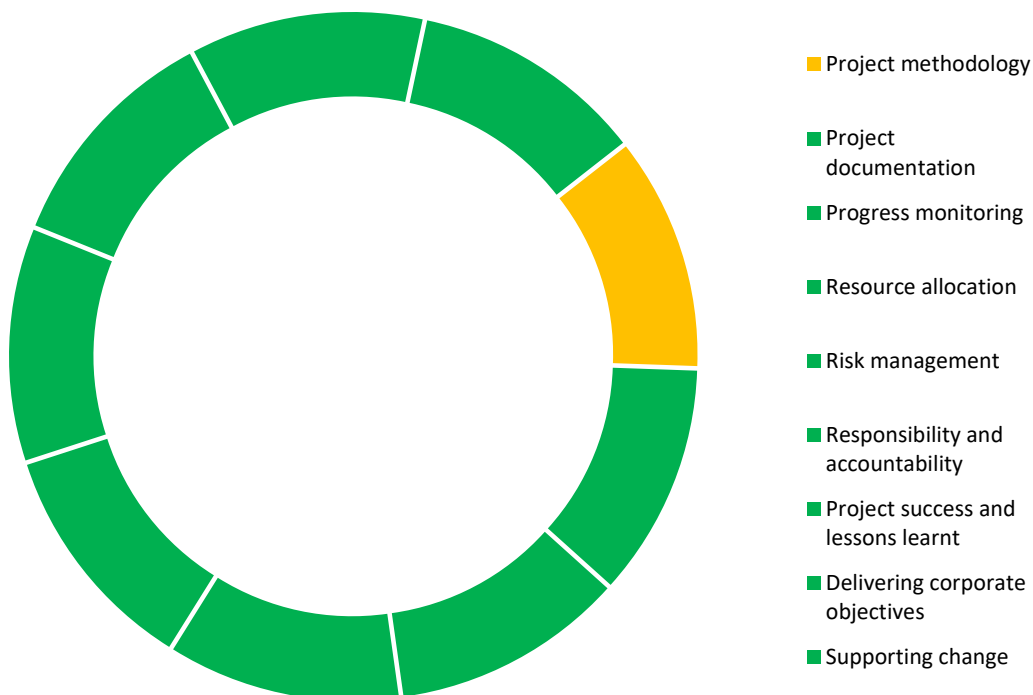
- SCC has a Social Value Policy which has been published on its website. Guidance is available to staff via the Intranet. An e-training course is also available.

AREAS FOR ATTENTION

- The Corporate Procurement Strategy has not been updated since the last Healthy Organisation review and is now due for review.
- All commissioning and procurement related strategies and service plans require review to align with the new Somerset Vision and Business Plan.
- Service planning for 2018/19 is not complete as work was suspended for the duration of the FIT Programme to allow officers to focus on delivering savings.
- The SCC Market Position Statement has remained at draft stage since it was issued in 2016.
- Skills assessments for both procurement and commissioning need to be completed.
- The Council's Financial Management System, SAP, currently does not allow spend against specific contracts to be recorded and monitored.
- Planned commercial and third party savings have not all been delivered as planned. As reported under the financial management sections of this report, the themed approach to the MTFP has now been dropped. New savings targets for the Commercial & Procurement service are in the process of being agreed.
- There is currently no agreed method within the organisation for reporting value for money performance. A Value for Money Strategy has been drafted but has yet to be adopted.
- The Council publishes all contract opportunities with a value exceeding £10,000 on the Supply the South West Portal; however, there is a Local Government Transparency Code requirement to publish all opportunities with a value above £5,000.
- Differences were identified between the published version of the Council's contract register and the internal version of the register.
- Although the foundations of category management are in place, this has not been fully established at SCC.
- Weaknesses identified in relation to assessing supplier resilience. Financial viability is assessed prior to award, but there is no specific process to assess viability during the contract.

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

Programme and Project Management Assurance Wheel



This review focused on the delivery of projects that form part of the Core Council Programme which are considered to be those of most significance corporately. The RAG ratings given are reflective of this. The **Green** RAG rating has been assigned because of the strong control framework in place in relation to the Core Council Programme. Less assurance can be given in relation to projects outside of this and planned improvements, which would determine the methodology to follow for all projects, has been delayed.

AREAS OF STRENGTH

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

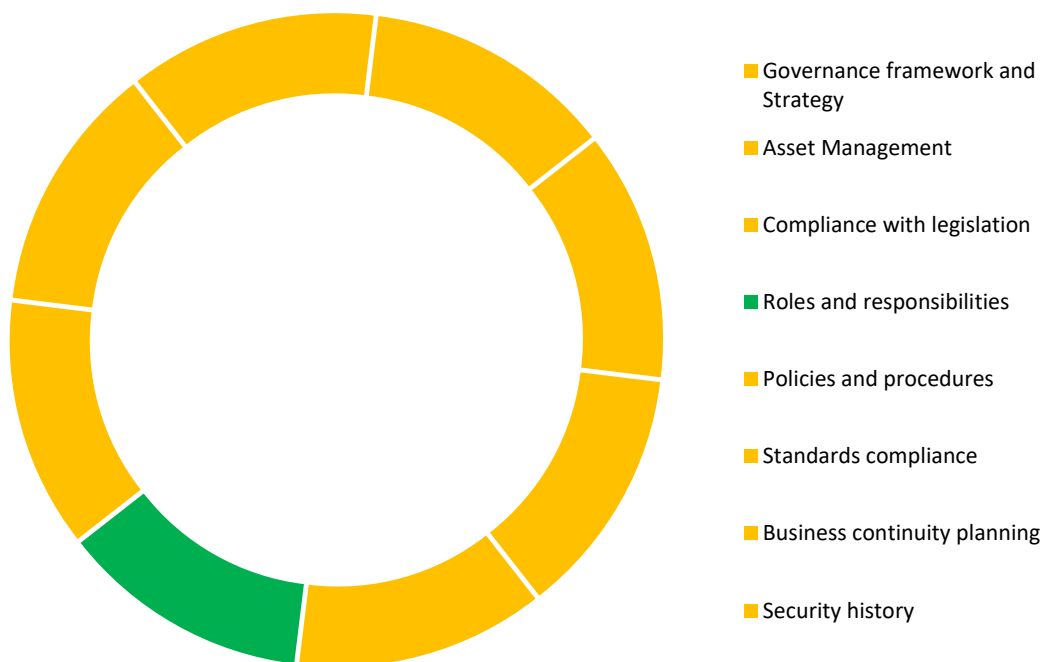
- A documented methodology is in place to establish the need for Project Management Office (PMO) support for given projects and programmes.
- E-learning is in place to support project management.
- Regular monitoring reports are presented to both Members and SLT.
- Each Core Council Programme will have a project board that will monitor progress.
- The Project Management team focus currently is the Council's most important project, FIT.
- The Council's Risk Management Strategy makes specific reference to managing risks in programmes and projects.
- Quarterly audits have been introduced to review the quality of risk management undertaken in relation to projects.
- Benefits realisation processes are employed in core council programmes, and E-learning modules also provide reference to this area.
- A lessons learnt exercise was carried out reviewing projects undertaken over the previous three years and this was presented to the Senior Leadership Team.

AREAS FOR ATTENTION

- It was reported as part of the last Healthy Organisation review that some projects remain 'unknown' corporately and, therefore, may take place outside of the established framework. Work is ongoing with the Commissioning Development Team to align the Commissioning Gateway and Project Management processes to help address this.
- A Project Mobilisation Toolkit is being developed which will determine the importance of the project to the Council and the project requirements will be reflective of this. The current involvement of the project management team with the Financial Imperative work is impacting significantly here and, therefore, this work will not be completed until FIT work is concluded.
- Standard project documentation does not mandate a requirement for risk assessment or ongoing risk management. The Project Mobilisation Toolkit which is being developed will make risk management responsibilities clear.
- The Core Council Board has been disbanded while FIT is in progress. The impact of this is reduced by the alignment of projects with FIT and continued production of the dashboard to help support ongoing project monitoring; however, during this time there is no capacity for further support.

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

Information Management Assurance Wheel



At the time of the first Healthy Organisation review, two years ago, the ICT team, environment and services being delivered were going through a major period of change as the delivery of the Council's ICT had been brought back in-house from South West One (SWO). More recently further change has resulted from the Financial Imperative work and has included the loss of the Head of the Service. Although there is evidence that work has taken place and is ongoing in relation to the governance and control framework, at the time of this review this work was not complete. An **Amber** rating has, therefore, been given.

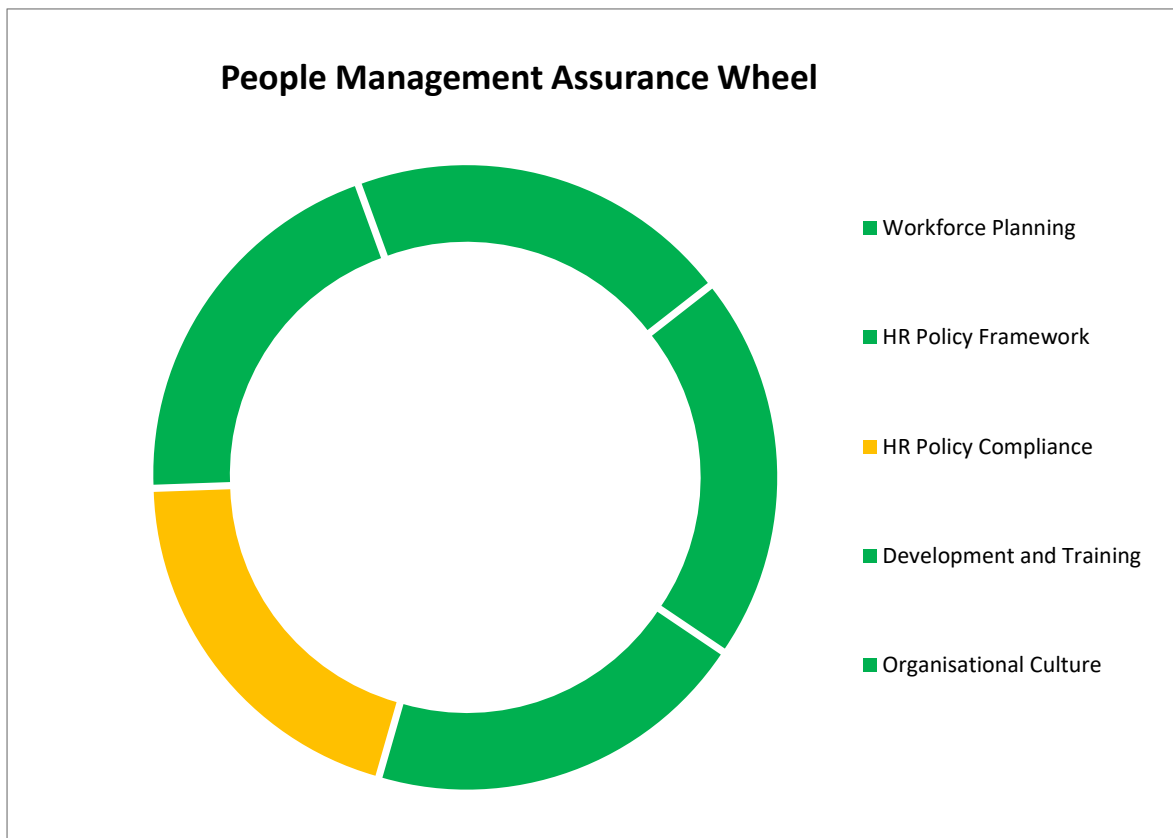
AREAS OF STRENGTH

- Information governance policies have all been rewritten to reflect the new General Data Protection Regulations.
- The officers of the Council are well trained in the areas associated with data protection.
- Organisational structure charts are available for strategic and operational roles and reflect restructuring that has taken place.
- The Council has current PSN connection compliance across its network.
- Contingencies are in place for outages both in the form of Business Continuity and Disaster Recovery Plans.
- There is a critical application list held by ICT.
- The Council has information security policies that give assurance in this area.

AREAS FOR ATTENTION

- The current ICT Strategy needs to be updated to link to the Council's new vision. This work is in progress and will also underpin the creation of a Digital Transformation Strategy for SCC.
- Partial assurance was awarded previously in relation to Hardware and Software Management. The follow-up audit finalised earlier in 2018 reported insufficient progress being made. Further work has since been carried out by the service which will be reviewed by audit in 2019/20.
- Although work is ongoing, the Council is currently failing to comply with the Data Protection Act requirement to deal with Data Subject Access Requests without unreasonable delay, and within a 40-day period.
- The exercise to establish and agree a full suite of ICT policies is not yet fully complete.
- The Council is still not compliant with the Payment Card Industries Digital Security Standard (PCI-DSS) although approval to purchase a solution is about to be sought.
- There is currently a lack of assurance that all critical systems can be recovered from back-up.
- Service desk records are not routinely analysed and used to facilitate continual service improvement to help mitigate the likelihood of similar incidents happening again.

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



An overall **Green** RAG rating has been assigned to this theme – this reflects the strong control framework in place.

AREAS OF STRENGTH

- The People Strategy has been updated this year following wide consultation with staff and now links to the Council Vision and Business Plan.
- A focussed approach to workforce planning has been taken - there is a good-quality Workforce Development Strategy in place for Children’s Services, and activity on workforce planning initiatives in Adult and Children’s Services were observed. There is also a Young People Strategy. A comprehensive workforce planning guidance document

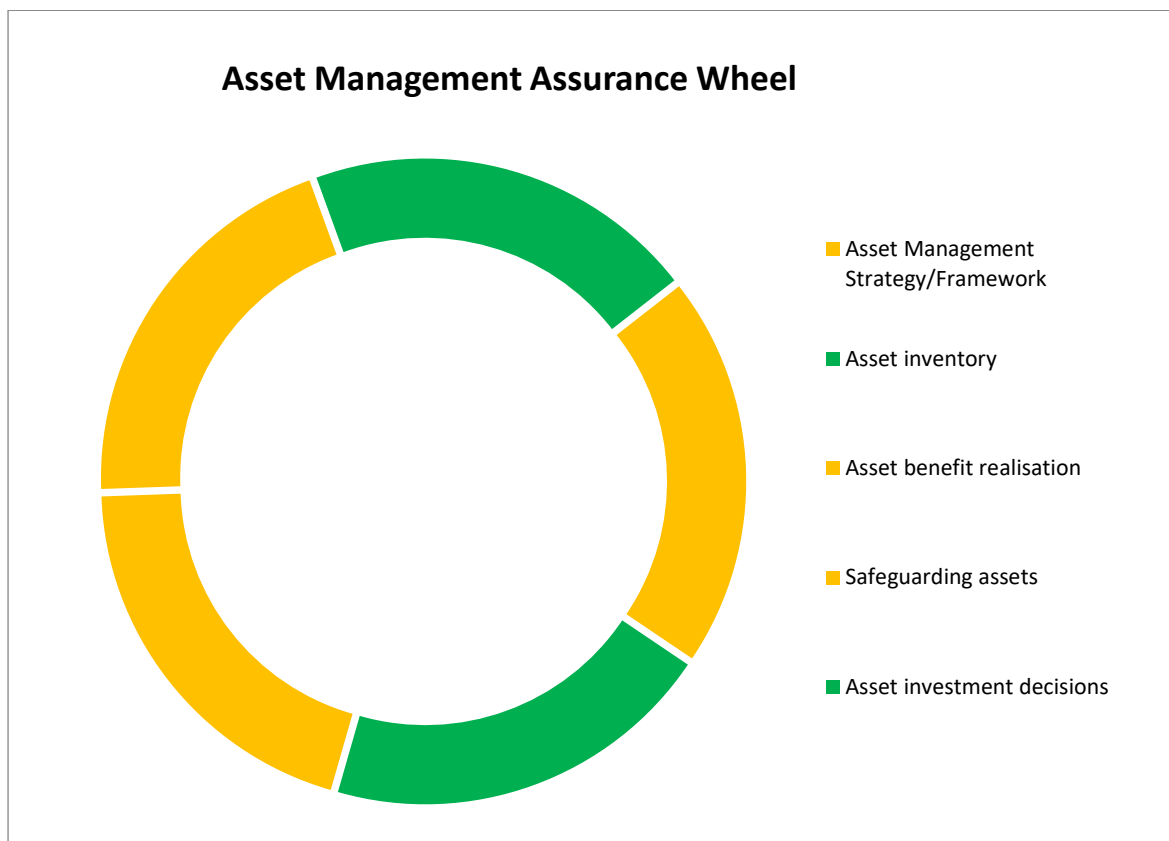
that can be used across the authority is also available.

- Clear and comprehensive HR policies are in place and readily available to staff.
- HR performance results are reported via a Workforce dashboard which is updated on a monthly basis.
- There is an on-line learning platform and feedback on all courses is sought. Feedback indicates that a high percentage of staff feel adequately trained for their roles and undertake some learning and development activity.
- Staff appear to be well-engaged. Information is regularly provided to staff with additional messages sent, and face to face meetings held, when required. Feedback from staff is encouraged and is formally sought via regular staff surveys.

AREAS FOR ATTENTION

- Workforce Plans are not in place for all services.
- HR policies have not been updated to reflect the actions in the new People Strategy.
- There is no direct measurement of compliance with policies. Indirect measurement via performance monitoring is carried out, but performance measures are not linked to policies.
- No corporate HR performance targets are set and there is no formal monitoring of the results at senior management level.
- Performance Management could be expanded to include the effectiveness of training courses.

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



In terms of Asset Management, this review has focused on SCC building assets.

An overall **Amber** RAG rating has been assigned to this theme. This reflects that three of the five controls examined were found to require some improvement. These are in the process of being addressed by ongoing initiatives, led by the Corporate Property Group, which will result in a corporate approach being adopted in relation to assets held.

AREAS OF STRENGTH

- The Corporate Asset Management Plan is currently being updated and is due to be published in early 2019 when it will be fully approved, link to the County Vision, and be monitored by the Asset Strategy Group.

- The Asset Strategy Group (ASG) provides a strategic framework for managing the Authority's asset portfolio and agreeing capital investment proposals. Membership includes both Members and representatives from the Senior Leadership Team.
- The register of land and building assets is held on the Atrium system and includes good detail.
- There is a robust system for the valuation of assets which is performed in line with Chartered Institute of Public Finance Accountants (CIPFA) methodology and reported to the External Auditor.
- The centralisation of budgets, a key feature of the corporate landlord approach, is on target to start in the 2019-20 financial year.
- There is regular, formal reporting of a wide range of Corporate Property Group (CPG) performance measures and progress on the application of the corporate landlord approach, which includes MTFP savings, is reported to Senior Leadership Team and Members.
- The Asset Rationalisation Programme provides a robust review of assets to help ensure there is a sound basis for retention or disposal of council properties.
- A robust process is followed for capital bids which ensures there is adequate justification, scrutiny and approval for acquisitions made.

AREAS FOR ATTENTION

- Publication of the Corporate Asset Management Plan has been delayed and is currently planned for early 2019.
- Many CPG policies are at draft stage and require updating and/or approval. These include the Disposal Policy and the Repairs and Maintenance Policy.
- Currently there is no reconciliation of the Atrium data with the Financial asset register. The Head of Corporate Property advised this will take place from April 2019.
- The programme of Placed Based reviews has been delayed awaiting the outcome of the Council's Financial Imperative Programme. It is important that this is re-started promptly.

1. Corporate Governance

Service Leadership

The overall direction of the Council is set by the Leader of the Council and Cabinet with the Senior Leadership Team. The Full Council appoints the Leader of the Council for a period of four years. The Cabinet forms part of the Council's executive arrangements and it comprises the Leader of the Council, the Deputy Leader together with six Cabinet Members. The Cabinet is appointed by the Leader of the Council.

The Council's Constitution sets out the framework for leadership, including schemes of delegation, and the allocation of power and responsibility. One of the purposes of the Council's Constitution is to set out how the Council operates and how decisions are made.

As part of the Council's Finance Imperative Programme, Senior Leadership meetings take place every week, chaired by the Chief Executive and include all Directors and Lead Commissioners. Terms of Reference reflect their strategic leadership role and responsibility for delivery of the County Plan priorities. The meetings are minuted and actions assigned.

Corporate Plans

The County Plan 2016-20 drives the Council's activities over the medium term and provides strategic direction for the Council across the key service areas.

In May 2018 Council Members approved a broader, longer term Vision for Somerset that focuses on 'improving lives' in the County. It is recognised that the timescale for delivery of the vision will be over more than one Administration Term. This covers the whole of the County and sectors rather than being limited to just the Council itself. The Vision approved was a draft version. The intention was to keep this a "live" document while further consultations and engagement takes place.

The Vision has been shared with key partners such as the Police, other Somerset Councils and the voluntary sector. There were also a number of events and opportunities for staff and partners to influence the Vision including a round of Leader and Chief Executive Road shows for staff and a strategic partners event held in January 2018.

A 2018-19 Business Plan has been produced and agreed to deliver the County Council Vision. It contains four strategic outcomes that show what the Council will focus on. Beneath each strategic outcome sits four key priorities, supported by more specific objectives and links to other strategic plans.

The County Plan, the Vision and the Business Plan have all been published on the Council's external website and the intranet.

Constitution

The Council has a long-established Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is available on the Council's website. The Constitution is reviewed annually by the Monitoring Officer and any changes are recommended to Constitution and Standards Committee and Full Council.

Effective Working Relationships

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

Members are encouraged to raise concerns as and when they arise. Exit interviews were also conducted in April 2017 for Members who did not stand for election.

Codes of Conduct

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

The Employee Standards of Conduct was last updated in September 2015. There are plans to align the Officer Code more closely with the Member Code, but this will not take place until early 2019 when the FIP work has addressed the Council's financial challenges in 2018/19. Whilst there are clearly plans to complete this review at this stage, the Officer Code remains overdue for review.

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

Openness & Transparency

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

For six years from the date of the decision, the Council makes the following information available for public inspection, via its website:

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

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

Details on how to access the Freedom of Information Scheme is also included on the website.

Complaints Procedure

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

The Council has a Whistleblowing Policy and this was reviewed and approved in February 2016 and is available to staff on the intranet. Officers are currently reviewing this policy with the aim of bringing a refreshed policy forward for approval in 2019.

Counter Fraud Policy

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

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

Decision Making

At a Corporate level, the decision-making policy and procedures are set out in the Constitution, as part of the Scheme of Delegation. The Officers Scheme of Delegation is reviewed annually by the Monitoring Officer and approved by the Chief Executive. Committees have clear Terms of References. Decision making is a transparent process and records of the decisions that have been reached by committees or key decisions taken by officers are available for examination by the public via the organisation's web pages.

Overview & Scrutiny

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

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

Member & Officer Induction and Development

A Member Development Strategy is in place that covers induction and ongoing training of Members.

Following election, all Councillors receive an induction much of which is mandatory to ensure Members have the necessary skills and understanding to carry out their role.

Since the last Healthy Organisation review, a framework for Senior Management Training and Development has been developed by the Council. It has already been piloted within Adult Services. To support the framework and provide development opportunities a supporting toolkit has also been developed. At the time this review was carried out the framework had yet

to be officially launched and because of this we have given an Amber RAG rating to this area.

Communication

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

As was reported as part of the last Healthy Organisation review, the Council does not have an approved Marketing and Communications Strategy. There are however some relevant guidance documents in place. This is not thought to be an area of high risk by SCC as communication processes are judged to be working satisfactorily without a strategy. Given other greater priorities, this means currently there are no plans to implement one.

The communications team are also in the process of reviewing the Council's branding and all associated guidance, but the Financial Imperative work is currently taking precedence.

As a result of the above the Amber RAG rating remains unchanged.

Stakeholders/Community/Service Users Consultation

Consultations are an important way of gauging opinion on proposals to change the way services are delivered. There is a Consultation Toolkit, published on the Intranet. This includes a consultation template that must be completed and approved prior to a consultation starting. The Toolkit also gives guidance on planning and carrying out consultations and helps ensure that corporate and statutory guidelines are met.

The Toolkit, however, is dated November 2014 and, therefore, should be revisited to ensure it remains reflective of current requirements.

Effectiveness & Governance Certification

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

Agreed improvements to governance arrangements are documented in an action plan and this is monitored by the officer Governance Board. This year, the format of the action plan will change and will be included within the Governance Board scorecard. The action plan reviewed during the first Healthy Organisation review had seven pages of actions. The current plan has just three actions outstanding, but we have been unable to obtain evidence of the successful completion of all other previous actions. For this reason, we have given an Amber RAG rating to this area.

2. Financial Management

Budget Setting

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

The budget setting process uses the forward year projections that are produced from the MTFP process. An MTFP audit was performed in 2017-18, with a partial opinion and some significant weaknesses reported; including a lack of clear accountability and ownership of agreed cross-cutting savings proposals, mismatches between themed savings proposals and those put forward in the MTFP, and accepted savings proposals not always supported by clear evidence or unachievable. These findings, however, were not delivered before the 2018-19 budget was approved by the Full Council.

In light of projections; which indicated a significant revenue budget overspend; the Council implemented a Financial Imperative Programme to identify savings opportunities and to establish a sustainable position. As part of this the Council is revising its approach to financial planning and has implemented more stringent controls and monitoring for savings proposals and the budget as a whole.

Due to budgetary constraints, a largely 'cash frozen' approach was applied previously, with overall funding levels set centrally and services were able to determine themselves the breakdown of the budget taking into account anticipated pressures. This approach has been updated this year and, at Month 6, the revenue budget was revised with anticipated underspends reallocated to areas of overspend, and the Children's services budget rebased.

Services have been asked to identify future budget pressures and this has led to the estimation of a £19m funding gap for 2019-20. In December 2018 a report, which outlines how the MTFP for the financial years 2019/20 to 2021/22 has been developed, was presented to the Cabinet. The report includes an overview of funding assumptions, service pressures that have been identified for this period (including savings that were agreed previously but have now been deemed unachievable), indicative budgets for 2018-19 and options to manage the reserve position. The report confirms there is a £28m shortfall for this time period, with a £15m gap for 2019-20. The Senior Leadership Team is currently working on proposals to address this funding gap. These will be reviewed by the Council's scrutiny committees and Cabinet, before the 2019-20 budget is approved by Full Council in February 2019.

An internal audit of the new MTFP process is scheduled to commence in January 2019.

Medium Term Financial Planning

The Council maintains an MTFP that aims to align revenue resources to the agreed priorities of SCC. This is reviewed each year as part of the budget setting process.

The Council also has a Capital Strategy with a core objective being to maintain investment in assets to enable the delivery of statutory and core services over the medium term. The current strategy was approved in 2015 and is now due for review.

Since the 2018-19 budget was approved, the Council has introduced the Joint Somerset Vision, County Council Vision and Business Plan, which effectively replace the County Plan. The current

MTFP states its main objective is to support the achievement of the County Plan, but it does not clearly link to the new visions. Revised versions of the MTFP and Capital Strategy will need to clearly support achievement of the Council's new visions.

Since the last Healthy Organisation review, SCC has adopted a commissioning driven approach to the MTFP process. As referred to in the budget setting section, an audit of the MTFP process was carried out in 2017/18 and significant weaknesses were reported. This review was finalised after the 2018-19 budget had been set.

Service planning templates continue to be used as part of the MTFP process; however, the template has not been used by all service areas and, as of August 2018, a service plan for Children's Services was not in place; though a number of strategies have been published. As part of the Financial Imperative Programme, service planning was suspended to allow responsible managers to focus on identifying savings opportunities. The Governance Board has reviewed the submitted service plans and, in June 2018, concluded that, due to a number of gaps and a lack of financial detail, the use of service plans as a financial management tool has failed. A new approach will therefore be needed to ensure the future sustainability of the Council.

In 2018-19 the Council has implemented a Financial Imperative Programme which has the aim of identifying opportunities for savings to reduce funding gaps in 2018-19 and 2019-20. As of October 2018, the Council is projecting a funding gap of £19m in 2019/20, £7m in 2020/21 and £2m in 2021/22, and is now going through the process of creating a new MTFP to address these gaps.

Budget Management

The revenue budget has been overspent in the last two financial years, by £7m in 2016/17 and by £2.18m in 2017/18. These overspends have contributed to a reduction in the general reserve below the desired threshold of £15m. Children's services, encompassing both operations and commissioning, was significantly overspent in both years despite the use of contingency funds.

Taking into account the savings that have already been delivered in-year, the latest available projections for 2018/19 indicate that there will be a revenue budget overspend of £2.37m for 2018/19. This is a significant reduction following implementation of savings proposals agreed by Cabinet in September 2018. The uncommitted contingency budget is currently £3.4m, meaning the revenue budget will be balanced if these projections become reality. We were advised in November 2018 that the Council is moving towards containing expenditure within the set budget.

An anticipated overspend of £1.4m for the Capital Investment Programme was reported at the end of 2017-18; however, the latest available projections indicate the overspend will now be £0.11m.

Budget Monitoring

Revenue monitoring reports are produced each month and distributed to service directors and finance strategic managers. In light of the financial challenges facing the Council, monthly reports are now also produced for Cabinet and the Council's scrutiny committees. Control totals have been prepared and presented to Senior Leadership Team on a weekly basis since May 2018.

A number of recommendations relating to the clarity of reporting was made by Grant Thornton during reporting of the 2017/18 accounts. These have been taken on board by the Council and additional detail has been added to subsequent budget monitoring reports.

A finding of the previous Healthy Organisation review was that it takes around three weeks to produce revenue budget reports following month end, which creates a risk of delayed decision making where corrective action is required. The timescales for producing these reports has not changed; however, as part of the ongoing Financial Imperative Programme, the frequency of financial reporting has increased. Monitoring of the delivery of planned savings is undertaken by the Senior Leadership Team on a weekly basis to ensure savings are on track.

Treasury Management

The Treasury Management Strategy sets out the Council's planned approach to managing the risks associated with investment and borrowing. The Strategy is approved by the Council on an annual basis. For several years the Council's low-risk managed strategy had consistently delivered greater returns on investments than known risk-free alternatives.

The Council can benchmark its performance against other local authorities who use the same treasury advisor, Arlingclose. Data provided by Arlingclose shows that the Council has a higher average return rate than these other authorities.

Financial Resilience

A report on the Adequacy of Reserves and Balances is presented to Cabinet and Full Council every year and sets out the minimum level of reserves required for financial resilience. For several years, the desired minimum general reserve level has been set at £15m. The report for 2018-19 recognises that reserves are currently below this level and includes a commitment to set aside £2m each year to replenish the reserve.

In the 2017/18 outturn, the Council reported that the general reserve balance was £12.2m, with an additional balance of £6.3m in earmarked reserves. In November 2018, the Council reported that the sum predicted to be available in the general reserve at the end of March 2019 would be £7.8m, just 52% of the recommended figure of £15m.

In their 2017-18 report, Grant Thornton stated that the Council has the second lowest level of combined general and earmarked reserves among the 27 county councils in England; the lowest being Northamptonshire County Council, which has issued a section 114 notice in the last year.

Another specific concern reported by Grant Thornton was the negative earmarked reserves totalling -£20.4m, reducing the actual value of the earmarked reserves to only £2.8m. These include service overspends from 2017-18 which, at that point, had not been charged to the general reserve but have since been applied (-£7m); operating accounts for services such as Support Services for Education and Dillington House (-£0.5m); the Learning Disabilities Equalisation Reserve (-£4.9m); the Repairs & Maintenance Fund (-£3.4m); and balances relating to Dedicated Schools Grant (-£4.6m). It should also be noted that some positive earmarked reserves, such as the reserve held for the Somerset Rivers Authority, are ringfenced and, therefore, cannot be drawn on if an emergency were to occur. The December 2018 Cabinet report identifies an overall deficit of £8.08m for earmarked reserves. A recommendation made in the Grant Thornton report is for the Section 151 Officer to clearly consider and justify the

appropriateness of holding negative reserve balances. This will also need to be considered for the 2019/20 adequacy of reserves and balances report.

The general reserve position is now being reported more regularly through published budget monitoring reports, though we found this is not included on all quarterly budget monitoring reports.

Financial Systems

The Council has used SAP, a well-established accounting system, since 2010. The key financial control reviews carried out by SWAP in 2017-18 - Creditors and Payroll – were given reasonable assurance. A Main Accounting review has not been carried out since 2014-15; however, substantial assurance was given for the most recent review.

Weaknesses have, however, been identified in Debt Management and in SAP ICT Controls and this has contributed to an Amber rating. A review of Debt Management completed in 2016-17 resulted in a partial assurance opinion and the subsequent follow up carried out in 2017-18 identified that 10 recommendations were outstanding. Our review of SAP ICT Controls identified issues relating to management of leavers and dormant users, that user privileges are not regularly reviewed to confirm they are still appropriate, and that there are no minimum password requirements for accounts which do not have single sign on access.

Grant Thornton, the Council's External Auditors, gave an unqualified audit opinion on the 2017-18 financial statements.

Financial Regulations

The Council has three main corporate policies which define expectations and procedures for financial management. These are the Financial Regulations, Financial Procedures and Code of Practice for Income Management. All three policies are accessible to officers, and the Regulations and Code of Practice have both been reviewed in the last two years. Specific guidance is produced for maintained schools to whom responsibility for their budget is delegated, and this guidance is updated annually.

The Financial Procedures have not been updated since May 2015 and therefore require a review. Similarly, corporate guidance for cash handling is not currently in place, though this is expected to be launched from December 2018.

Value for Money

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

For 2017-18, Grant Thornton provided a 'qualified adverse' opinion, on the basis that the financial health of the organisation deteriorated due to continued overspending, which has placed additional pressures upon the Council's reduced reserves. The risk of the Council running out of money within the next three years without sufficient action to address spending is noted in the report.

Seven recommendations were raised by Grant Thornton in their end of year report. These recommendations have been added to the Council's risk management system, JCAD, and updates on progress are being reported at every Audit Committee meeting. In their most

recent Audit Committee report, Grant Thornton stated that they were encouraged by recent actions taken by the Council which have led to reductions in the projected 2018/19 overspend.

The Council has developed a Value for Money Statement and there is some evidence that the Council has undertaken benchmarking against other local authorities. For instance, CIPFA data has been used to compare the Council's costs and performance for individual service areas against national comparators as part of the Financial Imperative Programme.

In our last Healthy Organisation review, we reported that the Council was in the process of producing and implementing a corporate strategy for Value for Money. A review of this was scheduled for 2017/18; however, insufficient progress had been made for the audit to take place. A draft strategy has since been produced but, at the time of reporting, has not yet been approved.

Future financial liabilities

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

A Contracts Register sets out the expected annual costs of contracts held.

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

3. Risk Management

Risk Management Strategy

The Council has a Risk Management Policy and Strategy that is approved by Cabinet following consideration by the Audit Committee. The current strategy was approved in October 2016 and is, therefore, due for a review.

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

Risk Registers

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

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

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

Details of risks are not always fully populated in JCAD or kept up-to-date by risk owners to provide ongoing evidence of mitigating action. There was reduced assurance of active risk management, as the updating of JCAD is often driven by the Principal Risk Officer rather than the risk owner themselves, or from challenge from their management teams. As a result, this section has been assessed as Amber.

Risk Appetite

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

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

A significant number of risks has been reported as being above the Council's risk appetite for a significant period and further work is required to assess the existence and effectiveness of mitigating actions in place. These risks are effectively being tolerating by the Council. It is for this reason that an Amber rating has been given.

Project Risk Management

The Council's Risk Management Strategy makes specific reference to managing risks in programmes and projects. The Business Change Intranet site also provides a link to the Corporate Risk Management Approach.

Risk Assessment

Risk Assessment is a defined step in the risk management process covered by the Risk Management Strategy and Policy.

Risk Management is built into Commissioning, Operational, and Service plans. This includes templates and guidance. Routine service planning has been suspended during FIT.

An Amber rating has been given because, although risk management is built into the above plans, further development is needed to ensure that these are fully described and match to risks recorded in JCAD. In addition, without the formal service planning, there is an increased possibility that new risks will not be picked up by services for recording in JCAD.

Decision Making

The Standard Committee report template requires all key and non-key decisions to be supported by an assessment of risk. However, the information on risk assessment provided to decision makers was found to be limited and not consistent with the corporate risk scoring approach in place that considers the inherent and residual risks, along with the actions that have been put in place to move between the two. The Risk Management Framework also does not require these risks and associated actions to be captured and monitored through JCAD.

Transparency

The Strategic Risk Management Plan and Policy is available on the Intranet and JCAD. It is available to the Public through the relevant Cabinet and Audit Committee reports, where updates are reported.

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

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

Although assessed as Green overall, one area of improvement is in relation to benchmarking. The Council is a member of ALARM, the public risk management association, and this organisation could be used to carry out such a review.

4. Performance Management

Performance Management Framework

The Performance Management Framework has been refreshed this year. It explains clearly the current Golden Thread following the new County Vision and Business Plan introduction in May. The Framework provides detailed information on Performance Management and includes links to supporting information and a section 'Performance Management and me', which sets out how different staff roles contribute to Performance Management.

There are plans for the refreshed Framework to be promoted to staff in the near future. Before this, some updating of the Framework is required to reflect the new reporting system which has just been introduced, including the full Chief Executive role. A formal system for regular review and update is also required to ensure the information in the Framework is up-to-date.

Alignment with Corporate Objectives

The system for performance reporting has recently changed with new reports better reflecting the Golden Thread.

A new suite of indicators designed to align with the Strategic Outcomes and Priorities in the Business Plan is almost finalised. This will provide clear linkage between individual indicators and the Business Plan.

The County Vision and Business Plan are currently available on the Council's website as a 'web' version and the Strategic Outcomes and Priorities information is not visible. A full version, plus a portable document format (PDF) option, should be published to ensure full information is available to external stakeholders. Information to clarify the link between the County Vision and the Business Plan should also be provided.

Accountability and Responsibility

All services have monthly meetings where the performance results are reviewed. Children's Services and Adult Social Care in particular appear to have robust performance monitoring via the respective Quality and Performance Review Meetings (QPRM) and Performance Improvement Meetings (PIMS) systems.

The officer responsible for each performance measure is not clearly identified in the scorecards used to report results.

Revising Performance Measures

Performance measures are reviewed annually as part of the service planning process. The recent exercise to revise performance measures to align these with the new County Vision and the County Business Plan further demonstrates the commitment to revising performance measures when this is required.

Effective Challenge and Performance Reporting

The new-style reports contain good detail on the individual measures - RAG ratings; previous results; and 'direction of performance' arrows are included, and there is clear linkage between the measures and the four Strategic Outcomes stated in the Business Plan. This should assist in the interpretation of the data and identification of required improvements.

Reports would benefit from the inclusion of actions stated in previous reports, so these can be commented on and monitored. The report format and guidance should be updated to include this requirement.

The escalation system in the Performance Management Framework sets out clearly when and how under performance should be escalated. Expansion of the system to include how corrective action should be agreed, recorded and monitored would be beneficial.

Lessons Learned

Performance information is used to inform future plans; this process is set out as a key theme - 'Plan', 'Do', 'Review' and 'Revise' - in the Performance Management Framework.

Data Quality

A Data Quality Strategy is currently being developed which will incorporate data quality, data sharing and data transparency. The Governance and Quality section of the Strategy states that:

- an individual at top management level who has overall strategic responsibility for data quality will be identified;
- a responsible officer will be allocated to each key performance indicator;
- Roles and responsibilities in relation to data quality will be clearly defined and will be incorporated, where appropriate, into job descriptions and considered as part of the performance appraisal system.

It is important that the Strategy is implemented and embedded promptly.

5. Commissioning and Procurement

Strategy

An up-to-date Commissioning Vision & Operating Model is in place and is available to staff. The model clearly outlines the links between commissioning activity and the County Plan, as well as the importance of achieving value for money.

The Corporate Procurement Strategy has not been updated since the last Healthy Organisation review in 2016 and is now due for review. This work has been scheduled and will be carried out with input from the Procurement Policy and Performance Group.

This year, the Council has developed a new Joint Somerset Vision, which states its top level priorities which can be delivered through partnership, as well as a new County Council Vision and a supporting Business Plan, which includes objectives the Council can deliver itself. In light of these changes, existing strategies and service plans will require review and amendment to ensure they fully align with the new strategic priorities.

Commissioning Intentions

Commissioning plans are produced on an annual basis and most services have produced new plans for 2018/19 using a corporate template. However, service planning has been suspended for the duration of the FIT Programme to allow officers to focus on delivering necessary savings. A service plan for the Children's Service is currently being produced, though some service aims are outlined in the multiagency Children & Young People's Strategy.

Commissioning plans are readily available internally; however, they are not published to the market. An overarching Market Position Statement (MPS) was produced in 2016 and is available on the Council's website; however, it is still labelled as draft. Due to restrictions in resource we have been advised it is unlikely this document will be updated; however, there are plans to publish specific Statements for the Adults and Children's Services.

The Council has produced a new Business Plan which sets out the steps it deems necessary to achieve its new County Council Vision. This has been published on the Internet and provides an indication of areas where the Council will require external suppliers to deliver its aims.

Training and Skills

Procurement and Commissioning strategies set out, at a high level, the skills and competencies required to deliver services effectively. A Commissioning Skills Framework has been agreed; however, due to the ongoing FIT process an assessment against the organisation's skill base has not yet been completed.

A skills assessment for procurement staff was completed in 2016 but has not since been refreshed. Though there is training available; focusing on transactional procurement; strategic procurement training is still to be developed. As part of the Council's agreed savings programme, the Commercial & Procurement Service is to be restructured and the current intention is to identify training requirements for the new structure through this process.

E-learning for commissioning, procurement and social value are in place, and a variety of face-to-face courses concerning commissioning and contract management have now been launched. In addition, there are plans to launch a course focusing on supplier viability. The Council also takes part in the Somerset Commissioning Academy, a local version of the government's Commissioning Academy which gives commissioners real project-based experience and the opportunity to work alongside public sector partners. At the time of writing two cohorts have completed the Academy programme, with a third cohort currently in progress.

Governance

A Strategic Commissioners Group with representation from all service areas is in place and has the responsibility of providing oversight of the commissioning process.

In 2018 the Council launched the Commissioning Gateway. This requires commissioners to complete a self-assessment at each stage of the commissioning cycle before they can progress to the next stage. The Gateway has been integrated into the Financial Imperative Programme, and, as of December 2018, 68 commissioning activities have gone through this process. Significant activities have to be endorsed by the Strategic Commissioners Group.

The Council's Scheme of Delegation and Contractual Procedural Rules set out the levels of decision making authority required for commissioning and procurement activity.

Members of the Cabinet are responsible for oversight of commissioning activity. A link member for the procurement function is also in place.

The Commercial & Procurement and Commissioning Development teams both have performance scorecards in place which are reported to SLT. The Commercial & Procurement scorecard reports the value of savings and waivers approved throughout the year.

Policies and Procedures

Commissioning guidance is available through the SCC Intranet and the Commissioning Operating Model & Vision has been reviewed in the last year.

The Contract Procedural Rules were last approved in 2017 and set out the framework in which procurements are to take place.

The process for waivers is defined in the Contract Procedural Rules and there is now a requirement for any waiver requests to be approved by the Strategic Commissioning Group.

There is no specific policy in place for sustainable procurement, though it is referred to in the current Procurement Strategy and the Contract Procedural Rules.

Benefits and Savings

There are strong working relationships between service commissioners and procurement officers. A Contract Manager's Group is in place and this is attended by commissioners and led by the Commercial Contract Management team. The Commercial & Procurement team are also represented at both the Commissioning Board and Strategic Commissioners Group.

The Commercial & Procurement service maintain a benefits tracker which is used to record anticipated savings and benefits from procurement activity, including social value.

A corporate approach to contract management has been developed over the last two years and is now in the process of being embedded across the organisation.

The Council's Financial Management System, SAP, is not currently set up to allow spend against specific contracts to be recorded and monitored. This means there is a risk that the Council is unable to identify a breach of procurement regulations in the event actual spend varies by more than 10% from the agreed value, which could leave the council open to challenge.

Commercial and third party spend was the second largest themed savings area for the council, with the planned saving between 2017/18 and 2020/21 being £6.5m. We were unable to identify any instances where savings achieved for this theme have been reported in the public domain, however we have been provided with information suggesting the total saved for the theme in 2017/18 was £1.24m against a published target of £2.8m. As reported under the financial management sections of this report, the themed approach to the MTFP has now been dropped. New savings targets for the Commercial & Procurement service are in the process of being agreed.

Value for Money

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

The Council has a Value for Money Statement which defines value for money, but there is currently no agreed method within the organisation for monitoring or reporting of value for money performance.

A Value for Money Strategy has been drafted but, at the time of reporting, has not yet been adopted.

Transparency

The Contract Procedural Rules confirm the requirement to publish contract opportunities via the Supply the South West Portal (Pro-Contract) and Contracts Finder when specified thresholds are met. However, there are some inconsistencies between these thresholds and thresholds noted on the Council's website.

The published version of the Council's Contracts Register can be accessed via the Supply the South West Portal. An internal version of the register is also maintained. The internal contract register was compared to the version published on the portal and some discrepancies were identified. The Contracts Register is currently being updated and all contracts meeting agreed thresholds need to be added to Contracts Finder.

The Council's website confirms it publishes all contract opportunities with a value exceeding £10,000 on Supply the South West; however, this currently falls short of the requirement to publish all opportunities and contracts with a value above £5,000, as stipulated in the Local Government Transparency Code.

Category Management

The current Procurement Strategy outlines the importance of category management to the organisation. As reported earlier, this Strategy is now due for review.

There is evidence that category management has been considered and foundations for this are in place. All the Council's expenditure is linked to one of three overarching spend categories, which are led by strategic managers. A category spend analysis is also completed on an annual basis; however, there are no savings or performance targets based on categories in place.

We have been advised that there will not be sufficient resource available in the Commercial & Procurement service going forward to fully facilitate category management.

Supplier Management

Currently, there is no complete list of the most significant contracts to the Council. Under the new approach to contract management, contract managers are required to complete a tiering assessment based upon three criteria (financial value, importance to the customer, complexity of management), with contracts designated as tier one being the most significant to the Council. This approach is currently being embedded and, as such, there is no full list of tiered contracts. In November 2018, the Commercial & Procurement service issued a request to all members of the Strategic Commissioners Group and Contract Manager's Group to provide updated details and complete tiering assessments, so these can be added to the contract register.

Weaknesses have been identified in relation to assessing supplier resilience. Financial viability is assessed prior to award, but there is no specific process to assess viability during the contract. The Council does require suppliers to submit business continuity plans as part of the procurement process. Through attendance of the Corporate Contract Manager's Group, we have learned that it is not common practice to test how effective the submitted plans are.

A formal supplier management framework is not currently in place and we have been advised there will not be sufficient capacity in the Commercial & Procurement service to introduce such a framework.

Social Value

SCC has a Social Value Policy which has been published on its website and is therefore readily available to prospective suppliers. Guidance is available to staff via the Intranet and a social value training course is available on the e-Learning Centre.

The Social Value Policy sets potential measures and indicators, although there are currently no specific targets in place for social value or a defined method for capturing this across the organisation. This could, however, be potentially facilitated through the Commissioning Gateway.

6. Project and Programme Management

Project Methodology

Project guidance and templates are readily available to SCC staff via the Intranet. E-learning is also in place to support project management.

It was reported as part of the last Healthy Organisation review that some projects fall outside of the core council programme; are not a major project or may be 'unknown' corporately and, therefore, may take place outside of this framework. Work is ongoing with the Commissioning Development Team to align the Commissioning Gateway and Project Management processes to help address this.

A Project Mobilisation Toolkit is being developed which will determine the importance of the project to the Council and the Project requirements will be reflective of this. The current involvement of the project management team with the Financial Imperative work is impacting significantly here and therefore this work will not be completed until FIT work is concluded. Given that the Project Mobilisation Toolkit remains in progress and work with Commissioning is ongoing, an Amber RAG rating has been given to this section.

Project Documentation

Key documents needed including Project Initiation Document, Programme Definition Document and Outline Business Case proformas are provided by the PMO.

Progress Monitoring

Quarterly monitoring reports are presented to both Cabinet and the Scrutiny Committee. This is set to change to align with the monthly financial reporting to Cabinet.

Performance exceptions are reported to SLT every two weeks.

Previously, monitoring was the responsibility of the Core Council Board, but this has been disbanded whilst FIT is in progress. The dashboard, however, continues to be produced and each project has been reviewed to map it to an appropriate FIT stream.

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

Resource Allocation

The existence of the Project Management Office is a 'pool' of specialist resource. The team are now fully engaged in the Financial Imperative work. This does restrict resources available for other work but, given that this is of the greatest significance corporately, means that this specialist resource is being used where most needed.

Risk Management at Project Level

The Council's Risk Management Strategy makes specific reference to managing risks in programmes and projects. The Business Change Intranet site also provides a link to the Corporate Risk Management Approach.

Previously, not all risks detailed in project and programme documentation were found to be recorded using the Corporate Risk Management System (JCAD). Work has been ongoing to improve project risk management, including the introduction of quarterly quality audits to review the completeness and quality of risk recording, as well as evidence of risk monitoring. Two sets of quality audits have now been completed and there is evidence of improvement.

Responsibility and accountability

The key roles and accountabilities including the sponsor, the project manager, finance and HR contact are covered by standard project templates.

As reported above, there is a strong governance structure for the core programme at Member and SLT level.

Project Success and Lessons Learnt

Benefits realisation processes are employed in core council programmes and E-learning modules also provide reference to this area.

In the previous report, past programme weaknesses relating to organisational ownership of changes were acknowledged. These have declined since this time with improved early assessment helping to ensure that only projects with clear and well aligned objectives are approved. A lessons learnt session was delivered to the SLT in February 2018 which considered both what went well, and less well, over the previous three years to help drive improvements moving forwards.

Delivering Corporate Objectives

SLT and Elected Member oversight of core council programmes help ensure that the objectives of the programmes are linked to corporate objectives on an ongoing basis.

The PMO categorise programmes and projects to ensure that the limited resource is directed to programmes with the greatest and most significant links to the Council's objectives. The score matrix template is completed with the project lead to assess corporate significance of the project, with reference to the Council's strategic priorities.

Standard templates, including the business case, refer to how the programme/project can demonstrate support of the County Plan and corporate priorities.

Supporting Change

There are references within the Change Toolkit to ensure Organisational Development are involved in projects where appropriate, as well as a consideration of communication needed.

The ongoing FIT work illustrates this well, with HR part of the core group and a specific Key Line of Enquiry for workforce impacts. In terms of communication, this has been ongoing with staff, delivered from the very top of the organisation.

7. Information Management

Governance Framework and Strategy

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

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

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

Asset Management

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

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

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

Compliance with Legislation

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

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

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

Roles & Responsibilities

Organisational structure charts are available for both strategic and operational roles. All strategic roles are currently filled with SCC, contractors or partner supplier staff. Initial indications on the ending of the SWO contract show that all significant roles will be filled in the structure and no major skill gaps are forecast.

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

Information Policies & Procedures.

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

Standards Compliance

The Council has current PSN connection compliance across its network.

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

Business Critical Systems & Business Continuity Planning

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

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

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

Security History

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

8. People Management

Workforce Planning

The Council's People Strategy has been updated this year following consultation with staff and links to the Council Vision and Business Plan.

A good-quality Workforce Development Strategy is in place for Children's Services, and there is a Young People Strategy which examines how the Council's workforce can better reflect Somerset's population by employing more young people. In Adult Social Care, a Workforce Board has been formed – development of a Workforce Plan is in progress, and workforce planning initiatives are in place.

A comprehensive workforce planning guidance document is available to use across the Authority.

Workforce planning is less established in other service areas, although some work has been started in Economic and Community Infrastructure (ECI). There is no over-arching corporate workforce plan in place as priority has been given to Children's Services and Adult Social Care, where there is the most need for workforce planning.

HR Policy Framework

Numerous HR policies are in place and readily available to staff. We found these to be clear and comprehensive, and include all expected policies such as Recruitment, Health and Safety and Performance Management. Guidance documents are also available. The policies are updated to reflect legislative changes and are approved by the HR Policy Committee.

The policies have not been updated to reflect the actions in the new People Strategy.

HR Policy Compliance

An HR Workforce Dashboard is used to report on key indicators on a monthly basis. There are 25 measures, and many of these link to HR policies, for example Disability, Appraisals and Apprenticeships. Children's Services and Adult Social Care results are reported at monthly service meetings.

The availability of HR policies and guidance documents to all staff, plus the allocation of an HR Advisor to each service, are controls which should assist compliance.

There is no direct corporate measurement of compliance with policies; and any links between performance results and policy are not highlighted.

No corporate HR performance targets are set and there is no formal monitoring of the results at senior management level.

Development and Training

The Council has an on-line Learning Centre which hosts training courses and records face-to-face training and other functions such as appraisals. Feedback on all training is invited and this is used by training providers and services to assess and shape future training.

In the most recent Staff Engagement survey (July 2018), results indicated that staff felt they have the skills to do their job effectively (90.7%); and most (93.4%) had undertaken some Learning and Development in the last 12 months. The results indicate that a high proportion of staff feel adequately trained for their roles and do undertake some learning and development activity.

The HR Performance Dashboard reports the number of courses completed, but the measurement of the effectiveness of training could be expanded to include participant satisfaction levels and/or feedback on course suitability.

Organisational Culture

Information is regularly provided to staff through staff newsletters and the monthly Core Brief. There are additional communications for Adult Social Care and Children's Services which include changes to practice and policy.

Annual staff surveys are performed on three themes - Staff Engagement; Communication and Working Well.

The updated People Strategy was written after a series of workshops with over 700 staff.

Meetings are held to communicate important messages; this was evidenced by the recent 'Roadshows' held by the Chief Executive and the Director of HR and OD on the Council's current financial situation.

9. Asset Management

Asset Management Strategy / Framework

Progress has been made on the Corporate Asset Management Plan, but its publication has been delayed because of the change in membership of the Asset Strategy Group (ASG) and the focus on the Council's Financial Imperative Programme. Prior to publication, the Plan will be reviewed by the Asset Strategy Group before being submitted for approval by Members. The Plan will have a five-year time horizon and will be subject to an annual review. Monitoring will be by the ASG.

The target date for activation of the Plan is now early 2019. This should be completed promptly to ensure that the actions taken in relation to the Council's property assets is as required.

The Plan will include links to other relevant CPG policies. Some of these are also at draft stage such as the Disposals Policy and the Asset Maintenance Policy and these require updating and/or approval by Members.

Asset Inventory

The register of land and building assets is held on the Atrium system and includes good detail. The information is published on the Council's website annually under its publication scheme.

There is a robust system for the valuation of assets, which is performed in line with CIPFA methodology and reported to the External Auditor.

Currently, there is no reconciliation of the Atrium data with the Financial asset register. The Head of Corporate Property advised this will take place from April 2019.

Review of Assets

The centralisation of budgets, a key part of the corporate landlord approach, is on target to start in the 2019-20 financial year. This will overcome the current issue that the CPG do not have control of the many property budgets which are held by services.

A wide-range of performance measures are reported on a monthly basis to the Corporate Performance Team via the CPG scorecard. One wide measure *Application of the corporate landlord approach*, which includes MTFP savings, is reported in the monthly Corporate Performance report to SLT and Members. Empty Properties and the associated costs are monitored on a monthly basis.

The Asset Rationalisation Programme, which includes a programme of Place Based reviews, provides a robust review of assets; however, the Financial Imperative Programme has led to delays in some elements of the programme of Place Based reviews – these need to be re-scheduled and progress monitored.

Safeguarding Assets

Two CPG initiatives mentioned in the above paragraphs - the centralisation of budgets and the asset rationalisation programme - will be key in the identification of assets which are obsolete, misused or misappropriated. As stated above, the Financial Imperative Programme has led to delays in some elements of the programme of Place Based reviews.

Assets are insured against misuse and/or misappropriation under the Council's Crime Insurance Policy.

There are good-quality policies and guidance on disposals, but some of these key documents require updating and/or approval by Members.

Asset Investment Decisions

There is a robust process for capital bids. This includes the application form where information on a range of factors is required including financial, legal and risk implications. The bids are scrutinised by SLT and ASG before the Capital Investment Programme is approved by Members.

Appendix A - Mapping Areas for Attention to 2019/20 Internal Audit Plan

Theme	Area for Attention	Inclusion in 2019/20 Plan	Owner	Date of Audit Work
Corporate Governance	<u>Training Programme for Senior Managers</u> A framework for Senior Management Training and Development has now been developed. Although it has been piloted, at the time of this review it had not been officially launched across the organisation.	HO Follow-up audit	HR and OD Director	Q3
Corporate Governance	<u>Branding Guidelines</u> The Council's branding is currently under review, with branding guidelines dating back to 2012.	HO Follow-up audit	Service Manager - Communications Operations	Q3
Corporate Governance	<u>Annual Governance Statement Action Plan</u> The format of the action plan is changing and will form part of the Governance Board scorecard in the future. The current plan has just three actions outstanding, but we have been unable to obtain evidence of the successful completion of all other previous actions, which covered seven pages.	HO Follow-up audit	Strategic Manager Financial Governance and ECI	Q3
Corporate Governance	<u>Employee Standards of Conduct</u> This is overdue for review and has not been updated since September 2015. There are plans to align the Officer Code more closely with the Member Code.	HO Follow-up audit	Governance Manager	Q3
Corporate Governance	<u>Consultation Toolkit</u> The Consultation Toolkit is dated November 2014 and therefore needs to be revisited to ensure it remains reflective of current requirements.	HO Follow-up audit	Consultation Manager	Q3
Finance Management	<u>Agreement of a Sustainable MTFP</u> Strategic financial planning and the MTFP process to agree a sustainable budget over the medium term.	MTFP and savings audit	Interim Director of Finance	Q4 2018/19
Finance Management	<u>Service Planning</u> The use of service plans as a financial management tool has not been successful and a new approach is needed.	Service Planning – embedding new model	Strategic Manager – Customers and Communities	Q2
Finance Management	<u>Rebuilding Reserves</u> In November 2018, the Council reported that the sum predicted to be available in the general reserve at the end of March 2019 is £7.8m, just 52% of the recommended figure of £15m.	HO Follow-up audit	Director of Finance	Q3

Theme	Area for Attention	Inclusion in 2019/20 Plan	Owner	Date of Audit Work
Finance Management	<u>Debt Management – Partial Opinion</u> A SWAP audit of Debt Management was awarded partial assurance, and the follow-up review in 2016/17 reported that 10 recommendations remained outstanding.	Debt Management Follow-up	Strategic Management – Financial Governance and ECI	Q3 2018/19
Finance Management	<u>SAP – ICT Controls – Partial Opinion</u> A SAP ICT Control audit reported a partial assurance opinion.	SAP – ICT controls Follow-up	SAP Functional manager	Q4 2018/19
Finance Management	<u>Value for Money Strategy</u> A draft Value for Money Strategy has been produced but, at the time of reporting, has not yet been approved or implemented.	HO Follow-up audit	Strategic Finance Manager – Adults and Health, Children’s and Finance Technical	Q3
Finance Management	<u>Financial Procedures</u> The Financial Procedures have not been updated since May 2015 and therefore require update.	HO Follow-up audit	Strategic Finance Manager – Adults and Health, Children’s and Finance Technical	
Finance Management	<u>Cash Handling Policy</u> Corporate guidance for cash handling is not currently in place.	Cash Handling Audit	Strategic Finance Manager – Adults and Health, Children’s and Finance Technical	Q4 2018/19
Risk Management	<u>Completeness of Recording in JCAD</u> Details of risks are not always fully populated in JCAD or kept up-to-date by risk owners to provide ongoing evidence of mitigating action.	Risk Management Audit	Risk Manager	Q4 2018/19
Risk Management	<u>Recording Project Risks on JCAD</u> Although risk management is built into commissioning, operational and service plans, further development is needed to ensure that these are fully described and match to risks recorded in JCAD.	Risk Management Audit	Risk Manager	Q4 2018/19
Risk Management	<u>Risks above Risk Tolerance</u> Several service risks have been reported as being above the Council's risk tolerance for a significant period and further work is required to assess the existence and effectiveness of mitigating actions in place.	Risk Management Audit	Risk Manager	Q4 2018/19

Theme	Area for Attention	Inclusion in 2019/20 Plan	Owner	Date of Audit Work
Risk Management	<u>Risk Assessment for Decision Making</u> The information on risk assessment provided to decision makers is limited and could be improved by ensuring that inherent and residual risks are captured along with the actions that have been put in place to move between the two.	HO Follow-up audit	Risk Manager	Q4 2018/19
Performance Management	<u>Performance Management Framework</u> The Performance Management Framework requires updating to reflect the new reporting system which has just been introduced, including the full Chief Executive role.	HO Follow-up audit	Strategic Manager – Customers and Communities	Q3
Performance Management	<u>Business Plan Publication</u> A full version of the Business Plan should be published on the Council’s website, and information to clarify the link between the County Vision and the Business Plan should also be provided.	HO Follow-up audit	Strategic Manager – Customers and Communities	Q3
Performance Management	<u>Accountability for Performance</u> The officer responsible for each performance measure is not clearly identified.	HO Follow-up audit	Strategic Manager – Customers and Communities	Q3
Performance Management	<u>Escalation Procedures</u> The escalation system for underperformance requires expansion to include how corrective action should be agreed, recorded and monitored.	HO Follow-up audit	Strategic Manager – Customers and Communities	Q3
Performance Management	<u>Corporate Performance Reporting</u> Corporate performance reports should contain previously stated actions to ensure these are fully monitored.	HO Follow-up audit	Strategic Manager – Customers and Communities	Q3
Performance Management	<u>Data Quality Strategy</u> The Data Quality Strategy should be implemented and embedded promptly.	HO Follow-up audit	Strategic Manager – Customers and Communities	Q3
Commissioning and Procurement	<u>Corporate Performance Strategy</u> The Corporate Procurement Strategy has not been updated since the last Healthy Organisation review and is now due for review.	HO Follow-up audit	Strategic Manager - Commercial and Procurement	Q3
Commissioning and Procurement	<u>Alignment with Corporate Priorities</u> All commissioning and procurement related strategies and service plans require review to align with the new Somerset Vision and Business Plan.	HO Follow-up Audit	Strategic Manager - Commercial and Procurement	Q3

Theme	Area for Attention	Inclusion in 2019/20 Plan	Owner	Date of Audit Work
Commissioning and Procurement	<u>Service Planning</u> Service planning for 2018/19 is not complete as work was suspended for the duration of the FIT Programme to allow officers to focus on delivering savings.	Service Planning – embedding new model	Strategic Manager – Customers and Communities	Q2
Commissioning and Procurement	<u>SCC Market Position Statement</u> This has remained at draft stage since it was issued in 2016.	HO Follow-up Audit	Strategic Manager – Commissioning Development	Q3
Commissioning and Procurement	<u>Skills Assessments</u> Skills assessments for both procurement and commissioning need to be completed.	HO Follow-up Audit	Strategic Manager – Commercial and Procurement and Strategic Manager – Commissioning Development	Q3
Commissioning and Procurement	<u>Contract Spend</u> The Council's Financial Management System, SAP, currently does not allow spend against specific contracts to be recorded and monitored.	HO Follow-up Audit	Strategic Manager – Commercial and Procurement	Q3
Commissioning and Procurement	<u>Commercial and Third Party Savings</u> Planned Commercial and third party savings have not all been delivered as planned. As reported under the financial management sections of this report, the themed approach to the MTFP has now been dropped. New savings targets for the Commercial & Procurement service are in the process of being agreed.	MTFP and savings audit	Interim Director of Finance	Q4 2018/19
Commissioning and Procurement	<u>Value for Money</u> There is currently no agreed method within the organisation for reporting value for money performance. A Value for Money Strategy has been drafted but has yet to be adopted.	HO Follow-up Audit	Strategic Manager – Commercial and Procurement	Q3
Commissioning and Procurement	<u>Published Contract Information</u> The Council publishes all contract opportunities with a value exceeding £10,000 on the Supply the South West Portal; however, there is a Local Government Transparency Code requirement to publish all opportunities with a value above £5,000.	HO Follow-up Audit	Strategic Manager – Commercial and Procurement	Q3
Commissioning and Procurement	<u>Contract Register</u> Differences were identified between the published version of the Council's Contracts	HO Follow-up Audit	Strategic Manager –	Q3

Theme	Area for Attention	Inclusion in 2019/20 Plan	Owner	Date of Audit Work
	Register and the internal version of the register.		Commercial and Procurement	
Commissioning and Procurement	<u>Category Management</u> Although the foundations of category management are in place, category management has not been fully established at SCC.	HO Follow-up Audit	Strategic Manager - Commercial and Procurement	Q3
Commissioning and Procurement	<u>Supplier Resilience</u> Financial viability is assessed prior to award, but there is no specific process to assess viability during the contract.	HO Follow-up Audit	Strategic Manager - Commercial and Procurement	Q3
Programme and Project Management	<u>Aligning Commissioning Gateway and Project Management Process</u> Some projects that fall outside of the core council programme and are not a major project may be 'unknown' corporately and therefore may take place outside of this framework. Work is ongoing with the Commissioning Development Team to align the Commissioning Gateway and Project Management processes to help address this. A Project Mobilisation Toolkit is being developed which will determine the importance of the project to the Council and the Project requirements will be reflective of this.	Project Management – use of Project Mobilisation Toolkit	Strategic Manager – Business Change	Q4
Programme and Project Management	<u>Project Mobilisation Toolkit</u> Standard project documentation does not mandate a requirement for risk assessment or ongoing risk management. The Project Mobilisation Toolkit which is being developed will make risk management responsibilities clear.	Project Management – use of Project Mobilisation Toolkit	Strategic Manager – Business Change	Q4
Programme and Project Management	<u>Disbanding of Core Council Board</u> The Core Council Board has been disbanded while FIT is in progress.	HO Follow-up Audit	Strategic Manager – Business Change	Q3
ICT	<u>ICT Strategy</u> The current ICT Strategy needs to be updated to link to the Council's new vision. This work is in progress and will also underpin the creation of a Digital Transformation Strategy for SCC.	ICT Strategic Review	Strategic Manager – ICT Operations	Q1
ICT	<u>Hardware and Software Management</u> Partial assurance was awarded previously in relation to Hardware and Software Management. The follow-up audit finalised earlier in 2018 reported insufficient progress being made. Further work has since been carried out by the	Hardware and Software follow-up Audits	Strategic Manager ICT Operations	Q3

Theme	Area for Attention	Inclusion in 2019/20 Plan	Owner	Date of Audit Work
	service which will be reviewed by audit in 2019/20.			
ICT	<u>DSAR Compliance</u> Although work is ongoing, the Council is currently failing to comply with the Data Protection Act requirement to deal with Data Subject Access Requests without unreasonable delay, and within a 40-day period.	DSAR follow-up Audit	Strategic Manager ICT Operations	Q2
ICT	<u>ICT Policies</u> The exercise to establish and agree a full suite of ICT policies is not yet fully complete.	ICT Strategic Review	Strategic Manager – ICT Operations	Q1
ICT	<u>PCI compliance</u> The Council is still not compliant with the Payment Card Industries Digital Security Standard (PCI-DSS) although approval to purchase a solution is about to be sought.	PCI follow-up Audit	Strategic Manager ICT Operations	Q4
ICT	<u>Back-ups</u> There is currently a lack of assurance that all critical systems can be recovered from back-up.	Disaster Recovery Audit	Strategic Manager ICT Operations	Q4
ICT	<u>Service Improvement</u> Service desk records are not routinely analysed and used to facilitate continual service improvement to help mitigate the likelihood of similar incidents happening again.	HO Follow-up Audit	Strategic Manager ICT Operations	Q3
People Management	<u>Workforce Planning</u> Workforce plans are not in place for all services.	HO Follow-up Audit	HR and OD Director	Q3
People Management	<u>HR Policies</u> HR policies have not been updated to reflect the actions in the new People Strategy.	HO Follow-up Audit	HR and OD Director	Q3
People Management	<u>Performance Measurement</u> There is no direct measurement of compliance with policies. Indirect measurement via performance monitoring is carried out, but performance measures are not linked to policies.	HO Follow-up Audit	HR and OD Director	Q3
People Management	<u>Performance Monitoring</u> No corporate HR performance targets are set and there is no formal monitoring of the results at senior management level.	HO Follow-up Audit	HR and OD Director	Q3
People Management	<u>Effectiveness of Training</u> Performance Management should be expanded to include the effectiveness of training courses.	HO Follow-up Audit	HR and OD Director	Q3

Theme	Area for Attention	Inclusion in 2019/20 Plan	Owner	Date of Audit Work
Asset Management	<u>Corporate Asset Management Plan</u> Publication of the Corporate Asset Management Plan has been delayed and is currently planned for early 2019.	HO Follow-up Audit	Head of Property	Q3
Asset Management	<u>Maintenance Strategy</u> HR performance information produced does not clearly link to overall delivery of service and organisational objectives.	HO Follow-up Audit	Head of Property	Q3
Asset Management	<u>Asset Reconciliation</u> Currently there is no reconciliation of the Atrium data with the Financial asset register. The Head of Corporate Property advised this will take place from April 2019.	HO Follow-up Audit	Head of Property	Q3
Asset Management	<u>Placed Based Reviews</u> The programme of Placed Based reviews has been delayed awaiting the outcome of the Council's Financial Imperative Programme.	HO Follow-up Audit	Head of Property	Q3

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Statement of Responsibility

Conformance with Professional Standards
SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

SWAP Responsibility

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