

# Audit Committee

## Thursday 28 March 2019

### 10.00 am Library Meeting Room, Taunton Library



To: The Members of the Audit Committee

Cllr C Aparicio Paul (Chair), Cllr G Verdon (Vice-Chair), Cllr M Caswell, Cllr H Davies, Cllr B Filmer, Cllr L Leyshon, Cllr G Noel and Cllr M Rigby

Issued By Scott Wooldridge, Strategic Manager - Governance and Risk - 20 March 2019

For further information about the meeting, please contact Neil Milne on 01823 359045 or [ndmilne@somerset.gov.uk](mailto:ndmilne@somerset.gov.uk)

Guidance about procedures at the meeting follows the printed agenda.

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

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



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# AGENDA

Item      Audit Committee - 10.00 am Thursday 28 March 2019

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

**1            Apologies for absence**

**2            Declarations of Interest**

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

**3            Minutes from the previous meeting (Pages 7 - 16)**

The Committee is asked to confirm the minutes are accurate.

**4            Public Question Time**

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

**5            Internal Audit Plan and Charter 2019/2020 (Pages 17 - 34)**

To consider this report.

**6            Report of Internal Audit Activity (Pages 35 - 54)**

To consider this report.

**7            External Audit progress report and sector update (Pages 55 - 76)**

To consider this report.

**8            Value For Money Trackers (Pages 77 - 90)**

To consider this report.

**9            Risk Management and Internal Audit Partial opinion update (Pages 91 - 106)**

To consider this report.

**10          Committee Future Workplan (Pages 107 - 110)**

To consider this report

**11          Any other urgent items of business**

The Chairman may raise any items of urgent business.

## Guidance notes for the meeting

### 1. Inspection of Papers

Any person wishing to inspect Minutes, reports, or the background papers for any item on the Agenda should contact the Committee Administrator for the meeting via Telephone (01823) 359045 or 357628; or Email: [democraticservices@somerset.gov.uk](mailto:democraticservices@somerset.gov.uk)  
They can also be accessed via the council's website on [www.somerset.gov.uk/agendasandpapers](http://www.somerset.gov.uk/agendasandpapers)

### 2. Members' Code of Conduct requirements

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

### 3. Minutes of the Meeting

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

### 4. Public Question Time

If you wish to speak, please tell, the Committee's Administrator, by **5.00pm on the Friday** before the meeting. This is the deadline to register to speak and requests to speak received after this time will be at the Chair of the Committee's discretion.

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

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

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

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

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

## **5. Exclusion of Press & Public**

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

## **6. Committee Rooms & Council Chamber and hearing aid users**

To assist hearing aid users Committee meeting rooms have infra-red audio transmission systems. To use this facility, you we need a hearing aid set to the T position.

## **7. Recording of meetings**

The Council supports the principles of openness and transparency. It allows filming, recording and taking photographs at its meetings that are open to the public - providing this is done in a non-disruptive manner. Members of the public may use Facebook and Twitter or other forms of social media to report on proceedings and a designated area will be provided for anyone wishing to film part or all of the proceedings.

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

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

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

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

## **8. Operating Principles for Audit Committee**

### **Reports**

- i. The reports should be clearly and concisely written. The report template available to officers on the intranet will be used.
- ii. Reports should highlight issues for Member consideration, no matter how difficult or complex, for example:
  - All reports should detail current performance levels.
  - All reports should identify cost implications.

- iii. No report should contain a recommendation “to note” the report.
- iv. Any report, which outlines clear priorities for improvement, should contain recommendations and a detailed action plan with timescales and resources.

### **Members**

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

## **9. The Role of the Audit Committee**

- (a) Approves (but not directs) internal audit’s strategy, plan and performance;
- (b) Reviews summary internal audit reports and the main issues arising, and seeks assurance that action has been taken where necessary;
- (c) Considers the reports of external audit and inspection agencies;
- (d) Ensures that the Council’s assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- (e) Ensures that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process and effective financial governance is actively promoted;
- (f) Reviews the financial statements, external auditor’s opinion and reports to Members, and monitors management action in response to the issues raised by external audit;
- (g) Approves the annual accounts of the Council and the Annual Governance Statement, together with considering the Matters Arising from the Accounts Audit.

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## AUDIT COMMITTEE

Minutes of a Meeting of the Audit Committee held in the Library Meeting Room, Taunton Library, on Thursday 31 January 2019 at 10.00 am

**Present:** Cllr C Aparicio Paul (Chair), Cllr G Verdon (Vice-Chair), Cllr M Caswell, Cllr B Filmer, Cllr L Leyshon, Cllr G Noel, Cllr M Rigby and Cllr H Davies

**Other Members present:**

**Apologies for absence:**

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

In respect of agenda item 11, Cllr Verdon declared a personal interest as she held a contract with Grant Thornton.

**98 Minutes from the last meeting - Agenda Item 3**

The Committee agreed that the minutes of the meeting, held on 22 November 2018 were accurate, and the Chair of the Committee signed them.

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

The Chair noted that a member of the public had registered to speak regarding agenda items 11 and 14 and she invited Mr Nigel Behan to speak.

He noted that in the Value for Money Arrangements it is stated:

“In particular the greater focus on clear and timely budget monitoring, greater scrutiny and challenge and the rebasing of the children and families services budget to reflect more realistic cost pressure assumptions. We are also encouraged by the difficult decisions taken in September to make further savings. We note the continued improvement in projected 2018/19 revenue position to month 8, with the council now projecting a small underspend for the year.” & “Despite this significant challenges remain. The improved in year position has been achieved, in part by non recurring savings, and the 2019/20 budget is estimated to require the delivery of £15m of further savings. Your level of reserves remain a concern and, although we recognise that the month 8 report states that they will be partially replenished in year, continued efforts are required to ensure that the council repositions itself on a sustainable financial footing.”

a) When is it predicted that the level of reserves will be at a non-critical level (above the £15m threshold?) bearing in mind that the improved in year position was partly achieved by non recurring savings according to Grant Thornton?

b) Are other services (e.g. Adults) expecting or anticipating a significant rebasing (increase) of service budgets (as has happened in year to Children and Families in year) with realistic assumptions about “pressures”?

In response the Interim Director of Finance responded:

a) To some extent this depends on the actual outturn of the Council, bearing in mind that the figures are projected to the end of the year at the moment. However, if our current projections are realised then it is anticipated that the General Fund reserve will reach a level of £15m or more within 2019/20. Your question suggests that the Fund is at “critical” level at the moment and I have been at pains to avoid such labels. Given that the Council took action in September and have an appropriate contingency to manage pressures within year, then we have a mitigation for the less than optimal level of General Fund within 2018/19.

b) The pressures on all services have been evaluated as part of the preparation of the 2019/20 budget and the MTFP and it is considered that the budget being recommended to the Cabinet and to the Council takes account of those pressures. However, it is appreciated that in addressing these pressures it is then necessary to identify proposals for change to bridge the funding gap. Overall, via each Scrutiny Committee, directors and scrutiny members are being asked to give assurance that they have a sufficient budget for 2019/20.

Regarding agenda item 14 Mr Behan then highlighted that in Appendix B – Internal Audit Work p10 it was reported that the Discovery LD contract (Adults Operational LD – Discovery Contract Q4 Not started) will be audited and that the “Audit Type” is “Operational” and that there is an “Initial Meeting scheduled”. Will the scope include care provision to service users (and outcomes), consulting parents, carers, families and staff as well as use of agency staff, service continuity, financial matters and property, CQC reports and Risk of Care Provider Failure (it is noted that SWAP are scoping the Risk of Care Provider Failure as a separate workstream – p12 same report)?

In response the Assistant Director of the South West Audit Partnership (SWAP) replied that the initial meeting for the Discovery LD contract had now been held and Terms of Reference covering the scope of the work issued. A standard contract management audit would be performed to provide assurance that services were being delivered in accordance with the terms and conditions of the contract.

SWAP’s standard SCC contract management work programme would be used that will check for compliance with the Council’s corporate contract management framework. The audit would cover controls in relation to both operational and financial performance management and would include the areas listed where relevant.

100 **Section 106 Review update - Agenda Item 5**

The Committee considered this report that provided a further update on progress made to implement recommendations following a partial audit opinion in 2016. It was also noted that a follow up audit was due to commence to check on how the new processes and systems were operating and the results of which would be reported at a future meeting.

The report was introduced by the Director for Economic and Community Infrastructure and he provided a presentation during which noting that the findings of the original audit had been addressed through several different actions and these were outlined in Appendix A of the report. He also stated that



a follow up audit had been requested to review whether the identified risks continued to be adequately addressed.

There was a brief discussion and it was noted that the old 'Atrium' system had been switched off and all existing and new agreements had been uploaded to the replacement 'Mastergov' system and this created email notifications to alert officers. The Director for Economic and Community Infrastructure Operations confirmed that the team remained adequately resourced to continue to address the issues highlighted in the auditor report. The new system was reviewed on a monthly basis to show actions were being tracked appropriately.

In response to a question about public accessibility to the system, it was noted that this would be given consideration. The 'linkage' and compatibility between the County and District Councils was obtained through the 106 agreements and it was noted that those working relationships were now much improved. District Councils retained responsibility regarding Community Infrastructure Levy (CIL) funds.

The report was accepted.

**Partial Audit Update - Strategic Asset Management - Agenda Item 6**

The Committee considered this report, introduced by the Head of Corporate Property, that provided details of a follow up audit to review progress made on recommendations arising from a partial audit. It was noted that good progress had been made and attention was directed to Appendix 1 of the report that provided an overview of activity to address the 9 recommendations made in the partial audit.

Members heard that of the 9 recommendations, 4 had been completed by the time of the follow-up audit and a further 2 had been completed since then. It was explained, and the Committee asked for and received reassurance about 1 recommendation that was not now being implemented. It was noted that two actions remained in progress and were near completion.

In response to a question it was confirmed that the Council held a comprehensive list of all its assets, which included the condition and location of each, and this was helpful in enabling the Council to focus resources on frontline services and delivering the County Plan.

There was a brief discussion about risk 3 particularly with the Council adopting the Corporate Landlord approach and it was explained that clearer controls and monitoring were now in place, including a checklist and guidance for officers. Future possible disposals were now shared regularly with the Council's Strategic Commissioning Group to ensure that all opportunities and service needs were understood, and all upcoming disposals were transparent.

The report was accepted.

102 **Internal Audit Report - Healthy Organisation - Agenda Item 7**

The Committee considered this report that explained that the Healthy Organisation review was a strategic governance review of the key corporate areas of the Council including finance, performance and governance. The

report provided details of the progress made since the first undertaken in 2017/17.

Members discussed the report asking questions of the Assistant Director SWAP and it was noted that within the Financial Management assessment there are two “reds” regarding financial resilience and value for money, both of which have had significant focus in 2018/19 and would continue to do so in 2019/20.

The Committee noted its disappointment in the area of risk management, as this had moved from “green” to “amber”. The view of the Risk Manager was sought and she acknowledged that this important area of activity was not yet embedded within the Council’s day to day thinking. Improvements had been made in the last two or three months, but those coupled with what were described as areas of resistance, had not been enough to influence the review rating positively. It was noted that this work would continue with greater focus, in 2019/20.

It was reported that the Performance Team had already put in place the monitoring regime to track progress against the actions needed to address areas where improvements were required. In response to a question it was noted that the monitoring regime would be routinely scrutinised by the Governance Board and the Senior Leadership Team to ensure that progress was being made, which would help to ensure an improved assessment outcome next time.

The report was accepted.

103 **Treasury Management Strategy** - Agenda Item 8

The Committee considered this report about the Treasury Management Strategy (TMS) that provided details of the Council’s treasury management activities to achieve its business and service objectives and maintain its financial reputation. This concerned the management of the Council’s cash flows, borrowing and treasury investments and associated risks.

It was reported that the Council currently held £324.55m of debt as part of its TMS for funding previous years’ capital programmes. Of this, £159.05m was Public Works Loan Board (PWLB) debt, approximately £108m was Lender Option Borrower Option (LOBO) debt, and a further £57.5m of fixed rate bank loans. It was noted that at year end analysis showed the average rate paid on all debt to be 4.66%. Also, for the same period it was noted that investment balances which had averaged £218m had yielded an annual income of £2m, meaning an investment return of 0.95%.

There was a brief discussion and in response to a question about maximising investment yield it was explained that officers had to take account of expected and possible balances, the availability and accessibility of the various instruments to be used and their security, liquidity and yield characteristics in that specific order.

In response to a question it confirmed that the Council’s 151 Officer undertook the most appropriate form of investments in keeping with the investment

objectives, income and risk management requirements and prudential indicators. Responsibility for implementing the policy, using only the agreed investment instruments and credit criteria, was delegated to treasury management officers. The Committee sought and received assurance that this was continuously and rigorously monitored.

The report was accepted.

104 **Capital Strategy - Agenda Item 9**

The Committee considered this report that set out the Council's proposed Capital Strategy provided an overview of Capital Expenditure, Capital Financing and Treasury Management. It also contained details of a non-Treasury investment proposal, designed to produce a positive net revenue income stream for the Council.

It was explained that reporting the Capital Strategy was a new requirement for 2019/20. The Strategy offered a high-level overview of how capital expenditure, capital financing and treasury management activity would contribute to the provision of services, with an overview of how associated risk would be managed and the implications for future financial sustainability.

The report provided detail of proposed non-treasury investments, as Government financial support declined, the Council intended to explore investing in non-treasury investment options purely or mainly for financial gain. The Committee noted a sum of £100m had been earmarked in the Capital Programme and identified for this purpose pending the appropriate strategy and governance being put in place.

It was also stated that the report provided details on the treasury management prudential indicators in respect of external debt and the capital financing requirement in addition to the authorised limit and operational boundary for external debt. Also, the prudential indicators for the proportion of financing costs to net revenue and the investments for service purposes and for commercial activities were noted.

The report was accepted.

105 **Minimum Revenue Provision (MRP) - Agenda Item 10**

The Committee considered this report that set out details of how the Council planned to finance capital expenditure by debt and how it would repay that debt in later years. It was noted that the amount charged to the revenue budget for the repayment of debt was known as Minimum Revenue Provision (MRP).

Attached to the report was the Minimum Revenue Provision Statement 2018/19 and the impact this would have on the revenue budget. It was reported that the MRP statement had been considered by Grant Thornton and they had not challenged the proposed policy. Members did in addition note that it remained subject to full audit review during the 2018/19 statement of accounts inspection.

There was a brief discussion of the MRP and how it could be best reasonably calculated and it was noted that the Council had aligned the time period of the MRP to one that was commensurate with the period over which capital expenditure provided benefits.

The report was accepted.

106 **External Audit Plan** - Agenda Item 11

The Committee considered an audit progress report and sector update from the Council's external auditors Grant Thornton introduced by the Engagement Lead. Members were reminded that the Council's financial statements had received an unqualified opinion and the value for money conclusion had received an adverse opinion.

It was reported that the external auditors had begun planning processes for the 2018/19 financial year audit. Detailed work and audit visits would begin later this year and, in the meantime, on-going discussions with officers would help to inform the risk assessment in respect of the 2018/19 financial statements and value for money audits.

The Committee was provided with an overview of the various component parts that comprised the report, noting the Audit Plans for the Pension Fund and Council and the materiality figure associated with each. The report also noted that the external auditors were meeting monthly with the Interim Director of Finance and other officers to assess how the Council continued to respond to the VFM conclusions and addressing its budgetary challenges.

There was a brief discussion and the External Auditors explained why the proposed Audit fees would be lower for next year and this seemed in large part due to the Council participating in a national procurement exercise which had resulted in a 23% reduction in the fees for Somerset. There was a question regarding 3 circles that were used to demonstrate the audit approach described as being a mixture of 'methodology, learning and technology' and it was confirmed that the circles in the diagram should overlap.

The external auditors report was accepted.

107 **Value For Money tracker** - Agenda Item 12

The Committee considered this report that provided details of the value for money tracker, first considered by the Committee at its meeting last September, following recommendations from the Council's External Auditors on how to improve both budget monitoring and setting.

It was reported that following the 7 recommendations made by the External Auditor written responses from the Council had been provided regarding each, and several commitments had been made to improve the processes. Those responses had subsequently been loaded in JCAD, the Council's recognised tracking and reporting mechanism for risk management, so that a format like the regular risk management reports was used.

Members heard that progress continued to be made in a number of areas and there was a brief discussion of the detail as set out in the tracker and Members noted in particular:

- That a more robust control of the 2018/2019 in-year budget had resulted in the previously projected overspend being reduced and moved into a projected underspend. More detailed and transparent budget monitoring would now be provided, and the frequency of reporting, particularly to Scrutiny, had been increased. This meant that additional detail would be provided for the Quarter 3 budget monitoring report;
- All budget areas had been reviewed to ensure that the 2019/2020 budgets could be approved in the knowledge that unavoidable pressures were being funded, and that previously undeliverable MTFP savings had been identified and reversed. It had been decided to change from the broad cross-cutting thematic savings approach to improve ownership of proposals. The MTFP reporting would therefore now also include more information on expenditure to be met from Capital Receipt Flexibilities. A report for each Scrutiny Committee would be provided to further aid understanding and challenge of the 2019/20 budget proposals;
- The rollout of budget management training to relevant officers had continued. 72% of the targeted group of budget holders had now attended the training course and 91% of those had rated the course as good or very good. Plans were now being put in place that would enable Council staff to run the course in future, completing training for remaining budget holders in the process.

There was a brief discussion about Risk GTVFM004 and the update status that showed this as being 10% complete and the Interim Head of Finance noted that figure was a result of an input error. The report was accepted.

## 108 **Risk Management** - Agenda Item 13

The Committee considered this report, introduced by the Council's Risk Manager, that provided details of the latest position of each of the 11 identified strategic risks to the Council achieving its objectives.

There was a discussion of the report, particularly Appendix A the Strategic Risk Report, with the Risk Manager explaining the information in the register including the rating of the risks and the actions being taken to mitigate each. It was noted that ORG0043 'maintain a sustainable budget' remained the most critical risk to the Council.

Members heard there would be at some point during the next quarter a review of the Council's strategic risks undertaken by the Council's Senior Leadership Team. It was noted that further work was being completed ahead of 1 April 2019 to ensure that any new strategic risks were identified and developed. Attention was directed to Appendix B which outlined the current strategic risks mapped to the Business Plan.

Members noted a heatmap which showed the latest distribution of the 11 identified risks and any changes since the last update report were indicated with a directional arrow. There was a brief discussion of the SWAP Partial Audit Tracker Report, attached as Appendix C to the report and set out in a similar way to the risk register. This provided details of all internal audit reports with a level 1 or 2 recommendation being tracked using JCAD and a number of follow-up audits were in progress.

The Committee welcomed the report and the determination of Officers, who were effectively marshalled by the Risk Manager, to ensure that focus was retained to ensure risks were robustly managed and monitored and so ensure the Council objectives were achieved.

In response to a question the Risk Manager noted that the overall concept of and adherence to appropriate risk management, though much improved, was not fully embedded across the Council. This led on to a brief discussion about the resilience of risk management within the Council and the Committee agreed to recommend that the Cabinet consider ensuring greater resilience of the risk management function of the Council.

The report was accepted.

109 **Internal Audit Update** - Agenda Item 14

The Committee considered this report, introduced by the Assistant Director of the South West Audit Partnership (SWAP), that provided a thorough overview and general update of the progress made against the 2018/19 Audit Plan. It was noted that no significant corporate risk had been identified and no partial opinion reports had been finalised in the quarter.

It was noted that the report provided details on the progress of the plan and this was broadly in line with that of the SWAP average. This had been achieved despite some delays experienced in the scheduling of work, with some requests to defer some audits to later in the year or the next year.

Members heard that following a slow start due to audit delays and deferrals, catch-up had been possible over the last few months and reasonable progress was being made in relation to plan delivery. In response to a question it was stated that there remained much audit work to deliver but Members received assurance from the Assistant Director of SWAP that they were now on track to do so.

There was a brief discussion about training and the Chair noted that all Members were encouraged to undertake training and/or having briefings from Officers to further develop their skills. The Committee accepted the report.

110 **Debtor Management** - Agenda Item 15

The Committee considered this report that provided information on the latest debt position and performance to help maintain effective financial control.

Members attention turned to the report that provided details on the recovery of outstanding debts and it was reported that as at 31 December the total net

outstanding on the accounts receivable system stood at £12.833m, this compared to £10.444m at the same time last year.

The report also provided information about the type of debt and debtors by category, including payment days, and the Members were reassured by the reported actions being undertaken to ensure prompt collection. Members were pleased to note that the percentage of debts over 90 days as at 31 December 2018 stood at 12.00%, which represented a significant improvement on the previous December when the figure stood at 43.51% and this was a testament to the efforts of the former Chief Internal Auditor.

In response to a question it was confirmed that the total amount of debt outstanding had risen steadily over 2018/2019 however it was stated that raising more debt was not a concern as it appeared that debts were now being collected more efficiently.

There was a brief discussion and questions asked and answers provided in respect of raising invoices and paying VAT and it was explained that both were done promptly at the appropriate time. The Committee accepted the report.

111 **Anti-Fraud and Corruption Report** - Agenda Item 16

The Committee considered and discussed this report that provided information following the annual review of all the measures being undertaken across the Council aimed at prevention, detection and reporting of fraud and corruption.

Members noted that anti-fraud and corruption work formed an important part of the Council's corporate governance and internal control framework. Working with colleagues from the South West Audit Partnership (SWAP) Officers had made a comparison of the Council's systems and processes against typical fraud target areas and when reviewed against national trends and guidance.

It was noted that the report contained the conclusion of the review and this judged that the Council had a sound framework in place, although more could be done to continue raise awareness. There had been a small number of fraud allegations, some leading to more formal investigations from SWAP, and it was suggested that such incidents should be considered when the Committee set the Internal Audit Plan for 2019/2020.

The report also provided, at Appendix 2, details of the fraud and corruption allegations that had been investigated during 2018 and the case notes provided a non-specific overview of those cases.

In summary the Committee noted that the review had provided assurance, that the Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Anti-Money Laundering Policy, were deemed to be fit for purpose. Members thanked officers for their work, in particular the former Chief Internal Auditor, and noted their continued support for a zero tolerance policy with regard to fraud.

The report was accepted.

112 **Committee Future Workplan** - Agenda Item 17

The Committee noted the report that listed future agenda items and reports for the next 2 meetings (28 March and 20 June) of 2019. There were 7 and 8 reports respectively, scheduled for those meetings.

There was a brief discussion about the number of reports on the agenda for this meeting (13) which had increased from those listed on the work plan agreed at the last meeting (7). The Chair noted that consideration would be given to the number of reports on future agendas and the frequency and number of Committee meetings.

The work plan was accepted.

113 **Any other urgent items of business** - Agenda Item 18

The Chair, after ascertaining there were no other items of business, thanked all those present for attending and closed the meeting at 13:26.

**(The meeting ended at 1.26 pm)**

**CHAIRMAN**





# Somerset County Council

## 2019-20 Internal Audit Plan and Internal Audit Charter

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

## The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2019/20 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.



### Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's AGS.

**It is the responsibility of the Authority's Leadership Team, and the Audit Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.**

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

## The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.



### Approach to Internal Audit Planning 2019/20

The factors considered in putting together the 2019/20 internal audit plan have been set out below:



We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems and controls. Our 2019/20 audit plan will remain flexible to respond to new and emerging risks as and when they are identified.

# The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

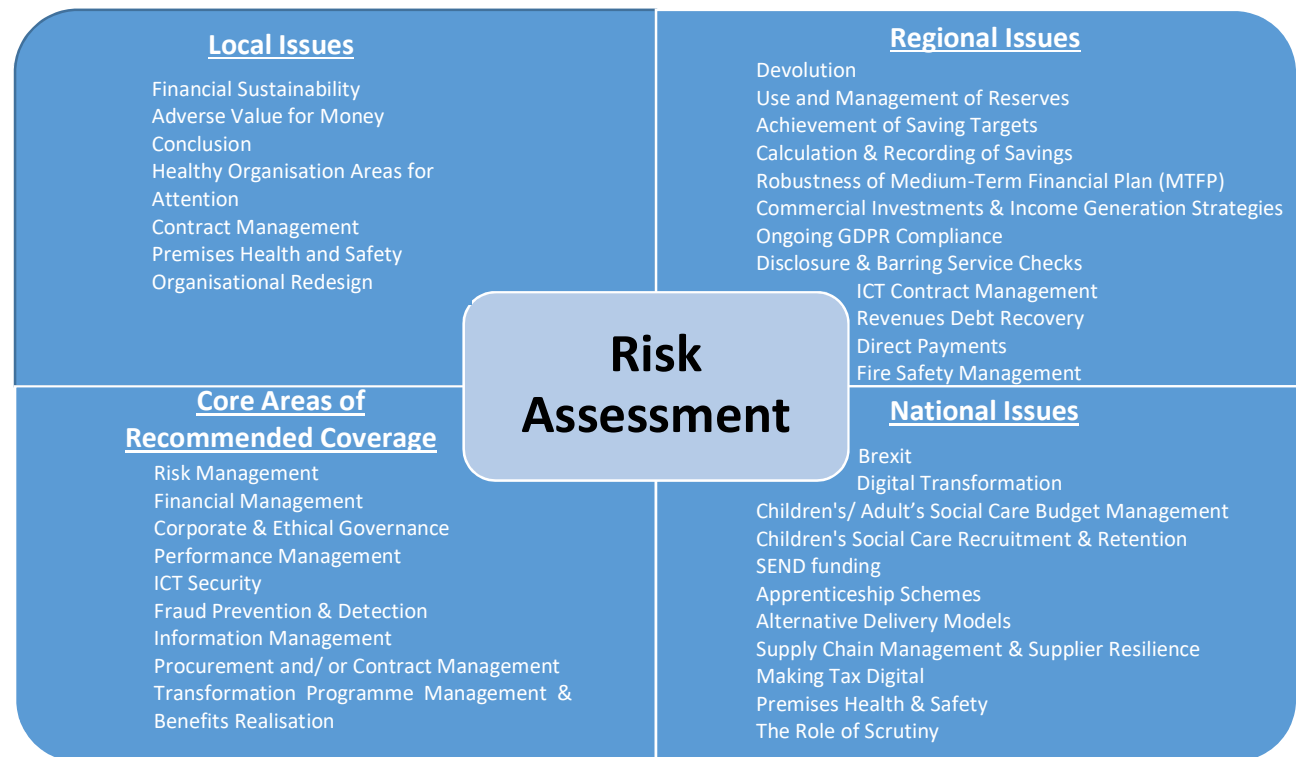


## Internal Audit Annual Risk Assessment

Our 2019/20 internal audit programme of work is based on a documented risk assessment, which SWAP will re-visit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register will be considered in this process.

Below we have set out a summary of the outcomes of the risk assessment for Somerset County Council:

As above, it is the responsibility of the Authority's Leadership Team, and the Audit Committee to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.



# The Internal Audit Plan: Coverage

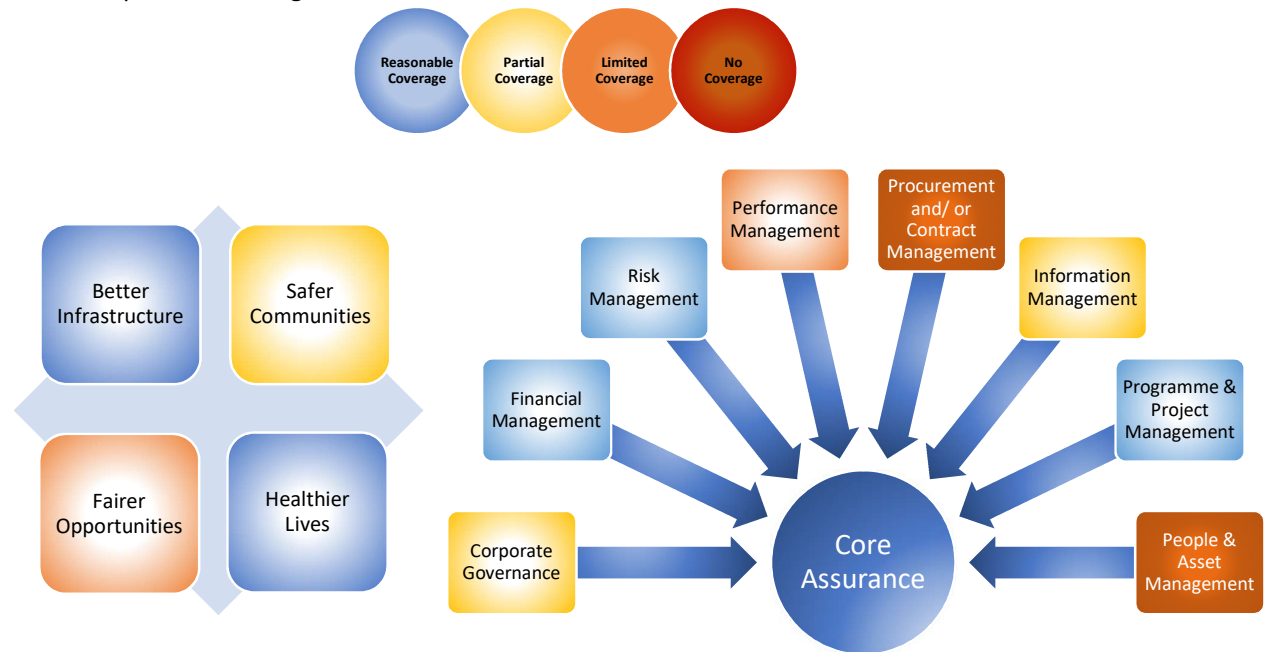
Following our SWAP Risk Assessment above, we have set out how the proposed 19/20 plan presented in Appendix 1 provides coverage of the Authority's key corporate outcomes, as well as our core areas of recommended coverage.

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.



## Internal Audit Coverage in 2019/20

Following our SWAP risk assessment, we have set out below the extent to which the proposed plan presented in Appendix 1 provides coverage of the Authority's key corporate objectives, as well as our core areas of recommended coverage. Where we have highlighted limited or no coverage, Senior Management and Audit Committee should seek and document assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas:



*Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.*

## The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 26 public sector partners, crossing eight Counties, but also providing services throughout the UK.



### Your Internal Audit Service

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- **Candid**
- **Relevant**
- **Inclusive**
- **Innovative**
- **Dedicated**

#### **Audit Resources**

The 2019/20 internal audit programme of work will be equivalent to 1,400 days. The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service for Somerset County Council are:

**Lisa Fryer, Assistant Director** – [Lisa.Fryer@swapaudit.co.uk](mailto:Lisa.Fryer@swapaudit.co.uk) 01823 355590

**Jenny Frowde, Principal Auditor** – [Jenny.Frowde@swapaudit.co.uk](mailto:Jenny.Frowde@swapaudit.co.uk) 01823 355612

**Connor McLaughlin, Senior Auditor** – [Connor.McLaughlin@swapaudit.co.uk](mailto:Connor.McLaughlin@swapaudit.co.uk), 01823 355257

**Darren Roberts, Senior ICT Auditor** – [Darren.Roberts@swapaudit.co.uk](mailto:Darren.Roberts@swapaudit.co.uk), 07720312466

#### **Conformance with Public Sector Internal Audit 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 Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in March 2016 which confirmed conformance with the Public Sector Internal Audit Standards.

#### **Conflicts of Interest**

We are not aware of any conflicts of interest within Somerset County Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

#### **Consultancy Engagements**

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

#### **Approach to Fraud**

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required.

## The Internal Audit Plan: SWAP

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Benchmarking and sharing of best-practice between our public-sector Partners
- Regular newsletters and bulletins containing emerging issues and risks
- Communication of fraud alerts received both regionally and nationally
- Annual Member training sessions

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However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

### Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

### Internal Audit Performance:

As part of our regular reporting to senior management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<p style="text-align: center;"><b><u>Delivery of Annual Internal Audit Plan</u></b> Completed at year end</p>	>90%
<p style="text-align: center;"><b><u>Quality of Audit Work</u></b> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p>	>95%
<p style="text-align: center;"><b><u>Outcomes from Audit Work</u></b> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i></p>	>95%

# Somerset County Council Proposed Internal Audit Plan 2019/20

## APPENDIX 1

*It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.*

Link to Corporate Outcome/ Corporate Risk Register or Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor
<p><b>Better Infrastructure</b> <i>A county infrastructure that drives productivity, supports economic prosperity and sustainable public services.</i></p>	<p><b>Working Well Programme – Health and Wellbeing</b> Assurance on the effectiveness of staff support programmes across the County.</p> <p><b>Career Development and Pathways</b> Policy and approach to succession planning across services.</p> <p><b>Children's Services - Budget Management</b> To focus on compliance with budget management/monitoring requirements and ensuring action taken when variances occur.</p> <p><b>Adults - FAB assessments</b> System redesign underway to facilitate customer electronic submission.</p> <p><b>Adults - Workforce Planning</b> To review effectiveness of workforce planning initiatives and consider whether gaps exist.</p> <p><b>Community Library Partnerships</b> Review agreements in place and arrangements in place to monitor them. Need to consider sustainability.</p>	<p>Director of HR &amp; OD</p> <p>Director of HR &amp; OD</p> <p>Director of Finance/Director of Children's Services</p> <p>Director of Adult Social Services</p> <p>Director of Adult Social Services</p> <p>Director of ECI Operations</p>
<p><b>Safer Communities</b> <i>Safe, vibrant and well-balanced communities able to enjoy and</i></p>	<p><b>Use of Volunteers</b> To cover compliance with pre-employment checks to ensure services consistently meet requirements.</p>	<p>Director of HR &amp; OD</p>



# Somerset County Council Proposed Internal Audit Plan 2019/20

## APPENDIX 1

<p><i>benefit from the natural environment.</i></p>	<p>Somerset Waste Partnership has its own internal audit plan.</p>	
<p><b>Fairer Opportunities</b> <i>Fairer life chances and opportunity for all.</i></p>	<p><b>Apprenticeship Scheme</b> Compliance with scheme and maximisation of uptake.</p> <p><b>SEN – Data Management</b> Important area as inaccurate data relating to SEN and the impact of this on joint commissioning is an area Ofsted review.</p> <p><b>Children’s – Education, Health and Care Plans (EHCPs)</b> Assurance to focus on timeliness and compliance with procedures for agreeing plans.</p> <p><b>Children’s – Somerset Virtual School</b> To focus specifically on how the Virtual School determines appropriate educational placements; and children in care that are currently not in an educational placement.</p> <p><b>Adults and Children’s Direct Payments</b> Assurance over procedures in place and compliance with these procedures.</p> <p><b>Children’s Independent Placements - Financial Controls &amp; Contract Management</b> Covering both fostering and educational placements and contracts. Further work following 2018/19 partial assurance audit.</p>	<p>Director of HR &amp; OD</p> <p>Director of Children’s Services</p> <p>Director of Children’s Services</p> <p>Director of Children’s Services</p> <p>Director of Adults and Children’s Services</p> <p>Director of Children’s Services</p>
<p><b>Healthier Lives</b> <i>Improved health and wellbeing and more people living healthy and independent lives for longer.</i></p>	<p><b>Public Health - Nursing Services Transfer</b> The service moves across to SCC on 1<sup>st</sup> April.</p> <p><b>Adults - Residential Home Contracts</b> Assurance that contracts consistent with payments made and care plans.</p>	<p>Director of Public Health</p> <p>Director of Adult Social Services</p>

# Somerset County Council Proposed Internal Audit Plan 2019/20

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	<p><b>Adults - Mental Health Financial Decision Making</b> To provide assurance that the care plan agreed reflects what is being paid for.</p>	Director of Adult Social Services
<p><b>Corporate Governance</b> <i>Corporate Governance refers to the strategic management practices and values and beliefs by which the Council operates.</i></p>	No areas of significant identified from Healthy Organisation review.	
<p><b>Financial Management</b> <i>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.</i></p>	<p><b>Treasury Management</b> Materiality of investments requires regular review, as endorsed by Audit Committee in January 2019 as part of annual Anti-Fraud and Corruption paper.</p> <p><b>Payroll</b> Materiality of expenditure requires regular review, as endorsed by Audit Committee in January 2019 as part of annual Anti-Fraud and Corruption paper.</p> <p><b>Cash Handling</b> High inherent risk of fraud and error. Assurance that new cash handling policy is embedded across SCC.</p> <p><b>Debt Management</b> Continued focus on debt recovery to monitor the embedding of recommendations and the 2017 Income Code of Practice. Partial in 2018/19.</p> <p><b>Creditors</b> Reasonable assurance but ongoing issue of non-order invoices which will be the focus of the review.</p>	Director of Finance

# Somerset County Council Proposed Internal Audit Plan 2019/20

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<p><b>Risk Management</b> Organisations which 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.</p>	<p>Internal Audit being undertaken in 2018/19</p>	
<p><b>Performance Management</b> Performance management 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 objectives.</p>	<p><b>Service Planning</b> Service Planning was suspended in 2018/19. Review embedding of new model.</p>	<p>Director of Corporate Affairs</p>
<p><b>Commissioning &amp; Procurement</b> Assessing Procurement &amp; 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</p>	<p><b>Corporate Contract Management</b> This audit will provide assurance that the Contract Management framework is in place and is embedded across SCC.</p> <p><b>Supplier Resilience</b> Review of controls in place to assess this both at the procurement stage and through the life of the contract.</p> <p><b>Value for Money</b></p>	<p>Director of Corporate Affairs</p>

# Somerset County Council Proposed Internal Audit Plan 2019/20

## APPENDIX 1

<p><i>showing whether it can maximise value for money for its taxpayers.</i></p>	<p>A Value for Money Strategy has been drafted. Seek assurance that services are making use of this strategy.</p> <p><b>Commissioning Gateway</b> This involves self-assessment at each stage of the commissioning cycle before progression to the next stage. Review whether this is embedded across SCC.</p>	<p>Director of ECI Operations</p>
<p><b>ICT</b> <i>Effective ICT will facilitate and support effective working, better decision-making, improved customer service and business transformation.</i></p>	<p><b>Data Subject Access Request (DSAR)</b> 2017/18 audit awarded partial assurance. This audit will review the new case management system for DSARs.</p> <p><b>ICT Strategy</b> 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.</p> <p><b>Vulnerability Management</b> Important area of review.</p> <p><b>Disaster Recovery</b> To provide assurance that all critical systems can be recovered from back-up.</p> <p><b>ICT Cloud Service Management</b> An unmanaged hybrid cloud solution may result in unnecessary storage provision, a failure to address security layers and unmanaged costs due to the on-demand method on which cloud services are billed.</p> <p><b>Firewall Management</b> New Firewall supplier. Scope dependant on findings from vulnerability management.</p>	<p>Director of Corporate Affairs</p>

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<p><b>Programme &amp; Project Management</b>  <i>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.</i></p>	<p><b>Project Management - use of Project Mobilisation Toolkit</b>                  A Project Mobilisation Toolkit is being developed which will determine the significance of the project to the Council and the project requirements will be reflective of this.</p> <p><b>Project Management – non core council Projects</b>                  Review non core council projects within Property services (Education)</p>	<p>Strategic Manager – Business Change</p> <p>Strategic Manager – Business Change/Head of Property services</p>
<p><b>People Management</b>  <i>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.</i></p>	<p>See also above already covered within corporate priorities:</p> <ul style="list-style-type: none"> <li>• Working Well Programme – Health and Wellbeing</li> <li>• Career Development and Pathways</li> <li>• Use of Volunteers</li> <li>• Apprenticeship schemes</li> </ul>	
<p><b>Asset Management</b>  <i>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.</i></p>	<p>Strategic Asset Management covered in 2018/19.</p>	

# Somerset County Council Proposed Internal Audit Plan 2019/20

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<p><b>School Themes</b> <i>Visits are made to schools for all themes covered and overall findings reported.</i></p>	<p><b>Expenditure</b> Risk area identified from 2018/19 tax evasion audit. Expenditure covering accounts payable, procurement cards, imprest and CIS invoices.</p> <p><b>Early Years Funding</b> Compliance with Somerset Code of Practice.</p> <p><b>Unofficial Funds</b> Risk area identified from 2018/19 tax evasion audit.</p> <p><b>Pupil Premium Grant</b> Significant area of funding, important in supporting corporate priority, fairer opportunities.</p>	<p>Director of Children’s Services</p>
<p><b>Other</b></p>	<p><b>Organisational Redesign</b> Advisory time across the year, to be defined as projects progress.</p> <p><b>Provision for Fraud and Corruption</b> Advice and review as required across the year.</p> <p><b>Troubled Families</b> Internal Audit Requirement by DCLG to review claims submitted. Expect to audit six claim periods per year. Programme due to run until 2020.</p>	<p>SLT</p> <p>Director of Finance</p> <p>Director of Children’s Services</p>
<p><b>Follow-ups</b> <i>All partial opinion audits are followed up – as agreed with the audit committee.</i></p>	<p><b>Healthy Organisation</b> To follow-up areas for attention not covered by a specific audit.</p> <p><b>Finance</b></p> <ul style="list-style-type: none"> <li>• Combatting Tax Evasion</li> </ul>	<p>SLT</p> <p>Director of Finance</p>

# Somerset County Council Proposed Internal Audit Plan 2019/20

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	<p><b>HR and OD</b></p> <ul style="list-style-type: none"> <li>• Role of the Somerset Manager</li> </ul> <p><b>ICT</b></p> <ul style="list-style-type: none"> <li>• Software Management</li> <li>• Hardware Management</li> <li>• Active Directory</li> <li>• IT controls SAP</li> </ul> <p><b>Children's</b></p> <ul style="list-style-type: none"> <li>• Team around the School</li> <li>• Dillington House Financial Controls</li> </ul> <p><b>Adults</b></p> <ul style="list-style-type: none"> <li>• Better Care Fund</li> <li>• Mental Health Care Plans</li> <li>• Placements Financial Controls</li> </ul> <p><b>ECI</b></p> <ul style="list-style-type: none"> <li>• Passenger Transport Driver Records including Training</li> <li>• Premises Health and Safety</li> </ul>	<p>Director of HR and OD</p> <p>Director of Corporate Affairs</p> <p>Director of Children's Services</p> <p>Director of Adults Services</p> <p>Director of ECI</p>
<p><b>Advice and Support</b></p>	<ul style="list-style-type: none"> <li>• Audit Advice and Planning including Head of Internal Audit role</li> <li>• Committee Reporting and attendance at other corporate meetings</li> </ul>	

## The Internal Audit Charter

### Purpose

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

### Approval

This Charter was last approved by the Audit Committee on 12<sup>th</sup> April 2018 and is reviewed each year to confirm it remains accurate and up to date.

### Provision of Internal Audit Services

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

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Head of Internal Audit, Chief Financial Officer (as s151 Officer) in consultation with the Chief Executive of SWAP.

### Role of Internal Audit

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

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

### Responsibilities of Management and of Internal Audit

#### **Management<sup>1</sup>**

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

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

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

#### **Internal Audit**

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

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<sup>1</sup> In this instance Management refers to the Corporate Leadership Team



Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS); SWAP has been independently assessed and found to be in Conformance with the Standards.

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

### **Relationship with the External Auditors/Other Regulatory Bodies**

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

### **Status of Internal Audit in the Organisation**

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive of SWAP and the Assistant Director also report to the Head of Internal Audit, Chief Financial Officer (as s151 Officer), and reports to the Audit Committee as set out below.

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

### **Scope and authority of Internal Audit work**

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

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

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
  
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Somerset County Council is in compliance;
  
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
  
- appraising the economy, efficiency and effectiveness with which resources are employed;
  
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
  
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.
  
- at the specific request of management, internal audit may provide consultancy services provided:
  - the internal auditor's independence is not compromised

- the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
- the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
- management understand that the work being undertaken is not internal audit work.

### **Planning and Reporting**

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

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

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

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Head of Internal Audit, Chief Financial Officer (as s151 Officer) and to other relevant line management.

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

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

**February 2019**

# Somerset County Council

## Report of Internal Audit Activity

### Plan Progress 2018/19- March Update

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Agenda item 6

## Contents

### The contacts at SWAP in connection with this report are:

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## Summary

### Our audit activity is split between:

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



### Role of Internal Audit

The Internal Audit service for Somerset County Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 12<sup>th</sup> April 2018.

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

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



## Summary of Work 2018/19

### Outturn to Date:

**We rank our recommendations on a scale of 1 to 3, with 1 being areas of major concern to 3, findings that require attention.**



### Internal Audit Work programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2018/19. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

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

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

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

## Summary of Audit Work 2018/19

### Significant Corporate Risks

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



### Significant Corporate Risks

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

Review/Risks	Auditors Assessment
None have been reported during the period.	N/A



## SWAP Performance - Summary of Partial Opinions

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



## Summary of Partial Opinions

### **Adults Placements - Finance and Operational Related Controls**

Financial controls were given a Partial assurance opinion.

Invoices for homecare placements are not being adequately validated against the agreed care package in the Adult Social Care system prior to payment creating a risk that the Council may be making inaccurate payments. There are validation reports produced but they are not being reviewed or investigated in accordance with an agreed methodology. This has been an area of weakness that Internal Audit have been reporting across a number of years.

We were provided with evidence that residential and nursing providers are not paid on a timely basis due to delays in the completion of financial agreements by Social Work teams. As well as impacting providers, the delays increase queries that need to be dealt with and accurate budget projections are more difficult. A more efficient, ideally electronic way of obtaining signed agreements is needed.

The lack of documentary evidence and audit trail within AIS is a significant issue, because the time spent resolving queries and obtaining information that should have been recorded will also compound the continuing resource issues.

### **Health & Safety: Premises Management – Corporate Properties**

Visits were conducted at a range of different corporate premises across the County. Some areas of good practice were identified in the use of systems to log and monitor maintenance and repair issues that require contractor attendance. We also observed improvements in respect of Premises Manager training, with seven managers having completed training and another manager having been booked onto a forthcoming session.

An area of weakness reported was in relation to statutory inspections, where there was a lack of evidence that inspections had been completed, with no certificate available on the premises. Most instances related to fire extinguishers and alarm systems.



Our visits also identified that risk assessments are often not completed or kept up to date for all expected risk areas, even though some had identified the omissions through a self-declaration process.

Despite the Council procuring and implementing the B-Safe system as a replacement for the previous EEC-live system, it is not used consistently by all premises. Use of B-Safe has not been made mandatory which results in an inability to conduct routine central monitoring.

A further issue was found in respect of defined responsibilities at premises which are rented from another organisation, or where Council staff are occupying an area of a partner organisation's property. There is no corporate process to ensure that all premises have a formal agreement in place detailing what are the landlord's responsibilities and what are the tenant's responsibilities in terms of health and safety compliance. Furthermore, where an agreement is in place, the detail is not always shared with the Premises Manager and at properties where the landlord is responsible, there are inconsistent arrangements to ensure that all relevant documentation to demonstrate compliance is shared with the Premises Manager.

A corporate landlord approach is currently being implemented which will centralise the management of premises and this provides an opportunity to strengthen controls in relation to the weaknesses reported.

Update 2018/19



## SWAP Performance

### SWAP Performance

SWAP performance is subject to regular monitoring review by both the Board and at Member meetings. The respective performance results for Somerset County Council and other SWAP partners, using data to the end of February 2019 is as follows:

Performance Target	SCC Performance	Partners Performance
<p><b><u>Audit Plan – Percentage Progress</u></b>                      Final, Draft and Discussion                      In progress                      Not started</p>	<p>66%                      34%                      0%</p>	<p>55%                      40%                      5%</p>
<p><b><u>Audit Plan – Delivery</u></b>                      On course to deliver at least 90% of plan                      by year end</p>	<p>Yes</p>	<p>Yes</p>
<p><b><u>Quality of Audit Work</u></b>                      Customer Satisfaction Questionnaire</p>	<p>97%</p>	<p>95%</p>

## Summary of Work 2018/19

### Update 2018/19 continued

#### SCC Performance

#### SCC Performance

Refer to Appendix B for detail of the individual audits.

The previous table shows the percentage plan progress at SCC is now ahead of the SWAP average. This is despite some delays experienced in the scheduling of work, with both requests made to move audits back to later in the year and to defer to the following year.

## Plan Performance 2018/19

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



### Approved Changes to the Plan

The main changes agreed to the plan this year have been the result of requests made to delay audits to later in the year or to defer to the following year. Where audits have been deferred, a replacement audit has been agreed. There have also been additions to the plan of an advisory or investigative nature and have been resourced by audits that have been deferred.



### Conclusion

Following a slow start due to audit delays and deferrals, catch-up has been possible over the last few months and good progress is now being reported in relation to plan delivery. One third of the plan remains in progress, so a significant proportion of audit work remains ongoing, but we are on track to complete the plan, ahead of the annual opinion report scheduled for the June audit committee meeting.



Assurance Definitions

<b>None</b>	The areas reviewed were found to be inadequately controlled. Risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Reasonable</b>	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Substantial</b>	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks

Risk	Reporting Implications
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
ICT	Follow-up	RIPA Use of Internet as a means of Surveillance	Q1	Final	n/a	02/05/2018					Sufficient progress made to remove from JCAD
Education	Operational	Team Around the School	Q1	Final	Partial	01/05/2018	6		2	4	
Finance and Performance	Follow-up	Dillington House Financial Controls	Q1	Final	n/a	04/05/2018					Insufficient progress made to be removed from JCAD.
Governance	Governance	Whistleblowing Allegation	Q1	Final	Advisory	04/04/2018					Audit work concluded that there was not a case to be pursued.
Human Resources	Governance	Role of the Somerset Manager	Q1	Final	Partial	14/05/2018	2	1		1	
ICT	ICT	WAN Connections	Q1	Final	Advisory	20/06/2018					
ICT	ICT	Bring Your Own Devices	Q1	Final	Advisory	07/08/2018					New
Schools	Schools	Schools Financial Value Standard Moderation	Q2	Final	Advisory	11/09/2018					Involvement in annual moderation exercise.
ICT	Follow-up	Readiness for General Data Protection Regulations (GDPR)	Q3	Final	n/a	18/06/2018					Sufficient progress for recommendations to be removed from JCAD.
ICT	Follow-up	IT – Information Sharing	Q3	Final	n/a	27/07/2018					Sufficient progress made to be removed from JCAD.
ICT	Follow-up	Network Resilience	Q3	Final	n/a	04/10/2018					Removed from JCAD, Business Continuity identified as a risk area for 19/20 Plan.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Governance	Governance	Ethical Governance	Q2	Final	Reasonable	18/07/2018	5			5	
Schools	Schools	School Theme – Premises Health and Safety	Q1	Final	Reasonable	22/05/2018	7		1	6	School visits took place during the summer term.
Procurement	Follow-up	Corporate Contracts – Performance Management follow-up	Q2	Final	n/a	09/08/2018					Contract Toolkit now largely established
Property Services	Follow-up	Strategic Asset Management	Q3	Final	n/a	05/11/2018					
Schools	Schools	School Financial Accounting Review	Q3	Final	Non-Opinion	05/10/2018	8		2	6	Advisory Review
Governance	Governance	Healthy Organisation	Q2	Final	Medium Assurance	5/06/2018					
ICT	ICT	E5, MS Windows Defender, ATP, Security Suite Deployment	Q4	Final	n/a	06/09/2018					Advice only
Adult Services	Operational	Adults Placements - Finance & Operational Controls	Q1	Final	Partial: Financial Reasonable: Operational	23/07/2018	11		3	8	
Adult Services	Follow-up	Better Care Fund Follow-up	Q1	Final	n/a	09/10/2018					Insufficient progress made to remove from JCAD
Finance	Governance	Combating Tax Evasion	Q2	Final	Non-opinion	24/08/2018	3		1	2	Advisory review and will focus audit work in 2019/20

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Property Services	Operational	Health & Safety – Premises Management	Q3	Final	Partial	05/09/2018	8	2	4	2	
Adult Services	Operational	Client Finances	Q2	Final	Reasonable	01/08/2018	2			2	
Finance	Follow-up	Payroll IR35	Q2	Final	n/a	01/10/2018					Sufficient progress made to remove from JCAD.
Adults	Follow-up	Adults – New Operating Model	Q4	Final	n/a	21/01/2019					Sufficient progress made to remove from JCAD.
Schools	Schools	School Theme – Schools Financial Value Standard (SFVS)	Q3	Final	Reasonable	25/09/2018	17		2	15	
Schools	School Theme	School Theme – Safer Recruitment	Q4	Final	Reasonable	12/11/2018	3			3	
Finance	Key Control	STAR Payroll	Q3	Draft		30/08/2018					New
ICT	Follow-up	Payment Card Industry (PCI)	Q2	Draft		13/07/2018					
Adult Services	Advisory	Adults Residential Home Payments Advisory Review	Q2	Draft		10/09/2018					New
Finance	Key Control	Debt Management	Q3	Draft		14/09/2018					
Children's Services	Operational	Children's Direct Payments advisory review	Q2	Draft		24/09/2018					New



Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Education	Follow-up	Independent Placements for CLA and Education – Financial Controls	Q1	Discussion Document		04/06/2018					
Governance	Governance	Lone Working	Q3	Discussion Document		13/11/2018					New
Finance	Key Control	Creditors	Q3	Discussion Document		15/10/2018					
Children's Services	Key Control	Troubled Families - Phase 2 Claims	Q1	In progress		22/06/2018					Certification of claims ongoing through the year
Children's Services	Follow-up	The Education of Children Looked After	Q3	In progress		15/10/2018					
Children's Services	Follow-up	Use of Part-time Timetables	Q3	In Progress		23/10/2018					
ECl	Operational	Concessionary Fares	Q4	In Progress		28/11/2018					Delays experienced in receipt of data from contractor.
Children's Services	Follow-up	Children's Direct Payments	Q3	In Progress		07/01/2018					
Adult Services	Operational	Management of Blue Badges	Q2	In Progress		11/03/2019					Client request to delay to Q4.
Governance	Governance	Risk Management	Q2	In Progress		28/01/2019					
Governance	Governance	MTFP – the new Approach	Q3	In Progress		16/01/2019					
Adults	Follow-up	Risk of Care Provider Failure	Q3	In Progress		20/01/2019					

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Property Services	Governance	Corporate Property Maintenance – Schools	Q3	In Progress		14/01/2019					Initial Meeting held
Children's Services	Operational	Children's – Special Guardianship Allowances	Q4	In Progress		16/01/2019					
Property Services	Governance	Corporate Management of Health and Safety	Q4	In Progress		17/01/2019					
ECl	Operational	Section 106 Agreements	Q4	In Progress		09/01/2019					
Schools	Schools	School Theme – Sports and PE Grants	Q4	In Progress		04/03/2019					Spring term visits.
Adults	Operational	Discovery Contract Management	Q4	In Progress		29/01/2019					
ECl	Operational	Delivery of Major Transport Projects	Q4	In Progress		10/01/2019					
ECl	Operational	Broadband Delivery UK audit certification	Q4	In Progress		14/03/2019					New
ECl	Operational	Ongoing Investigation support	Q1	In Progress		01/04/2018					Ongoing advice across the year.
Finance	Key Control	Cash Handling	Q1	Removed							Issue of Policy delayed - deferred to 2019/20 – days used for BDUK audit certification.
ICT	ICT	Back Ups – Azure	Q2	Removed							Move to Azure not complete.
ICT	Follow-up	SAP – Key controls	Q3	Removed							Deferred to 2019/20 to be completed alongside active directory follow-up.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
ICT	ICT	Asset Management – Telephony	Q4	Removed							Following some initial work full review not completed as arrangements not sufficiently embedded.
Adult Services	Operational	Learning Disabilities – Review to Improve Lives	Q2	Removed							Project ended – days used for Direct Payments Advisory review.
Adult Services	Follow-up	Mental Health – Care Plans	Q3	Removed							Insufficient progress made to start – will revisit in 2019/20
ICT	ICT	Procurement	Q1	Removed							Days added to Q2 risk management
Procurement	Governance	Procurement - Category Management	Q1	Removed							Covered within Healthy Organisation review in Q2. Days used for STAR payroll.
Finance and Performance	Governance	Performance Management	Q1	Removed							Covered within Healthy Organisation review in Q2. Days used for MTFP as scope extended beyond follow-up.
ICT	Follow-up	Data Subject Access Request (DSAR)	Q1	Removed							More officer time needed to complete agreed actions. Days transferred to Q2 Tax Evasion.
Human Resources	Governance	People Strategy	Q2	Removed							Covered within Healthy Organisation in Q2. Days used for Adults Residential Payments advisory review.
ICT	ICT	BRM Infolink Azure	Q3	Removed							Replaced with Q1 Bring Your Own Devices
Human Resources	Governance	Workforce Planning	Q3	Removed							Removed to allow Lone Working audit to be carried out.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Procurement	Follow-up	Procurement – The Monitoring and Control of Savings Made	Q3	Removed							Will form part of Q4 MTFP review.
Procurement	Governance	Corporate Contract Management	Q2	Removed	n/a	09/08/2018					Days added to the Discovery contract management review.
<b>Schools</b>											
Schools	Follow-up	Stoke St Michael Primary - SFVS Follow-Up Audit	Q1	Final	n/a	17/07/2018					
Schools	School	Premises Management - Ash Primary	Q1	Final	Reasonable	21/05/2018	8		1	7	
Schools	School	Premises Management - Fiveways	Q1	Final	Reasonable	21/05/2018	6		2	4	
Schools	School	Premises Management - St Nicholas Primary	Q1	Final	Reasonable	21/05/2018	8			8	
Schools	School	Premises Management - Ditchheat Primary	Q1	Final	Reasonable	21/05/2018	8		1	7	
Schools	School	Premises Management - Blackbrook Primary	Q1	Final	Reasonable	21/05/2018	10		1	9	
Schools	School	Premises Management - Haselbury Plucknett Primary	Q1	Final	Reasonable	21/05/2018	6			6	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Schools	School	Premises Management - Berrow Primary	Q1	Final	Reasonable	21/05/2018	7		1	6	
Schools	School	SFVS – Tor School	Q3	Final	Partial	25/09/2018	19		2	17	
Schools	School	SFVS - Stogursey	Q3	Final	Partial	25/09/2018	13		4	9	
Schools	School	SFVS – Sky College	Q3	Final	Reasonable	25/09/2018	9		1	8	
Schools	School	SFVS – Dulverton Junior School	Q3	Final	Reasonable	25/09/2018	8		2	6	
Schools	School	SFVS - Chilthorne Domer	Q3	Final	Reasonable	25/09/2018	16		2	13	
Schools	School	SFVS – St Benedict’s Junior	Q3	Final	Reasonable	25/09/2018	13		2	11	
Schools	School	SFVS - Bishop Henderson C of E Primary	Q3	Final	Partial	25/09/2018	18		7	11	
Schools	School	Safe Recruitment - Wadham School	Q4	Final	Reasonable	10/01/2019	2		1	1	
Schools	School	Safe Recruitment - St Cuthbert’s Primary	Q4	Final	Reasonable	10/01/2019	4		1	3	
Schools	School	Safe Recruitment - Oake Primary	Q4	Draft		10/01/2019					
Schools	School	Safe Recruitment - Cheddar First	Q4	Draft		10/01/2019					

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Schools	School	Safe Recruitment - Westover Green	Q4	Draft	Reasonable	10/01/2019					
Schools	School	Safe Recruitment - Bruton Primary	Q4	Draft	Reasonable	10/01/2019					
Schools	School	Safe Recruitment - North Cadbury Primary	Q4	Draft	Partial	10/01/2019					

# Audit Progress Report and Sector Update

Page 55  
Somerset County Council and Somerset Pension Fund  
Year ending 31 March 2019

18 March 2019



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# Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk).

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

# Progress at March 2019

## Financial Statements Audit

We have completed our 2018/19 planning for both the County and the Pension fund and have issued detailed audit plans, setting out our proposed approach to the audit.

As at the end of February we have almost completed our interim audit work. Our interim fieldwork visit includes:

- Updated review of the Council's and Pension Fund's control environment
- Updated understanding of financial systems
- Understanding of the Council's and Pension Fund's key business processes
- Early work on emerging accounting issues
- Early substantive testing

A more detailed picture of interim audit work completed to date is provided later in this report.

The statutory deadline for the issue of the 2018/19 opinion on both the Council and Pension Fund is 31 July 2019.

The final accounts audit is due to begin in June, with findings reported to you in the Audit Findings Report by the deadline of July 2019.

## Value for Money (Council only)

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach are included in our Council Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019 and further detail of work to date is included in slide 5.

## Other areas

### Certification of claims and returns

We have concluded our work on the Teacher's Pension Return and the School Centred initial teacher training (SCITT) and issued the Reporting Accountant's report by the grant bodies stated deadline.

### Meetings

We met with the outgoing Interim Director of Finance in February and the newly appointed Interim Finance Director in March, as part of our monthly liaison meetings, to discuss handover and continued engagement. We have further meetings planned to assess progress with the Value for Money recommendations from last year as well as discussing emerging developments and to ensure the audit process is as smooth and effective as possible.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. The most recent events were the annual accounts workshops which was attended by a member of your finance staff.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

# Progress at March 2019

## Value for Money

Details of our initial risk assessment to determine our approach were included in our Audit Plan which we presented to the committee in January.

At the time of writing this report, work was ongoing on the VFM risk that we included in our plan in respect of financial sustainability. The following bullet points provide a brief summary of the work completed to date.

### Financial Sustainability of the Council

- ✓ We note the latest monitoring report at month 10 is reporting an underspend of £1.385m for 2018/19.
- ✓ We have reviewed most recent budget reports prepared for members
- ✓ We have met with officers including the outgoing and incoming S151 Officer to discuss the arrangements for preparing the budgets and identifying savings
- ✓ We have reviewed the regular budget monitoring reports prepared for the senior leadership team up to date.
- ✓ We continue to monitor the seven recommendations we issued as part of the adverse VFM conclusion
- ✓ We have attended a Cabinet and Senior Leadership Team Meeting to review processes in place for financial monitoring and challenge

We will continue our work on the Value for Money Conclusion as part of our final interim visit which is planned in the second half of March. We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

## PSAA Contract Monitoring

Somerset County Council and Pension Fund opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts in 2018/19. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA' audit quality monitoring arrangements are available from its website, [www.psa.co.uk](http://www.psa.co.uk)

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the attached presentation on pages 20 and 21 of this report. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

# Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on our audit approach, are summarised in the table below. Our interim audit is currently underway, and we will provide a verbal update on further work completed since the date of this report at the Audit Committee.

	Work performed	Conclusions and recommendations
<b>Documentation of business processes</b>	<p>We have completed a detailed documentation of some of your key business processes including:</p> <ul style="list-style-type: none"> <li>Accounts payable (including creditors)</li> <li>Accounts Receivable</li> <li>Investments</li> <li>Payroll</li> <li>Property, Plant and Equipment</li> </ul> <p>Detailed documentation of the processes around cash, pensions and journals will be undertaken during the remainder of the interim audit.</p> <p>Our work to date has not identified any issues which we wish to bring to your attention.</p>	<p>Overall, we have concluded that the business processes are appropriate in relation to the activities of the entity.</p> <p>Work in this area has not identified any weaknesses which impact on our audit approach.</p>
<b>Review of Information Technology (IT) controls</b>	<p>Our information systems specialists are currently performing a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p>	<p>Our work to date has not identified any material weaknesses which are likely to adversely impact on the County or Pension Fund's financial statements.</p> <p>Should any issues arise we will bring these to the attention of the Audit Committee through our Audit Findings Report.</p>
<b>Opening Balances</b>	<p>We have reviewed the brought forward balances to ensure that these agree to the closing balances from the 2017-18 audit.</p>	<p>Our work has not identified any issues with opening balances</p>

# Results of Interim Audit Work

	Work performed	Conclusions and recommendations
<b>Estimates</b>	<p>We have reviewed the outcome of accounting estimates included in the prior period financial statements to document and understand how management has made accounting estimates and the data on which these are based.</p> <p>Estimates reviewed include:</p> <ul style="list-style-type: none"> <li>PPE – Land &amp; Buildings</li> <li>Provisions</li> <li>Provision for doubtful debts</li> <li>Pension liability</li> <li>Employee benefit accrual</li> <li>PFI and similar arrangements</li> <li>Accruals</li> <li>Schools</li> </ul> <p>Our work has not identified any issues which we wish to bring to your attention</p>	<p>Overall, we have concluded that estimates are appropriate and based on reliable assumptions. Work in this area has not identified any weaknesses which impact on our audit approach.</p>
<b>Journal Entry Controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>Our work has identified, as in previous years, that journal policies do not require journals to be authorised by a second person. No other weaknesses have been identified.</p>
<b>Controls Testing (Pension Fund)</b>	<p>We performed a review of the operating effectiveness of key controls on those information systems where we had identified a reasonably possible risk of material misstatement to gain assurance about this and to reduce the amount of substantive testing performed on the financial tests. We reviewed:</p> <ul style="list-style-type: none"> <li>- Scheme contributions (defined benefits)</li> <li>- Benefit payments</li> </ul> <p>Our work, which is still ongoing, has not identified any issues to date, which we wish to bring to your attention.</p>	<p>Our work to date has not identified any issues that would impact on our statement testing.</p>

# Audit Deliverables

## 2018/19 Deliverables

	Planned Date	Status
<b>Fee Letter for Council and Pension Fund</b> Confirming audit fee for 2018/19.	April 2018	Complete
<b>Council's Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	Complete
<b>Pension Fund Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Pension Fund's 2018-19 financial statements.	January 2019	Complete
<b>Interim Audit Findings (Council and Pension Fund)</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Reports.	March 2019	Complete
<b>Audit Findings Report (Council and Pension Fund)</b> The Audit Findings Reports will be reported to the July Audit Committee.	July 2019	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statements (both Council and Pension Fund), annual governance statement and value for money conclusion.	July 2019	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2019	Not yet due

# Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with corporate governance committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

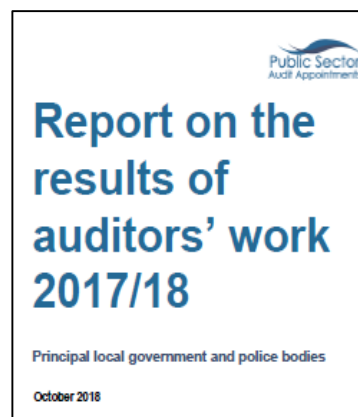
The report is available on the PSAA website:

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

## PSAA Report

### Challenge question:

Has your Authority identified improvements to be made to the 2018/19 financial statements audit and Value for Money Conclusion?





# National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

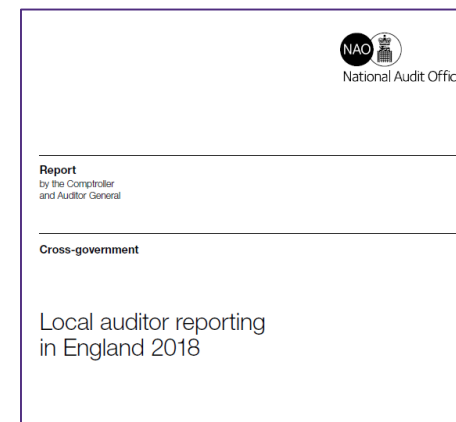
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



## NAO Report

### Challenge question:

Has your Authority responded appropriately to any concerns or issues raised in the External Auditor's report for 2017/18?



# National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

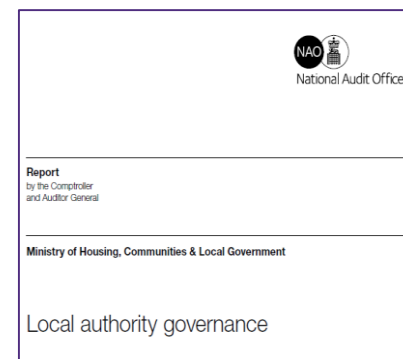
The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>

## NAO Report

### Challenge question:

Has your Authority got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



# CIPFA – Financial Resilience Index plans revised

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The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

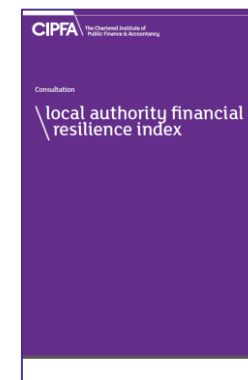
“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

## CIPFA Consultation

### Challenge question:

Has your Director of Finance briefed members on the Council’s response to the Financial Resilience Index consultation?



# ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

## Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

## What's the problem?

### Short-term solvency vs. Longer-term value:

- LG & NHS: Facing financial pressures, oversight & governance pressures
- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'
- **Other powers and duties:** implementing public interest reports in addition to VFM
- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.
- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'
- **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.
- **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.
- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role
- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

## Future financial viability of local public bodies

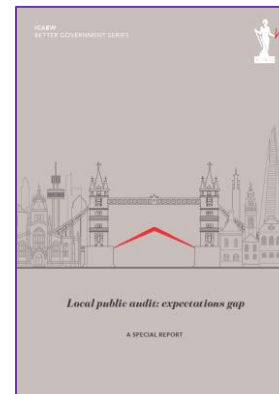
Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

## The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



## The expectations gap

### Challenge question:

How effectively is the audit meeting client expectations?



# Financial Foresight: Our sustainable solution for cash-strapped councils

Grant Thornton's new Financial Foresight platform helps provide local councils with financial sustainability.

Launched in early January, Financial Foresight is a unique platform that can help us provide financial sustainability to under-pressure local councils, using a combination of data, statistics and our expertise.

In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

Alarm bells started to chime at Somerset, Surrey, Lancashire and Birmingham councils last year. Yet it was the catastrophic near-collapse of Northamptonshire County Council - after it chose for five years not to raise council tax to cover its spiralling costs - that shone the spotlight on this widespread problem.

Unless local councils can get to grips with the situation, we'll all feel the effects of deeper cutbacks in public spending.

## What's causing the problem?

After eight years of government austerity which followed the financial crash of 2008, many councils are now digging deep into their financial reserves in order to provide public services to their communities – from social care to fixing potholes in the road.

Pressure on funding is further impacted by rapidly rising costs – especially for demand-led services as populations grow and age. Within just a few years, many councils will not have any reserves left to fall back on, and some have already said they will be unable to provide any non-statutory services at this time. Overlay Brexit onto this situation, along with the anticipated financial pressures this will bring, and the outlook for local authorities is extremely challenging.

## How can we help?

The investments we have made in analytics coupled with the commercial success of our CFO Insights tool has enabled us to develop credible financial forecasts for every local authority in the country. From this platform we developed Financial Foresight; a unique, forward-looking financial analytics and forecasting platform designed to support financial sustainability in local government.

Financial Foresight takes account of factors such as population growth, development forecasts and demand drivers to project local authority spend, income and operating costs. It provides a baseline view on the financial sustainability of every local authority in England and allows leaders in each authority to benchmark their own outlook against others. This will help councils move on from resilience – or just getting by – to financial sustainability.

Head of Local Government Paul Dossett said: "Through Financial Foresight and our associated strategy workshops, we can support local authorities to test and appraise a range of financial strategies and levers to develop a plan for a sustainable future. The critical importance of authorities understanding their financial resilience is only going to increase, so we're proud to be leading the market with this offering."

For more information, follow the links below:

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>

# Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies. Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

## Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

## Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

## Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

## Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

**Your organisation** – including considerations on workforce, funding, and changes to legislation

**Your services and suppliers** – ensuring that critical services are protected and building resilience within supply chains

**Your place** – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

## Brexit

### Challenge question:

How well advanced are your authority's plans for Brexit?



# National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

**Financial challenges** – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

**Culture and structure** – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing person-centred care.

**Strategic issues** – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

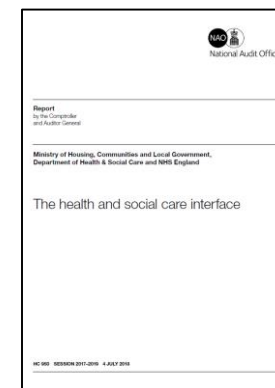
This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:  
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

## The health and social care interface

### Challenge question:

Has the Corporate Governance Committee considered the 16 challenges to joint working and what can be done to mitigate these?



# A Caring Society – bringing together innovative thinking, people and practice

The Adult Social Care sector is at a crossroads. We have yet to find a sustainable system of care that is truly fit for purpose and for people. Our Caring Society programme takes a step back and creates a space to think, explore new ideas and draw on the most powerful and fresh influences we can find, as well as accelerate the innovative social care work already taking place.

We are bringing together a community of influencers, academics, investors, private care providers, charities and social housing providers and individuals who are committed to shaping the future of adult social care.

At the heart of the community are adult social care directors and this programme aims to provide them with space to think about, and design, a care system that meets the needs of the 21st Century, taking into account ethics, technology, governance and funding.

We are doing this by:

- hosting a 'scoping sprint' to determine the specific themes we should focus on
- running three sprints focused on the themes affecting the future of care provision
- publishing a series of articles drawing on opinion, innovative best practices and research to stimulate fresh thinking.

Our aim is to reach a consensus, that transcends party politics, about what future care should be for the good of society and for the individual. This will be presented to directors of adult social care in Spring 2019, to decide how to take forward the resulting recommendations and policy changes.

## Scoping Sprint (Oct 2018)

Following opening remarks by Hilary Cottam (social entrepreneur and author of Radical Help) and Cllr Georgia Gould (Leader of Camden Council) the subsequent debate identified three themes for Grant Thornton to take forward:

1. Ethics and philosophy: What is meant by care? Should the state love?

2. Care in a place: Where should the power lie? How are local power relationships different in a local place?
3. Promoting and upscaling effective programmes and innovation

## Sprint 1 – What do we really mean by 'Care'? (Dec 2018)

Julia Unwin, Chair of the Civil Societies Futures Project, and Sam Newman of Partners4Change sparked debate on why we need society to be brave enough to talk about care and the different levels at which 'care' can be applied to create a Caring Society.

## Sprint 2 – A new role for the state? (7 Feb 2019)

Donna Hall, CEO of Wigan Council and Andrew of Reform, will start the debate on how can the state – nationally and locally – develop and adapt itself to be in service to a caring society.

### To find out more or get involved:

- Join the conversation at #acaringssociety
- [Why we need to create a caring society](#)
- [Creating a caring society – the start of the debate](#) – the key themes from our first round table
- [Social care must take the starring role in its own story](#) – why the definition of social care is so important if the system is to change
- [Markets, trust & governance](#) – how social care can evolve to become a driver of local care economies
- [The future care leader](#) – Fiona Connolly, director of adult social care at Lambeth, discusses the importance of local care leaders working across the entire health system

### Challenge question:

How is your authority engaging in the debate about the future of social care?





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# Links

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## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

## National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

## Public Sector Audit Appointments

<https://www.psa.a.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

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## Local Government audits 2018/19 and beyond

*"I have always been extremely pleased with the work done by colleagues from Grant Thornton, there is continuity of staff delivering the team who presented the bid. This continuity remains through the cycle of work that takes place during the year; allowing the team to continue to understand the corporate objectives whilst allowing us to ensure we comply with the required standards. The team are very friendly and approachable with an accommodating style".*

*Director of Finance, local audited body*

## Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

## Our relationship with our clients– why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

## New opportunities and challenges for your community

### The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

## Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

## Grant Thornton in Local Government

### Our client base and delivery

**We are the largest supplier of external audit services to local government**

**We audit over 150 local government clients**

**We signed 95% of our local government opinions in 2017/18 by 31 July**

**In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.**

We are well connected to MHCLG, the NAO and key local government networks

We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice

We have a strong presence across all parts of local government including blue light services

We provide thought leadership, seminars and training to support our clients and to provide solutions

We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists

We provide technical and personal development training

We employ over 80 Public Sector trainee accountants

Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing

We are fully compliant with ethical standards

Your audit team has passed all quality inspections including QAD and AQRT

We provide national technical guidance on emerging auditing, financial reporting and ethical areas

Specialist audit software is used to deliver maximum efficiencies

*"I have found Grant Thornton to be very impressive.....they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."*

Director of Finance, County Council



## **Audit Findings Report - Recommendations Tracker**

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Cabinet Member: Cllr Mandy Chilcott, Cabinet Member for Resources

Division and Local Member: All

### **1. Summary/link to the County Plan**

- 1.1. At the July 2018 Audit Committee, as part of their Audit Findings Report, Grant Thornton, our external auditors made a number of recommendations for improvement in areas such as budget monitoring and budget planning.
- 1.2. In September 2018, when this tracker was first brought to Audit Committee, members confirmed that they wished to see this at every public meeting thereafter, to take the necessary assurance that suitable progress is being made to address these recommendations.

### **2. Issues for consideration**

- 2.1. Members are asked to consider the tracker document and the progress to date (Appendix 1 to this report).
- 2.2. Members are asked to consider any further information that would provide further assurance that these processes are being improved at future Audit Committee meetings.

### **3. Background**

- 3.1. In response to the 7 new recommendations made by the external auditor in July 2018, a written management response was provided, and a number of commitments have been made to improve the processes.
- 3.2. These responses have been recorded in the Councils risk management system, JCAD, which will be kept updated to track and report progress. This is a format that is familiar to members from the regular Risk Management reports.
- 3.3. The external auditor's report and recommendations were primarily in relation to his concerns about sustainable resource deployment, which is a National Audit Office set criterion under his Value For Money work. Any decisions that will be necessary to rectify the current financial situation and to address the auditor's concerns about financial sustainability will follow the usual Cabinet and Scrutiny route, with decisions being taken according to the normal decision-making processes and following due consideration of impacts.
- 3.4. In addition, there is a key governance role for the Audit Committee to ensure that the external auditor's recommendations are being responded to, and that the suitable processes are being implemented.

- 3.5.** It is worth noting that there will be one further review of the 2018 value for money action tracker before the external auditor produces a new value for money assessment as part of the 2018/19 audit that will be reported to this Committee on 25 July 2019.
- 3.6.** Since the January 2019 meeting, progress continues to be made in a number of areas as set out in the tracker. Members are asked to note in particular:
- i) Robust control of the 2018/19 in-year budget resulted in the projected overspend reported to Cabinet in month 4 being reduced to a projected underspend in month 8. This projected underspend has continued at broadly the same level in months 9 and 10. The more detailed, frequent and transparent budget monitoring continues to both Cabinet and Scrutiny. Both reports are monthly. The Quarter 3 budget monitoring report included the addition of charts showing the trend in budget variations, in total and by services that provide a simple, visual summary of the movements across the year to date. This has been well received by Members.
  - ii) After a detailed MTFP process, (elements reported in January to this Committee) and after thorough scrutiny at each Scrutiny Committee in January, the 3-year MTFP was presented to and agreed by Cabinet and then Full Council in February 2019. The report included considerable details of the budget being proposed, highlighting where there were changes from the previous MTFP and drawing out the implication for the Councils longer term financial resilience.
  - iii) Since mid 2018 there have been monthly progress up-dates to track and review progress against the value for money tracker. The outgoing Interim Director of Finance had a final detailed conversation in February 2019 (alongside a handover with the incoming Interim Finance Director) and the incoming Interim Finance Director has also met with external audit in March. Regular meetings will continue to be held as the organisation tracks further progress.
  - iv) The rollout of budget management training to relevant officers continues. The initial tranche of staff provided positive feedback on the course; feedback from the LGA trainer's courses showed 91% of the attendees rated the course as good or very good, and 95% said that the trainer delivered the content effectively and met the group's needs. Those that were unable to attend the initial LGA delivered dates were invited to 'mop up' dates in February and April.

#### **4. Consultations undertaken**

- 4.1.** Officers hold regular meetings with the external auditor, where progress against these recommendations will now form a key part of the discussions.

## **5. Implications**

- 5.1.** A positive response to the recommendations made should be reflected in the external auditor's subsequent reports to the Audit Committee and should provide the benefits as set out in his July 2018 report.

In their report to the Audit Committee in July 2018, Grant Thornton concluded that they were "unable to state that Somerset County Council has proper arrangements in place to ensure sustainable resource deployment ...". They then issued an adverse 2017/18 value for money conclusion and stated that they had "considered the need to exercise our wider auditor powers. At this stage, we have decided not to exercise these powers, but will consider the need to issue a 'statutory recommendation' under section 24 (Schedule 7) of the Local Audit and Accountability Act, should arrangements at the council not improve and/or further significant overspends emerge during the course of 2018/19." Therefore, taking swift and decisive action as set out in this report is an essential part of the response to the Grant Thornton findings.

## **6. Background papers**

- 6.1.** External auditor's Annual Findings Report to Audit Committee and Management Response document from the Audit Committee meeting of 26 July 2018.

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

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## GT VFM Tracker

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	<b>GTVFM0001</b>  <b>Risk Owner:</b> Sheila Collins  <b>Next Risk Review Date:</b> 28/06/2019	<b>Risk Description:</b> External Audit VFM: The council should review the format of its budget setting, monitoring and outturn reports to ensure they maximise the ability of both officers and members to understand and challenge delivery against budget. As part of this process, members should be consulted with to determine what they would like to see and, in particular, how risks to non-delivery will be flagged.  Suggest review for completion when next VFM assessment is undertaken, even if further improvements are to be made.  <b>Cause:</b>  <b>Consequence:</b>		<ul style="list-style-type: none"> <li>Review and improve further our Budget Monitoring reports and how they link back to our budget setting documentation. Budget Monitoring reports to include favourable and adverse variances separately in Quarter 1 (September) and more explanations of the reasons behind such variances. Use of reserves and capital receipts flexibilities to be shown as separate values. Interim, briefer reports now prepared on a monthly basis with more detailed reports on a quarterly basis. Month 6 report explains the budget movements caused by the cabinet decisions in Sept 2018. Risk Management report to Audit Committee (September and onwards) to include update on this Action Plan. <i>In Progress (90% complete)</i></li> </ul>	<b>Sheila Collins</b> 28/06/2019 31/07/2019	Likelihood : Impact :  0	Likelihood : Impact :	22/02/2019 Format of monitoring has been reviewed and increased transparency has been welcomed by members. Further work being considered by new Director of Finance on how performance can be more closely aligned with finance in this reporting.  May be appropriate to close this action and create a new one in due course.
	<b>GTVFM0002</b>  <b>Risk Owner:</b> Sheila Collins  <b>Next Risk Review Date:</b> 20/04/2019	<b>Risk Description:</b> External Audit - VFM: The council should consider what is a realistic and achievable base budget for each service area, having regard to the previous year's performance. As part of this process, consideration should be given, to what level of contingency, if any, should be set aside for unexpected pressures versus direct service line allocation.  Consideration should be given to closing this action when the outcome of the GT VFM assessment is known.		<ul style="list-style-type: none"> <li>Financial Imperative programme to turn around current in-year overspends with budget reductions 31/10/2018: In-year savings proposals were presented to, and agreed by, the Cabinet on 12 Sept 2018. These proposals have now been applied to the budgets and are reported in the month's 6 monitor to Cabinet in November. Rigorous controls are in place to ensure that the savings are delivered according to plan reducing the overspend to £3m. <i>In Progress (95% complete)</i></li> </ul>	<b>Sheila Collins</b> 11/04/2019 12/04/2019	Likelihood : Impact :  0	Likelihood : Impact :	20/3/2019: Month 10 budget monitoring report to Cabinet showed a forecast and in year underspend of £1.3m, which included delivery or on track to deliver savings. the final end of year position will be reported to Cabinet in June 2019

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
		<p><b>Cause:</b></p> <p><b>Consequence:</b></p>						
	<p><b>GTVFM0003</b></p> <p><b>Risk Owner:</b> Sheila Collins</p> <p><b>Next Risk Review Date:</b> 31/05/2019</p>	<p><b>Risk Description:</b> External Audit - VFM: The council should ensure that there is consistency of reporting between budget setting and monitoring with a clear approach to how savings are identified, quantified financially and monitored. If annual savings are to be identified on a thematic basis, they should also be monitored on a thematic basis. Where savings are built into service line budgets, a full reconciliation should be provided to show how these impact on thematic savings targets.</p> <p>It is suggested that this action is closed when the outcome of the next GT VFM assessment is known.</p> <p><b>Cause:</b></p> <p><b>Consequence:</b></p>				<p>Likelihood : Impact :</p> <p>0</p>	<p>Likelihood : Impact :</p>	<p>22/02/2019 Good progress has been made in the detail and quality of the monitoring reports and they appear to have been well received. More improvements can be made, but this action could be closed when the outcome of the next GT VFM assessment is known.</p>

	<b>Risk Ref</b>	<b>Risk</b>	<b>Uncontrolled Risk</b>	<b>Action Required (In progress Only)</b>	<b>Control Owner Review Date Target Date</b>	<b>Current Risk Score</b>	<b>Controlled Risk Assessment for Financial Year</b>	<b>Comments</b>
	<b>GTVFM0004</b>  <b>Risk Owner:</b> Sheila Collins  <b>Next Risk Review Date:</b> 18/04/2019	<b>Risk Description:</b> External Audit - VFM: Committees and meetings responsible for monitoring financial delivery should explicitly minute the challenge and actions taken, where necessary, in response to in year overspends. These should be followed-up at the next meeting to ensure the proposed action is having the desired effect and to inform what further action, if any, is needed.  <b>Cause:</b>  <b>Consequence:</b>				Likelihood : Impact :  0	Likelihood : Impact :	18/03/2019 Democratic services now record challenges and actions in minutes and follow up at next meeting.

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	<b>GTVFM0005</b>  <b>Risk Owner:</b> Sheila Collins  <b>Next Risk Review Date:</b> 18/04/2019	<b>Risk Description:</b> External Audit - VFM: Reporting of financial performance to members should be transparent and understandable and include greater analysis of areas such as use of reserves or grants and application and achievement of transformational projects through the use of capital flexibilities.  <b>Cause:</b>  <b>Consequence:</b>		<ul style="list-style-type: none"> <li>◦ <b>Review and improve further our Budget Monitoring reports, making them more transparent and understandable</b> We will review and improve further our Budget Monitoring reports and how they link back to our budget setting documentation. It is noted that our current format has previously served us well but given our current financial context we will seek to make them more transparent for all members to see our progress and recommendations. This will include a statement on the use of the Capital Receipts Flexibilities and a fuller disclosure of the transformation projects that are being considered for funding through this mechanism. Q3 budget monitoring report included line charts (in total and for each core service) to show the budget variances month by month to enable an easy overview of the trend across the year. <i>In Progress (90% complete)</i></li> </ul>	<b>Sheila Collins</b> <a href="#">01/05/2019</a> 31/07/2019	Likelihood : Impact :  0	Likelihood : Impact :	18/03/2019 Line charts showing budget variance trends across the whole financial years have been added to Qtr3 monitoring report. Well received by Members at Cabinet and Place Scrutiny meetings.
	<b>GTVFM0006</b>  <b>Risk Owner:</b> Sheila Collins  <b>Next Risk Review Date:</b> 18/04/2019	<b>Risk Description:</b> External Audit - VFM: Capital flexibilities should be reported and monitored in line with Central Government guidelines. All identified projects should be included in the budget process and approved prior to the financial year along with achievement against prior year projects. In-year reporting should update for any changes including newly identified projects or those projects that are delayed or unlikely to deliver  <b>Cause:</b>		<ul style="list-style-type: none"> <li>◦ <b>Review and improve our reporting of the use of Capital Receipt Flexibilities</b> Business cases for CRF use are being reviewed ahead of the next financial year. <i>In Progress (70% complete)</i></li> </ul>	<b>Sheila Collins</b> <a href="#">26/04/2019</a> 30/06/2019	Likelihood : Impact :  0	Likelihood : Impact :	18/03/2019 Note added to up-date that business cases for CRF use are being reviewed before start of next financial years

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
		<b>Consequence:</b>						
	<b>GTVFM0007</b>	<p><b>Risk Description:</b>                      External Audit - VFM: The S151 officer in his/her annual reporting under Section 25 of the LG Act 2003 on the adequacy of reserves should clearly articulate their view on the adequacy of both general fund and other reserves (including earmarked reserves) along with any proposed actions to strengthen these going forward. As part of this process, consideration should be given, to the appropriateness of holding negative earmarked reserves.</p> <p><b>Cause:</b></p> <p><b>Consequence:</b></p>				Likelihood : Impact :  0	Likelihood : Impact :	20/03/2019 A review of reserves, including the negative earmarked reserves, to identify movements in 2018/2019 and projections for future years has been undertaken. Opportunities are being sought in both 2018/19 and in 2019/20 to replenish the General Fund and reduce or eliminate the negative earmarked reserves. Details were described in the budget report to Cabinet and Council in February 2019.

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## GT VFM Support Tracker

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	<b>GTVFMS0001</b>	<p><b>Risk Description:</b> Failure to deliver supporting actions identified at July 2018 Audit Committee</p> <p>Review and potentially close when next GT VFM assessment completed.</p> <p><b>Cause:</b></p> <p><b>Consequence:</b></p>		<p>o <b>Lobby central government for a fairer financial deal for Somerset, both immediately and for the Fairer Funding Review.</b></p> <p>We will continue to lobby central government for a fairer financial deal for Somerset, both immediately and for the Fairer Funding Review. There are a number of inequalities that we believe need to be corrected around funding assumptions, not least the additional costs of a rural authority. We will press for greater certainty over funding after 2019/2020, without which longer term planning is rendered very difficult.</p> <p>12/11/2018: Leader of the Council has sent letters to local MPs &amp; during October met with all 5 Somerset MPs. In addition a short presentation based report has been prepared detailing where Somerset's cost pressures are coming from &amp; suggestion &amp; some asks that we would appreciate support on from our MPs <i>In Progress (70% complete)</i></p>	<b>Sheila Collins</b> 31/05/2019 31/12/2019	Likelihood : Impact :  0	Likelihood : Impact :	20/03/2019: the Council agreed a balanced budget for 2019/2020 in February 2019 and clear plans for 2020/21 and 2021/22

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
				<ul style="list-style-type: none"> <li> <p>◦ <b>Implement mandatory training programme for all budget holding managers &amp; officers accountable for expenditure</b>                      20/03/2019: The rollout of budget management training to relevant officers continues. The initial tranche of staff provided positive feedback on the course; feedback from the LGA trainer's courses showed 91% of the attendees rated the course as good or very good, and 95% said that the trainer delivered the content effectively and met the group's needs. Those that were unable to attend the initial LGA delivered dates were invited to 'mop up' dates in February and April.  <i>In Progress (90% complete)</i></p> </li>   <li> <p>◦ <b>Offer all-member training events on general and specific financial matters.</b>                      20/3/2019: The Interim Director of Finance held an all member briefing on the MTFP preparation progress on 17 December 2018. Further consideration of how to engage members in future MTFP preparations will be factored into MTFP 2020/2021 planning being done by the new Interim Director of finance.  <i>In Progress (50% complete)</i></p> </li> </ul>	<p>Sheila Collins  <a href="#">22/04/2019</a></p> <p>Sheila Collins  <a href="#">31/05/2019</a>                      31/05/2019</p>			



	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
				<ul style="list-style-type: none"> <li>◦ <b>Seek financial solutions that are transformational in nature as opposed to simple service reductions</b></li> </ul> <p>07/11/2018: The Financial Imperative Programme will continue alongside more acute interventions around budget spend and budget planning for 2019/20. There will also be discussions around the Council's "core offer" so that we can move towards that strategic goal. The intention is to have a 3-year, balanced MTFP presented to the Council in February 2019. <i>In Progress (25% complete)</i></p>	<p><b>Sheila Collins</b> 30/04/2019 31/03/2020</p>			

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## Risk Management & Internal Audit Partial Opinion update

Lead Officer: Sheila Collins, Director of Finance  
 Author: Pam Pursley, Risk Manager, Democratic Services  
 Contact Details: 01823 359062, ppursley@somerset.gov.uk  
 Cabinet Member: Cllr Mandy Chilcott  
 Division and Local Member: All

### 1. Summary / link to the County Plan

- 1.1. This report contains the latest information, obtained from our risk management system JCAD, on the Strategic risks to SCC.
- 1.2. The management of risk has a direct link with the County Vision, Business Plan, the Medium Term Financial Plan, forms an integral part of the Annual Governance Statement (AGS) and is a major component of the External Auditor's Value for Money Audit. Risk management is an essential component of good corporate governance.

### 2. Items for consideration

- 2.1. Audit Committee members need to be assured that the management, actions (work tasks to mitigate the risk) and compliance with the review process, are sufficient regarding:
- 2.2. The Council's Strategic Risk Report (latest position dated 20 March 2019) is attached as **Appendix A**. The movement in severity/priority of any individual strategic risk since the last report in January 2019 is expressed in the Heat Map at item 3.1 below.
- 2.3. Strategic risk **ORG0043** - Maintain a sustainable budget. Change to the current score following review.
- 2.4. SWAP Partial Audits. JCAD is used to track the progress of the recommendations made by internal audit that only achieve a partial opinion.

### 3. Background

- 3.1. Strategic risk management is the process of identifying, quantifying, and mitigating any risk that affects or is inherent in an organization's business strategy, strategic objectives, and strategy execution.

The benefits of strategic risk management are

1. greater likelihood of achieving strategic objectives;
2. more systematic decision-making leading to better quality decisions;
3. improved allocation of resources.

The Heat Map below maps the changes to the strategic risks since the last heat map reported to Audit Committee in September 2018.

5 - Very Likely	0	0	15	0	25
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(1)					<b>ORG0043</b>
4 – Likely (1)	0	0	12	16 <b>ORG0043</b>	0
3 – Feasible (9)	0		9 ORG0042	12 ORG0022 ORG0002 ORG0007 ORG0024 ORG0032	15 ORG0009 ORG0011
2 – Slight (1)	0	0	0	8	10 ORG0001 ORG0010
1 - Very unlikely (0)	0	0	0	4	0
	1 Insignificant (0)	2 Minor (0)	3 Significant (1)	4 Major (6)	5 Critical (5)

- 3.2.** Strategic risk **ORG0043** – Sustainable Budget; Reserves will not be sufficient to manage any in-year overspends for the forthcoming financial year 2018/19. That we don't set a balanced budget for 2019/20. Risk that we don't have a short and medium term financial plan for SCC. (4x4(16)).
- 3.3.** This strategic risk has been regularly reported to Audit Committee since early 2016 and remained a focus for assurance on management actions.
- 3.4.** The risk is reassessed on a monthly basis to determine if the likelihood of the risk can be reduced. Given the assessment in the February County Council report, it was felt that the likelihood score can reduce from 'very likely' (5) to 'likely' (4) and impact from 'critical' (5) to 'major' (4) following consideration and approval of the budget for 2019/20 in February 2019.
- 3.5.** Prior to leaving the council the then Interim Director of Finance, Peter Lewis, wrote as part of his risk review of ORG0043, "Improvements to the projected outturn for 2018/19 and the setting of a balanced, robust budget for 2019/20 have allowed for the likelihood and impact scores to be reviewed. General Fund improved; negative earmarked reserves reduced, underspend projected and manageable budget for 2019/20 approved".
- 3.6.** The Government's continued deficit reduction programme has significantly reduced the levels of funding available to local government. The Council faces substantial on-going challenges to achieve a sustainable balanced budget due to this and the increasing demand on its key services, especially those for vulnerable children and adults.
- 3.7.** It is important that Members understand the risks to approved budgets, maintaining enough reserves, balances and contingencies as well as managing a range of mitigations to limit as much as possible potential impacts on core services, especially those prioritised in the County Plan. As savings become ever more difficult to identify and then deliver, it is imperative that expenditure is kept within existing budgets.

3.8. The key risks are identified on the strategic risk register and particularly within risk ORG0043. These include:

1. The availability and use of reserves and the revenue contingency: these are critical in being able to manage peaks in demand and costs incurred. A recent report to County Council (February 2019) recognised the need for adequate reserves and contingencies and aims to adopt a reasonable approach to maintaining both.

2. The potential for overspends in specific demand led service budgets seem to be more stable in recent months although the outlook for some demand led areas can alter relatively quickly. The risk of overspends continues to be mitigated through detailed budget review and challenge sessions which are generating an improved understanding of the budget and hence actions, which are delivering improved control of expenditure within all services.

#### 4. SWAP Internal Audit Partial Recommendations

4.1. When an internal audit results in a partial opinion the audit is recorded in JCAD for regular monitoring, usually quarterly. There are nineteen SWAP Partial Audits recorded in JCAD at present, each audit is assigned to a senior manager with the resulting recommendations being assigned to individual officers. The report of the SWAP partial audit tracker can be found at **Appendix B**.

4.2. From July 2018 to January 2019 nine partial audits, listed in the table below, have been verbally presented to Committee members by senior officers to provide assurance that the current risks faced by the council in these areas are adequately controlled and managed.

4.3.

Partial Audits presented at Audit Committee July 2018 to January 2019		Month presented
JCAD Ref	Title of Audit	
SWAP0059	Strategic Asset Management	January 2019
SWAP0022	Concessionary Fares	November 2018
SWAP0040	Risk Of Care Provider Failure	November 2018
SWAP0058	Children's Direct Payments	November 2018
SWAP0047 - CLOSED	Payroll & IR35	September 2018
SWAP0049	Use of Part-time Timetables	September 2018
SWAP0032	Debtor Management	September 2018
SWAP0044	Mental Health Emergency Assets Care Plans	July 2018
SWAP0039	New Operating Model Front Door	July 2018

4.4. On a regular basis, officers are required to provide update information, in JCAD, for the recommendations from each partial audit. Emails are automatically generated by JCAD informing officers when the review is due. The table below highlights six partial audits where the management reviews have still not taken place.

4.5.

SWAP Partial Audits requiring management update		
JCAD Ref	Title of Audit	Review Date

SWAP0009	SCC Placement Financial Controls 2016/17	31/01/2019
SWAP0022	Concessionary Fares	04/02/2019
SWAP0026	Education of Children Looked After	21/08/2017
SWAP0032	SCC Corporation Debt Management	26/02/2019
SWAP0058	Children's Direct Payments	31/12/2018
SWAP0061	Contract Management of Children's Independent Placements 2017	07/01/2019

## 5. Consultations undertaken

- 5.1. Each relevant SLT Director is responsible for reviewing their risks, in many cases in conjunction with the Risk Manager, and assuring themselves that the actions for mitigation are appropriate and delivering the expected outcome, as outlined in the Councils Risk Management Policy.

## 6. Implications

- 6.1. How successful we are in dealing with the risks we face can also have a major impact on the achievement of our business outcomes and the delivery of services.

## 7. Background papers

- 7.1. Councils Risk Management Policy & Strategy – approved by Cabinet on 19 October 2016  
Report of the Leader and Cabinet, paper C - 27 February 2019

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

## Strategic Risk Report - Somerset County Council (SLT)

## Appendix A

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	ORG0043	<p><b>Risk Description:</b> Strategic Risk 2018: Maintain a sustainable budget: Reserves will not be sufficient to manage any in-year overspends for the forthcoming financial year 2018/19. That we don't set a balanced budget for 2019/20. Risk that we don't have a short and medium term financial plan for SCC.</p> <p><b>Cause:</b> Unforeseen expenditure and overspends exceed the planned provision. Potential misunderstanding of, or assumptions around, ownership of budgets and savings</p> <p><b>Consequence:</b> A balanced budget has been set for 2018/19 but there is considerable risk that not all savings will be achieved and overspends may exceed contingency and reserves. There is a set of actions to keep this in check. Savings overestimated resulting in a financial gap. Financial savings are double counted</p>	<p>Likelihood :5 Impact :5</p> <p style="text-align: center;">25</p> <p>Red - V. High Risk</p>	<ul style="list-style-type: none"> <li><b>FIT-Heightened budget monitoring on those services showing budget overspend</b> Part of the 10 point plan, in progress; Childrens services budget reviewed and rebased for 2018/19 &amp; 2019/20. All proposals for change agreed by Cabinet in Sept 2018 now implemented in month 6 monitoring, which means new control totals for which are of the budget. Projected outturn overspend now reduced to £3.2m Scrutiny Policies &amp; Place have requested monthly monitoring updates and these will also be presented to Cabinet <i>In Progress (90% complete)</i></li> <li><b>FIT-Review of the earmarked reserves to establish if any of those could be rescinded and returned to general reserves</b> Part of the 10 point plan, in progress; review has been undertaken by Dir. Finance and latest situation is reported in Sept Cabinet report. Monitoring of reserves will be ongoing. Monitoring of reserves continues on a monthly basis, with a particular emphasis for production of the budget reports for 2019/20 <i>In Progress (90% complete)</i></li> </ul>	<p><b>Sheila Collins</b> <a href="#">29/03/2019</a> 30/04/2019</p> <p><b>Sheila Collins</b> <a href="#">24/05/2019</a> 24/05/2019</p>	<p>Likelihood :4 Impact :4</p> <p style="text-align: center;">16</p> <p>Red - V. High Risk</p>	<p>Likelihood :4 Impact :4</p> <p style="text-align: center;">16</p> <p>Red - V. High Risk</p>	22/02/2019 Improvements to the projected outturn for 2018/19 and the setting of a balanced, robust budget for 2019/20 have allowed for the likelihood and impact scores to be reviewed.

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
				<ul style="list-style-type: none"> <li>◦ <b>focussing on contract spend in all areas but specifically in Children's services</b> Part of the 10 point plan continues. PeopleToo have just reported on their investigations in regard of childrens services and have identified several £m of opportunities which will influence spend in 2018/19 &amp; 2019/20 and beyond. New Head of Procurement is undertaking an exercise to review the top 100 contracts and to drive out savings. <i>In Progress (10% complete)</i></li>   <li>◦ <b>FIT-Short term financial intervention</b> Monitoring of the 2018/19 short-term interventions (MTFP2) is now rigorously undertaken by the FIT, with FIT buddies in regular liaison with service to ensure progress towards the delivery of the savings is being made according to the agreed timetable. <i>In Progress (90% complete)</i></li>   <li>◦ <b>FIT-Fit governance in place and due dilligence on control totals ensuring only one budget adjusted</b> FIT governance framework in place. Waiting room process and due dilligence on control totals is ensuring that only one budget is adjusted. <i>In Progress (80% complete)</i></li>   <li>◦ <b>FIT-Process in place where by all all savings proposals require director and finance manager sign off</b> <i>In Progress</i></li> </ul>	<p><b>Sheila Collins</b> <a href="#">02/05/2019</a> 29/03/2019</p> <p><b>Sheila Collins</b> <a href="#">29/03/2019</a> 31/05/2019</p> <p><b>Lizzie Watkin</b> <a href="#">31/05/2019</a> 28/06/2019</p> <p><b>Lizzie Watkin</b> 28/12/2018</p>			



	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	ORG0011  Risk Owner: Paula Hewitt  Next Risk Review Date: 11/04/2019	<p><b>Risk Description:</b> Strategic Risk 2016: Health &amp; Safety: Death or injury to a member(s) of the public or a member(s) of staff, volunteers, visiting contractors or service users</p> <p><b>Cause:</b> Failure to manage our activities, assets, premises and contracts in compliance with our statutory duties and organisational policies in respect of Health &amp; Safety, either directly, or indirectly through our strategic partners</p> <p><b>Consequence:</b> 1. Death or serious harm ("dangerous occurrence" (defined by legislation)) to a service user, pupil, member of the public or a member of staff; 2. Criminal prosecution and enforcement action under H&amp;S / Fire / Corporate Manslaughter legislation. 3. Civil Claims and/or personal litigation claims for negligence 4. Adverse publicity and damage to reputation for the Council 5. Increased audit inspection 6. Increased costs and financial penalties</p>	<p>Likelihood :5 Impact :5</p> <p style="background-color: red; color: white; text-align: center; padding: 2px;">25</p> <p>Red - V. High Risk</p>	<p>o <b>Create common processes so staff can be interchanged across County</b> 25/10/2017 - nothing has changed to the status below as the FM review is ongoing 20/12/2017 - Review due to complete in May 2018, no change to status. 21/05/2018 - Review complete - associated changes due to be implemented with effect from 1st September 2018. 04/09/2018 - Taunton restructure implemented 30/08/18 Business Support functions due to move with effect from 1 November. Processes to be produced for remaining FM tasks. 18/12/18 - Staff Instructions created on One Note, Policies being reviewed at regular workshops, training plan in place. 18/03/19 structure change in County Hall team and vacancies in areas. intend to have staff instructions complete by 31/08/19 <i>In Progress (75% complete)</i></p>	<p>Heidi Boyle 18/06/2019 31/08/2019</p>	<p>Likelihood :3 Impact :5</p> <p style="background-color: orange; text-align: center; padding: 2px;">15</p> <p>Amber - High Risk</p>	<p>Likelihood :3 Impact :5</p> <p style="background-color: orange; text-align: center; padding: 2px;">15</p> <p>Amber - High Risk</p>	<p>11/03/2019 Risk score unchanged. Resources remain a concern P Hewitt 11/03/19</p>

Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
<p><b>ORG0009</b></p> <p><b>Risk Owner:</b> Julian Wooster</p> <p><b>Next Risk Review Date:</b> 20/06/2019</p>	<p><b>Risk Description:</b> Strategic Risk 2016: Safeguarding Children: We fail to deliver our statutory service delivery duties and legal obligations in relation to vulnerable children.</p> <p><b>Cause:</b> Systemic leadership, financial constraints and management challenges</p> <p><b>Consequence:</b> Possible abuse, injury or loss of life to a vulnerable child caused by service failure. Reduced public confidence; emergency measures; increased inspection; personal litigation claims; negative publicity for both the Council and partners; possible financial penalty or service is removed from Council control.</p>	<p>Likelihood :4 Impact :5</p> <p style="background-color: red; color: white; text-align: center; padding: 2px;">20</p> <p>Red - V. High Risk</p>	<p>o <b>CYPP 7 Improvement Programmes</b> Review: The Children's Trust Executive are pleased with the progress against the 7 Improvement Programmes, but recognise there is still much work to be done. Action plans for 2017/18 have been drawn up with a focus on a stepped improvement over this second year to ensure year 3 achieves the outcomes of the CYPP in 2019 <i>In Progress (35% complete)</i></p>	<p><b>Adrienne Parry</b> <b>20/06/2019</b> <i>31/03/2019</i></p>	<p>Likelihood :3 Impact :5</p> <p style="background-color: orange; text-align: center; padding: 2px;">15</p> <p>Amber - High Risk</p>	<p>Likelihood :3 Impact :5</p> <p style="background-color: orange; text-align: center; padding: 2px;">15</p> <p>Amber - High Risk</p>	<p>20/03/2019 Ofsted undertook a Focused Visit (Inspection) of our front door children's social care services, including aspects of early help on 29th and 30th January. The Inspectors visited our early help hub, first response and assessment teams in Taunton, Bridgwater and Yeovil.</p> <p>The inspectors identified many areas of good practice including:</p> <ul style="list-style-type: none"> <li>• the commitment to strengthen families so children can remain at home - they saw good examples of social workers working alongside families to improve parenting and family circumstances</li> <li>• improved proportionate, succinct and timely assessments</li> <li>• confirmed that we have the right thresholds, and that we are generous in helping partners to take on their responsibilities</li> </ul> <p>Such evidence of continuous improvement is especially pleasing.</p> <p>The Inspectors do not make graded judgements at the outcome of a focused visit. Where inspectors find serious weaknesses, they identify areas for priority action. No priority actions were identified.</p>

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
								However, 4 areas of practice were identified by Inspectors to require improvement to get to 'good'. These are: <ul style="list-style-type: none"> <li>Ensuring the child's lived experience is routinely captured to inform decision-making</li> <li>Being clear with families in all cases about the focus and time required for any assessment</li> <li>Ensuring consistency of practice across all the teams in Somerset</li> <li>Improving awareness and practice in relation to working with perpetrators of domestic abuse in families</li> </ul>
	<b>ORG0007</b>  <b>Risk Owner:</b> Paula Hewitt  <b>Next Risk Review Date:</b> 11/06/2019	<b>Risk Description:</b> Strategic Risk 2018 update: Business Continuity & Disaster Recovery may not be delivered as expected by services in the event of County Hall failure.  <b>Cause:</b> County Hall remains a single point of failure for some elements of connectivity e.g. Mobile networks. There is also a lack of formal arrangements in place, or being finalised, that enable managers to review risks in the planning for business continuity  <b>Consequence:</b> Major disruptive challenge to service provision and unplanned costs.	Likelihood :3 Impact :5  <b>15</b>  Amber - High Risk	<ul style="list-style-type: none"> <li><b>Business Continuity Steering Group</b> Hold regular meetings of the Business Continuity Steering Group. Membership includes SCC service representatives and colleagues from the District Councils. Purpose of the Steering Group is to embed and promote effective business continuity arrangements throughout the local authorities and contracted services. In 2018/19 meetings were held in July 2018, autumn 2018 and January 2019. <i>In Progress (75% complete)</i></li> </ul>	<b>Nicola Dawson</b> <a href="#">18/06/2019</a> 31/03/2019	Likelihood :3 Impact :4  <b>12</b>  Yellow - Medium Risk	Likelihood :3 Impact :4  <b>12</b>  Yellow - Medium Risk	11/03/2019 Risk score remains unchanged P Hewitt 11/03/19

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
				<ul style="list-style-type: none"> <li> <p>◦ <b>Annual Corporate Business Continuity Exercise</b>                      Hold a table-top exercise in spring 2019 to test the SCC Corporate Business Continuity Plan and the supporting service level plans. Invite SCC services and district councils to participate. Build on the lessons identified in Ex Viral Crisis (March 2017) and Exercise Long Reach (April 2018)  <i>In Progress (10% complete)</i></p> </li> <li> <p>◦ <b>Mobile phone network</b>                      Review 08/01/2019 - D Littlewood: I have spoken with procurement around multi-network SIM cards, that can roam between networks if one network carrier goes down. These are expensive at present under our current contract, but we are looking to reduce cost as part of the Mobile telecoms review which is still underway.</p> <p>There is also an option for parts of the business to move some of its SIM cards over to an existing Vodafone contract, so half of the service is with EE, and half with Vodafone, but again, reducing the number of phones on each contract, increases the cost of the calls and data, so we are working with procurement on the best approach between cost and continuity.</p> <p>In the short term, we have now released Outlook and access to Somerset County Council mailboxes, to personal devices, so if individuals are on other networks, they could still access email and have contact (as proven in the outage of the EE network a few weeks ago)  <i>In Progress (25% complete)</i></p> </li> </ul>	<p><b>Nicola Dawson</b>  <span style="color: red;">11/03/2019</span>  <span style="color: blue;">31/03/2019</span></p> <p><b>Dave Littlewood</b>  <span style="color: blue;">30/09/2019</span></p>			

Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
<p><b>ORG0002</b></p> <p><b>Risk Owner:</b> Paula Hewitt</p> <p><b>Next Risk Review Date:</b> 18/05/2019</p>	<p><b>Risk Description:</b> Strategic Risk 2015: Commissioning: Failure to adequately commission services and/or failure in the market and supply chain</p> <p><b>Cause:</b> Demand led response and not outcome driven (trying to deliver the same service with less resources is no longer feasible), limits the ability to deploy resources previously identified for investment in preventative services</p> <p><b>Consequence:</b> Resulting in transfer and a reduction in planned long term savings and the council being unable to meet statutory obligations and/or to deliver the County Plan objectives, Incur additional financial costs, fail to achieve value for money, reputation damage, vulnerable individuals at greater risk, financial penalty</p>	<p>Likelihood :5 Impact :5</p> <p style="background-color: red; color: white; text-align: center; padding: 2px;">25</p> <p>Red - V. High Risk</p>	<p>◦ <b>Refresh Market Position Statement to better reflect Adult Services priorities</b></p> <p><i>In Progress (50% complete)</i></p>	<p><b>Niki Shaw</b> <a href="#">29/03/2019</a> 29/03/2019</p>	<p>Likelihood :3 Impact :4</p> <p style="background-color: yellow; text-align: center; padding: 2px;">12</p> <p>Yellow - Medium Risk</p>	<p>Likelihood :3 Impact :4</p> <p style="background-color: yellow; text-align: center; padding: 2px;">12</p> <p>Yellow - Medium Risk</p>	<p>18/02/2019 Risk remain however actions needed to be reviewed and updated to reflect current work. P Hewitt</p>
<p><b>ORG0032</b></p> <p><b>Risk Owner:</b> Simon Clifford 2</p> <p><b>Next Risk Review Date:</b> 07/07/2019</p>	<p><b>Risk Description:</b> Strategic Risk 2017: Information Governance: An event occurs that results in a statutory breach of data protection legislation. This could be an ICT security vulnerability that compromises the PSN network, a significant disclosure of sensitive personal data or another procedural breach of the EU GDPR.</p> <p><b>Cause:</b> An intentional exploitation of a security vulnerability in the SCC network by hostile agents such as hackers or malware. Non-compliance with the articles and</p>	<p>Likelihood :5 Impact :4</p> <p style="background-color: red; color: white; text-align: center; padding: 2px;">20</p> <p>Red - V. High Risk</p>	<p>◦ <b>Publication of EUGDPR Privacy Notice</b> The EU-GDPR requires the publication of a comprehensive Privacy Notice detailing the services provided, the personal data processed, the sharing agreements, the retention periods and access arrangements for data subjects</p> <p><i>In Progress (85% complete)</i></p>	<p><b>Rebecca Martin</b> <a href="#">15/09/2019</a> 01/04/2019</p>	<p>Likelihood :3 Impact :4</p> <p style="background-color: yellow; text-align: center; padding: 2px;">12</p> <p>Yellow - Medium Risk</p>	<p>Likelihood :3 Impact :4</p> <p style="background-color: yellow; text-align: center; padding: 2px;">12</p> <p>Yellow - Medium Risk</p>	<p>07/01/2019 risk continues to be monitored and has eased slightly due to the suspension of the data migration to the Cloud. update to that suspension to be agreed in new financial year.</p>

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
		<p>recitals in the EU GDPR in 2018. A significant unintentional data breach of sensitive personal or business data in email, post, fax by an employee, contractor, service provider or an SCC Councillor.</p> <p><b>Consequence:</b> The Council is exposed to fraud, loss of reputation, legal action by clients or employees and / or the possibility of fines from the Information Commissioner's Office (currently estimated at £100k - £200k but potentially much higher in 2018). Members of the Public are exposed to harm or distress due to the significant unauthorised disclosure of personal data.</p>		<ul style="list-style-type: none"> <li>◦ <b>Induction and Refresher training for Information Security and Data Protection</b> The EU-GDPR requires that all employees are fully aware of their responsibilities for processing personal data. SCC will endeavour to ensure all new employees are trained in Information Security and Data Protection within 3 months of commencing employment. <i>In Progress (99% complete)</i></li>   <li>◦ <b>Publication and distribution of EU-GDPR policies to all employees</b> The EU-GDPR requires that all employees are made aware of SCC policy for processing personal data. SCC will endeavour to ensure all employees have received mandatory Information Security and Data Protection, by Metacompliance, prior to the adoption of the EUGDPR in may 2018. <i>In Progress (75% complete)</i></li>   <li>◦ <b>Information Sharing Agreements and Contracts</b> Somerset County Council will review and implement all current Information Sharing Agreements and contracts in compliance with the EU-GDPR <i>In Progress (70% complete)</i></li>   <li>◦ <b>Information Asset register</b> Creation of a comprehensive Information Asset Register to enable SCC to identify where personal data is held, who is responsible for it and any risks associated with processing; Major deferral to allow Microsoft to implement the IAR <i>In Progress (25% complete)</i></li> </ul>	<p>Rebecca Martin <a href="#">15/09/2019</a> 15/04/2019</p> <p>Rebecca Martin <a href="#">15/09/2019</a> 15/04/2019</p> <p>Rebecca Martin <a href="#">15/09/2019</a> 15/04/2019</p> <p>Rebecca Martin <a href="#">15/07/2019</a> 15/04/2019</p>			

Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
			<ul style="list-style-type: none"> <li>Effective management of Data Subjects rights SCC must ensure that all data subjects rights are respected with regard to lawful and fair processing and specifically access to records and DSAR processing <i>In Progress (50% complete)</i></li> </ul>	Rebecca Martin 15/04/2019 15/04/2019			
ORG0024	<p><b>Risk Description:</b> Strategic Risk 2011: Operations: Quality of contract management is inconsistent and fails to meet our customers expectations</p> <p><b>Cause:</b></p> <p><b>Consequence:</b> Loss of customer confidence and trust in the Council, impacting on the reputation of the council</p>	<p>Likelihood :4 Impact :4</p> <p>16</p> <p>Red - V. High Risk</p>	<ul style="list-style-type: none"> <li>Putting in place effective contract management at a senior level throughout the Council Update 25/06: Greater commercial awareness cascaded through organisation. Establishing greater clarity between day - to -day Contract Management via operations and Commercial management delivered via procurement team. as part of SWAP Audit <i>In Progress (90% complete)</i></li> </ul>	Simon Clifford 2 18/09/2019 03/06/2019	<p>Likelihood :3 Impact :4</p> <p>12</p> <p>Yellow - Medium Risk</p>	<p>Likelihood :3 Impact :3</p> <p>9</p> <p>Yellow - Medium Risk</p>	07/01/2019 review underway to create comprehensive register of contracts and named contract managers plus commissioning information.
ORG0022	<p><b>Risk Description:</b> Strategic Risk 2018 update: ICT: Unintentional events, including changes to our IT system, or intentional attempts that damage our systems, property, reputation or one of our other resources.</p> <p><b>Cause:</b> Delayed implementation of ATP, lack of a Disaster Recovery Plan along with an out of date Corporate Business Continuity Plan. County Hall remains a single point of failure for some elements of connectivity</p> <p><b>Consequence:</b> The effect of this is to leave us with a</p>	<p>Likelihood :3 Impact :5</p> <p>15</p> <p>Amber - High Risk</p>	<ul style="list-style-type: none"> <li>Increase awareness &amp; understanding within SCC around suspicious or unsolicited email with attachments &amp; website file downloads 05/09/2018 - investigate free &amp; open source anti phishing software to increase awareness with staff  14/01/2019: ICT have looked at a number of open source products and are talking with Health partnership about the products they use to hold Phishing campaigns. I've asked the IG team to investigate manual process and training that other organisations use in order to inform and train users of the risks. <i>In Progress (50% complete)</i></li> </ul>	Dave Littlewood 28/07/2019	<p>Likelihood :3 Impact :4</p> <p>12</p> <p>Yellow - Medium Risk</p>	<p>Likelihood :3 Impact :3</p> <p>9</p> <p>Yellow - Medium Risk</p>	25/02/2019 ATP update not required as Cloud migration stalled - when it restarts a view will be taken re ATP. Moving to Cloud reduces risk of County Hall being single point of failure.

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
		lower level of security and increased vulnerability to malicious attacks by third parties on our IT systems.						
	<b>ORG0001</b>	<p><b>Risk Description:</b> Strategic Risk 2014: Civil Emergencies: A major civil emergency results in loss of life and major disruption to services</p> <p><b>Cause:</b> we do not adequately plan for civil emergencies including the testing of plans and prioritisation of our resources,</p> <p><b>Consequence:</b> impact on Somerset County Council's reputation and standing locally and Nationally</p>	<p>Likelihood :4 Impact :5</p> <p style="background-color: red; color: white; text-align: center;">20</p> <p>Red - V. High Risk</p>	<ul style="list-style-type: none"> <li> <p><b>Deliver phase one of the SLACCP Training and Exercise Policy</b> Review Summary: Delivery is underway of the SLACCP Training and Exercising Strategy. This will deliver a consistent and sustainable rolling programme of role and capability based training. It aims to make full use of IT eg e-learning, webinars etc as well as face-to-face training and exercises. First phase started roll-out in October with the introduction to emergency planning and response e-learning package. Other e-learning packages are now available for some of the emergency roles outlines in the Corporate Emergency Response and Recovery Plan. During November, strategic and operational training sessions were delivered for SSSC staff. Other sessions are being scheduled and further e-learning packages are under development. <i>In Progress (75% complete)</i></p> </li> <li> <p><b>Deliver an annual programme of resilience activities.</b> Deliver an annual resilience work programme for all six Somerset local authorities including development of capabilities, plans and procedures for emergency planning, preparation, response and recovery. Delivery of the programme to be steered and monitored by the Somerset Resilience Board which meets three times a year (June, September and February). Recent plans delivered: SLACCP Evacuation &amp; Shelter Plan; Elected Members Emergency Handbook; Hinkley Point Off-Site Plan. <i>In Progress (75% complete)</i></p> </li> </ul>	<p><b>Nicola Dawson</b> 11/03/2019 29/03/2019</p> <p><b>Nicola Dawson</b> 03/03/2019 31/03/2019</p>	<p>Likelihood :2 Impact :5</p> <p style="background-color: orange; text-align: center;">10</p> <p>Amber - High Risk</p>	<p>Likelihood :2 Impact :5</p> <p style="background-color: orange; text-align: center;">10</p> <p>Amber - High Risk</p>	11/03/2019 Risk scores remain unchanged. P Hewitt 11/03/19



	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	<b>ORG0010</b>  <b>Risk Owner:</b> Stephen Chandler  <b>Next Risk Review Date:</b> 07/04/2019	<b>Risk Description:</b> Strategic Risk 2016: Safeguarding Adults: We fail to deliver our statutory safeguarding activity in relation to adults  <b>Cause:</b> there is a risk that death or injury to a vulnerable member of the public or a member of staff, where the county council has not completely fulfilled its responsibilities may occur  <b>Consequence:</b> leading to increased audit inspections, personal litigation claims, adverse publicity for the council and possible financial penalties	Likelihood :3 Impact :5  <b>15</b>  Amber - High Risk	<ul style="list-style-type: none"> <li>Improve adult safeguarding conversion rates to ensure team time is spent most effectively on those requiring support</li> </ul> <p><i>In Progress (80% complete)</i></p>	<b>Niki Shaw</b> <b>31/03/2019</b> 29/03/2019	Likelihood :2 Impact :5  <b>10</b>  Amber - High Risk	Likelihood :2 Impact :5  <b>10</b>  Amber - High Risk	07/01/2019 New strategic manager now in post responsible for safeguarding and mental health social care. recent improvement in safeguarding referral rates performance, with Nov 2018 performance locally at 63.2%. We have also now had the national SAC report for 2017/18 published (Nov 2018) which shows that Somerset is comparing very positively with the national average for safeguarding conversions (38%), but also that the range of conversion rate varied dramatically across the different local authorities from 3.9% to 100%. Work being undertaken locally to target training and education at providers making highest inappropriate referrals to ensure our resources are spent most appropriately and effectively

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
	<b>ORG0042</b>  <b>Risk Owner:</b> Chris Squire  <b>Next Risk Review Date:</b> 04/06/2019	<b>Risk Description:</b> Strategic Risk 2015: HR: The risk of not having the employee capacity to deliver and support delivery of core front line services  <b>Cause:</b> Combination of austerity measures and market forces in being able to attract & retain suitably qualified people to work for the Council  <b>Consequence:</b> Reduced levels of service activity, more reliance on existing employees and possible issues with consistency on quality.	Likelihood :4 Impact :4  <b>16</b>  Red - V. High Risk			Likelihood :3 Impact :3  <b>9</b>  Yellow - Medium Risk	Likelihood :3 Impact :3  <b>9</b>  Yellow - Medium Risk	04/03/2019 - Social worker degree programme at Yeovil College now set-up - Developing social worker degree apprenticeships with providers - Developing workforce & succession planning tool, working initially with ECI

Somerset County Council  
Audit Committee 28 March 2019

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## **Forward Work Plan**

Service Director: Sheila Collins, Interim Director of Finance

Lead Officer: Sheila Collins, Interim Director of Finance

Author: Sheila Collins, Interim Director of Finance

Contact Details: [sdcollins@somerset.gov.uk](mailto:sdcollins@somerset.gov.uk)

Cabinet Member: Cllr Mandy Chilcott, Cabinet Member for Resources

Division and Local Member: All

### **1. Summary/link to the County Plan**

- 1.1. Members have asked that we review forthcoming items coming to Audit Committee, and also that officers ensure that the Committee has Partial Assurance audits brought to it in a timely manner. A draft Forward Work Plan will be brought to the Audit Committee at least quarterly.

### **2. Issues for consideration**

- 2.1. Members are asked to note the outline agendas for the 20 June 2019 and 25 July 2019 public meetings, as set out in **Appendix A** to this report, and to comment on any further items that they would like to be scheduled at these or at future meetings.
- 2.2. Members are asked to consider other items on this agenda, and whether they would like to have a further update or training event on any of these audits, risks or topics.

### **3. Background**

- 3.1. There are a number of “staple” Audit Committee items that are part of our annual cycle around the Statement of Accounts, or around the annual Internal Audit Plan, which the Audit Committee will need to review in order to secure the necessary assurance to carry out its role. Within that cycle, there can be scope for additional items to come to the Audit Committee where members or officers perceive a risk or issue that needs to be managed.

Audit Committee has set out the requirement for any internal audit from SWAP that only achieved Partial Assurance to come to a future public meeting and for the manager(s) responsible to update members as to their progress against the agreed action plan for improvements. We will continue to bring Partial Assurance audits to the Audit Committee regularly, to ensure that they are responded to promptly.

- 3.2. The Adverse Value For Money opinion from Grant Thornton, our external auditors, dated July 2018, has included a number of recommendations as to how the County Council can improve a number of its processes. This is being tracked within JCAD, our risk management system. Members have indicated that they wish to see this tracker at every Audit Committee meeting.

- 3.3. June's meeting will have a progress report from the External Auditor including initial findings for the end of year 2018/19. It will also have the draft Annual Governance Statement and the Value for Money Tracker both of which will inform the Annual Statement of Accounts at the next meeting.
- 3.4. June's meeting will also be where the Internal Audit Annual Opinion and Progress Report will be presented alongside the regular Risk and Partial Audit update, which is a key document to inform the Annual Governance Statement. This will be an opportunity for the Internal Auditor to give her overall opinion on the level of assurance that can be offered to members through her work.
- 3.5. The Committee will also receive the latest Debt Management Report.
- 3.6. The July meeting will focus on the Statement of Accounts – for the County Council and the Pension Fund, including considering the external auditor's report and findings. These findings will include a new Value for Money assessment.
- 3.7. Ahead of the July meeting the usual Statement of Accounts training for members will be taking place (date to be confirmed) in order that members are suitably prepared to effectively review the Statement of Accounts.
- 3.8. The July meeting will also contain the regular agenda items on;
  - Internal Audit Progress Report
  - Strategic Risk Management Report and the Internal Audit Partial Audits Tracker
  - Audit Committee Work Plan

#### **4. Consultations undertaken**

- 4.1. None required

#### **5. Implications**

- 5.1. Any items requested not yet covered by the draft Forward Work Plan at Appendix A will require scheduling by officers, in conjunction with the Chair and Vice-Chair.

#### **6. Background papers**

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

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

## APPENDIX A: Draft Audit Committee Work Programme

<u>Future Agenda Items</u>	<u>Notes</u>
<b><u>20 June 2019</u></b>	
External Audit Progress Report	To have an update on the external audit timetable and audit work undertaken, and any initial findings.
Internal Audit Annual Opinion	To have the annual review from our external auditor, including the overall assurance that she can offer to the Audit Committee from the year's work, and her opinion on the system of internal controls.
Internal Audit Progress Report	The regular progress report from SWAP on the completion of the 2018/2019 Internal Audit Plan, highlighting any high risks that have arisen from individual audits undertaken.
Risk Management Update	To receive the regular report on key corporate risks and how these are being managed through our JCAD risk management system.
Value For Money Tracker	The regular progress report from SWAP on the completion of the 2018/2019 Internal Audit Plan, highlighting any high risks that have arisen from their work.
Debt Management Report	To report on the performance in terms of collecting monies owed to the County Council.
Draft Annual Governance Statement (AGS)	For members to review the content of the draft AGS for 2018/2019. (The AGS is a mandatory statement that sits alongside the Statement of Accounts and provides assurance that SCC has effective internal controls in place).
Partial Audit and Risks	To review any completed internal audits that have only received a Partial Assurance, where the dates in the agreed Action Plan show progress should have been made.
Annual Report to Council	To consider and comment on the Committee's Annual report to Council.
Work Plan	

<b><u>25<sup>th</sup> July 2019</u></b>	
Statement of Accounts – Pension Fund	July’s meeting needs to concentrate on approving the Statement of Accounts and considering the external auditor’s report and findings.
Statement of Accounts – County Council	
Internal Audit Progress Report	The regular progress report from SWAP on the completion of the 2018/2019 Internal Audit Plan, highlighting any high risks that have arisen from individual audits undertaken.
External Audit Progress Report	To have an update on the external audit timetable and audit work undertaken, and any initial findings.
Partial Audit and Risks	To review any completed internal audits that have only received a Partial Assurance, where the dates in the agreed Action Plan show progress should have been made.
Value For Money Tracker	The regular progress report from SWAP on the completion of the 2018/2019 Internal Audit Plan, highlighting any high risks that have arisen from their work.
Work Plan	