

Public Document Pack

Members of the Audit Committee
(Councillors R Lillis (Chairman), R Woods (Vice-Chair), K Mills,
P Pilkington, R Thomas, N Thwaites and T Venner)



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Date 11 March 2019

**THE PRESS AND PUBLIC ARE WELCOME TO ATTEND THE MEETING
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Dear Councillor

I hereby give you notice to attend the following meeting:

AUDIT COMMITTEE

Date: Tuesday 19 March 2019
Time: 2.00 pm
Venue: Council Chamber - West Somerset House

Please note that this meeting may be recorded. At the start of the meeting the Chairman will confirm if all or part of the meeting is being recorded. You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during the recording will be retained in accordance with the Council's policy. Therefore unless you advise otherwise, by entering the Council Chamber and speaking during Public Participation you are consenting to being recorded and to the possible use of the sound recording for access via the website or for training purposes. If you have any queries regarding this please contact the officer as detailed above.

Yours sincerely

A handwritten signature in black ink, appearing to read "Bruce Lang".

BRUCE LANG
Proper Officer

WEST SOMERSET DISTRICT COUNCIL

Meeting to be held on Tuesday 19 March 2019 at 2.00 pm

Council Chamber - West Somerset House

AGENDA

1. **Apologies.**

2. **Minutes of the previous meeting of the Audit Committee.** (Pages 7 - 12)

3. **Declarations of Interest.**

To receive and record declarations of interest in respect of any matters included on the agenda for consideration at this meeting.

4. **Public Participation.**

The Chairman to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public wishing to speak at this meeting there are a few points you might like to note.

A three-minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue. There will be no further opportunity for comment at a later stage. Your comments should be addressed to the Chairman and any ruling made by the Chair is not open to discussion. If a response is needed it will be given either orally at the meeting or a written reply made within five working days of the meeting.

5. **Audit Committee Action Plan.** (Pages 13 - 14)

To update the Audit Committee on the progress of resolutions and recommendations from previous meetings – **SEE ATTACHED.**

6. **Grant Thornton External Audit - Audit Update** (Pages 15 - 36)

To consider Report No WSC 8/19 to be presented by Geri Daly, Audit Manager, Grant Thornton – **SEE ATTACHED.**

The purpose of the report is to provide the Audit Committee with a progress update regarding the work of the external auditors, Grant Thornton, together with information relating to emerging issues which may be relevant to the Council.

7. **Grant Thornton External Audit - Audit Plan** (Pages 37 - 56)

To consider Report No WSC 9/19 to be presented by Geri Daly, Audit Manager, Grant Thornton – **SEE ATTACHED.**

The purpose of the report is to introduce the Audit Plan for 2018/19 and to summarise the approach to the 2018/19 audit programme, together with the

auditors review on risk, materiality and value for money.

8. **Grant Thornton External Audit Certification Letter** (Pages 57 - 64)

To consider Report No WSC 10/19 to be presented by Geri Daly, Audit Manager, Grant Thornton – **SEE ATTACHED.**

The purpose of the report is to introduce the Certification Report 2017/18 which has been compiled by our external auditors, Grant Thornton, in relation to the certification of our Housing Benefit Subsidy Claim.

9. **SWAP Internal Audit - Audit Plan 2018/19 Outturn Report** (Pages 65 - 84)

To consider Report No WSC 11/19 to be presented by Alastair Woodland, Audit Manager, South West Audit Partnership – **SEE ATTACHED.**

The purpose of the report is to update members on the Internal Audit Plan 2018-19 progress and bring to their attention any significant findings identified through our work.

10. **SWAP Internal Audit - Annual Audit Opinion** (Pages 85 - 104)

To consider Report No WSC 12/19 to be presented by Alastair Woodland, Audit Manager, South West Audit Partnership – **SEE ATTACHED.**

The purpose of the report is to inform the Audit Committee of the Annual Opinion Report 2018-19 from Internal Audit.

11. **Corporate Risk Management Update** (Pages 105 - 118)

To consider Report No WSC 14/19 to be presented by Richard Doyle, Corporate Strategy and Performance Officer – **SEE ATTACHED.**

The purpose of the report is to provide an update on the corporate risks which are being managed by the Senior Leadership Team (SLT). The Committee are invited to debate whether all necessary corporate risks have been identified.

12. **Annual Governance Statement 2018/19** (Pages 119 - 136)

To consider Report No WSC 15/19 to be presented by Richard Doyle, Corporate Strategy and Performance Officer – **SEE ATTACHED.**

The purpose of the report is to include a review of the actions set for 2018/19 Annual Governance Statement and a proposed set of actions for the 2019/20 year.

13. **Review of Effectiveness of Internal Audit** (Pages 137 - 144)

To consider Report No WSC 16/19 to be presented by Richard Doyle, Corporate Strategy and Performance Officer – **SEE ATTACHED.**

The purpose of the report is to inform the Audit Committee of the recent review of the effectiveness of the delivery of Internal Audit through SWAP (South West Audit Partnership) during 2018/19.

14. **Transitional Financial Arrangements - Responsibility for Preparation of the Final Accounts of a Predecessor Council** (Pages 145 - 148)

To consider Report No WSC 17/19 to be presented by Andy Stark, Interim Head of Financial Services and Deputy s151 Officer – **SEE ATTACHED.**

The purpose of the report is to advise members of the transitional arrangements with regard to the preparation of final accounts of both predecessor councils; Taunton Deane Borough Council and West Somerset Council.

COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS

AUDIT COMMITTEE

MINUTES OF THE 3 DECEMBER 2018

AT 2.00 PM

COUNCIL CHAMBER - WEST SOMERSET HOUSE

Present:

Councillor R Lillis

Chairman

Councillor R Woods

Councillor R Thomas

Councillor K Mills

Councillor N Thwaites

Councillor P Pilkington

Officers in Attendance:

Peter Barber

Alastair Woodland

Nick Hammacott

Richard Doyle

Steve Plenty

Sue Williamson

Clare Rendell

A37 Apologies

No apologies were received.

A38 Minutes of the previous meeting of the Audit Committee

(Minutes of the Meeting of the Audit Committee held on 17 September 2018, circulated with the Agenda).

RESOLVED that the Minutes of the Audit Committee held on 17 September 2018 be confirmed as a correct record.

A39 Declarations of Interest

Name	Minute No.	Member of	Personal or Prejudicial	Action Taken
Cllr P Pilkington	All	Timberscombe Parish Council	Personal	Spoke and voted
Cllr R Thomas	All	Minehead Town Council	Personal	Spoke and voted
Cllr A Kingston-James	All	Minehead Town Council	Personal	Spoke and voted

A40 Public Participation

No members of the public had requested to speak on any item on the Agenda.

A41 Audit Committee Action Plan

(Copy of the Audit Committee Action Plan circulated with the Agenda).

There were two recorded actions from the previous meetings held on 19 June and 23 July 2018, both of which had been completed.

RESOLVED that the Audit Committee Action Plan be noted.

A42 Audit Committee Forward Plan

(Copy of the Audit Committee Forward Plan circulated with the Agenda).

RESOLVED that the Audit Committee Forward Plan be noted.

A43 Grant Thornton - External Audit - Progress Report and Update

(Report No. WSC 84/18, circulated with the Agenda).

The purpose of the report was to provide the Committee with a progress update regarding the work of the external auditors, Grant Thornton, together with information in relation to emerging issues which might be relevant to the Council.

The Engagement Lead advised the Committee that he had completed his five years on the Council's audit so there would be a new Engagement Lead who would attend Audit Committee in the future and her name was Geraldine Daly.

The External Auditors had completed the audit of the Council's 2017-18 financial statements. The audit opinion which included the value for money conclusion and certificate of audit closure was issued on 31 July 2018. They issued:-

- An unqualified opinion on the Council's financial statements; and
- An unqualified value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness on its use of resources.

The External Auditors had begun their planning processes for the 2018-19 financial year audit. Their detailed work and audit visits would begin later in the year and would discuss timing of the visits with the appropriate managers. They would continue to:-

- Hold regular discussions with management to inform their risk assessment for the 2018-19 financial statements and value for money audits;
- Review minutes and papers from key meetings; and
- Review relevant sector updates to ensure that they captured any emerging issues and considered those as part of the audit plans.

The External Auditors were required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The results of the certification work were reported in their certification letter which would come to the March 2019 Audit Committee.

During the discussion of this item the following point was made:-

- Members queried whether the Council's direct labour (DLO) could be set up as a trading company.
The External Auditor advised that as a Local Authority, the labour could be set up as a trading company. Other Councils had operated similar schemes, but he advised to proceed with caution as they were not always successful.
- Members requested clarification on why dates post April 2019 were included in the External Auditors deliverables.
The External Auditor advised there was still one more audit cycle to sign off the final statement of accounts for West Somerset Council (WSC) in July 2019.
- Concern was raised that after April 2019, the WSC Audit Committee would be stood down and that the New Council's equivalent would sign off the statement of accounts.
That was a valid observation, however it had happened in other Councils and was similar to the process that occurred after a District Election. The new Councillors would need training and would be advised to read the minutes of previous meetings so they were better informed to be able to sign off the accounts.
- Members thanked all the staff for their hard work in the audit process and wished the Engagement Lead all the best for the future.

RESOLVED that the Committee noted the report from the External Auditor.

A44 SWAP - Internal Audit Plan 2018-19 Progress Report

(Report No. WSC 85/18, circulated with the Agenda).

The purpose of the report was to update the Committee on the Internal Audit Plan 2018-19 progress and bring to their attention any significant findings identified through the work.

The Audit Manager highlighted to the Committee a couple of changes to the Audit Plan:-

- Due to the work already scheduled for Transformation, the review for the Strategic Framework had been dropped to supplement the time needed for the review on Redundancy Payments due to the significant value expected to be paid out; and
- Homelessness Reduction had also been dropped to free up time to assist with the Service Mapping Activity. The Service Mapping Activity aimed to ensure that the Council had the necessary knowledge/skills in place to deliver key services come 1 April 2019 due to the volume of staff who were due to leave.

Within the Transformation Update, Business Realisation Management and

Business Process Re-engineering were highlighted and further information was reported to the Committee.

During the discussion of this item the following point was made:-

- Members queried whether the work the Business Analysts had carried out had made a difference.
The audit had not been carried out on the quality of work, so the Audit Manager could not give assurance at this point.
- Members queried now that there were twelve Business Analysts instead of six, had that impacted on the budget.
The budget had gone up because the business line had moved since the original business case was submitted. There was a structure in place to ensure that the budget was kept to and the amount of analysts could be deemed as value for money.
- Members queried whether there was assurance that money could be taken from budgets that had reserves. Concern was raised as to whether the Council could afford the redundancy figure.
The audit work had not been carried out yet so assurance could not be given.
- Members queried whether the Auditors were surprised to see an overspend on the redundancy package.
The Audit Manager advised that the original business case had been audited, however, the business case had now changed and due to the results of the recruitment process, there had been impacts on the redundancy figures.
- Further concerns were raised on the redundancy process. Members agreed that they were valid concerns, but suggested that this was not the right arena for the debate.
Within the audit work, they would check whether the redundancy process had been followed, however, phase two recruitment had not been completed so the final figures were not known.
- Members queried what impact the loss of the ICT Audit Specialists had on the audit work for WSC.
There had been a delay in the work carried out on the Transformation ICT work, but the key risks were being checked.
- Concern was raised on the loss of the ICT Audit Specialists and that the risks needed to be identified because ICT was important to the Council's operations.
- Members queried whether the auditors had looked at the ICT framework because there were several issues that needed to be addressed.
The Audit Manager confirmed that they had no power over internal controls and they could not sort out internal ICT problems. They carried out risk assessments to ensure the processes worked as they should.
- Concern was raised that ICT was a considerable risk and that the Internal Auditors were behind in their schedule of work.
Transformation was a massive project and the Internal Auditors could not check everything because there were not enough days allocated to carry out the audit work.
- Members requested an update report on the audit work in relation to the redundancy payments before the March 2019 Audit Committee.

The Audit Manager advised the work should be completed by the end of December and he would circulate an update to the Committee in January 2019.

- Concern was raised on the interview process used within the Transformation Project and wanted to ensure that staff knowledge was retained and that the correct questions were asked.
The Audit Manager advised that they could check the process but could not sit in on the interviews.

RESOLVED that the Committee noted the progress made in delivery of the 2018-19 internal audit plan and the significant findings.

A45 Treasury Management Update - 30 September 2018

(Report No. WSC 86/18, circulated with the Agenda).

The purpose of the report was to provide the Committee with an update on the Treasury Management activity of the Council for the first six months of 2018-19. It focused on a review of the Council's borrowing and investment activities.

During the discussion of this item the following point was made:-

- Members queried what the Council Tax and Non Domestic Rate debt level was and whether it had gone up or down.
A written response would be distributed to the Committee.
- Concern was raised on the process to transfer WSC accounts over to the New Council.
There was an officer working group who checked through all the processes for the transfer of accounts over to the New Council and who would ensure all the necessary work was completed before April 2019.

RESOLVED that the Committee noted the Treasury Management position as at 30 September 2018.

A46 GDPR Action Plan Update

(Report No. WSC 87/18, circulated with the Agenda).

The purpose of the report was to provide an update on the actions taken by the Council following the implementation of the new (EU) General Data Protections Regulations (GDPR) and the UK Data Protection Act 2018 which came into force on 25 May 2018.

During the discussion of this item the following point was made:-

- Members queried whether the e-learning package on GDPR was available for Councillors.
The e-learning package was rolled out for staff use only, however, there was a separate package available for Councillors to use.
- Members requested clarification on the difference between a Freedom of Information (FOI) Request and a Subject Access Request (SAR).
Clarification was given and one of the main differences was the timescales used for FOI and SARs.
- Members queried whether the amount of FOI and SARs received had

changed since the introduction of the GDPR.

The amount of requests that were received remained at a similar level.

- Members queried whether data retention schemes were set under GDPR.

Certain retention schemes were set by the Council and others were set by Central Government. The Corporate Strategy and Performance Officer confirmed that if a member of the public requested that we deleted their data, not all data would be deleted because we would need certain information to be able to process their Council Tax and other services.

- Members highlighted that some agencies recorded less so that the details were not held on their systems.
Customer calls were recorded along with service requests. GDPR was more about ensuring that personal details did not enter the public domain.
- Members thanked the Corporate Strategy and Performance Officer for his work and for dealing with GDPR with the severity it required.

RESOLVED that the Committee noted the actions being taken in order to comply with GDPR.

The Meeting closed at 3.30 pm

Agenda Item 5

AUDIT COMMITTEE ACTION PLAN

Date/Minute Number	Action Required	Action Taken
3 December 2018 A.44 SWAP Internal Audit Plan 2018-19 Progress Report	<u>RESOLVED:-</u> Members requested an update report on work that SWAP had carried out on the Transformation Project prior to the March Audit Committee.	The Internal Auditors would distribute an update in January 2019.
3 December 2018 A.45 Treasury Management Update	<u>RESOLVED:-</u> Members queried what the debt level was for Council Tax and Non-Domestic Rates.	Officers would find out and distribute to the Committee Members.

Report Number: WSC 8/19

West Somerset Council

Audit Committee – 19 March 2019

External Audit – Progress Report and Update

This matter is the responsibility of Councillor Martin Dewdney

Report Author: (Andrew Stark, Interim Head of Financial Services and Deputy s151 Officer)

1 Purpose of the Report

- 1.1 The attached report provides the Audit Committee with a progress update regarding the work of the external auditors, Grant Thornton, together with information relating to emerging issues which may be relevant to the Council.

2 Recommendations

- 2.1 Members are requested to note the update report.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails to maintain an adequate system of internal control.	2	3	6

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background and Full details of the Report

- 4.1 The Council's external audit function is undertaken by Grant Thornton. The external auditors, as part of their work, provide regular progress updates to Members via the Audit Committee together with updates in relation to emerging national issues which may be of relevance to the Council. These are detailed in the attached report.

5 Links to Corporate Aims / Priorities

- 5.1 None in relation to this report.

6 Finance / Resource Implications

- 6.1 This is an update report only and there are no specific financial implications.

7 Legal Implications

- 7.1 None in relation to this report.

8 Environmental Impact Implications

8.1 None in respect of this report.

9 Safeguarding and/or Community Safety Implications

9.1 None in respect of this report.

10 Equality and Diversity Implications

10.1 None in respect of this report.

11 Social Value Implications

11.1 None in respect of this report.

12 Partnership Implications

12.1 None in respect of this report.

13 Health and Wellbeing Implications

13.1 None in respect of this report.

14 Asset Management Implications

14.1 None in respect of this report.

15 Consultation Implications

15.1 None in respect of this report.

Democratic Path:

- **Audit Committee – Yes**
- **Full Council – No**

Reporting Frequency: **Once only** **Ad-hoc** **Quarterly**
 Twice-yearly **Annually**

Contact Officers

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Audit Progress Report and Sector Update

West Somerset District Council
Year ending 31 March 2019
Page 19
19 March 2019



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Introduction



Geraldine Daly

Engagement Lead

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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)

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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 ..

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 started planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We have commenced our interim audit work in February 2019. Our interim fieldwork visit will include:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Understanding of the Council'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 is 31 July 2019. We will discuss our plan and timetable with officers.

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

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 Audit Plan. This is included as a separate agenda item.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim was concluded in November 2018.

The results of the certification work were shared with key officers in December 2018 and are reported to you in our certification letter, which is included as a separate agenda item.

Meetings

We met with Finance Officers in February as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

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

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

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
<p>Annual Certification Letter</p> <p>This letter reports any matters arising from our certification work carried out under the PSAA contract.</p>	December 2018	Complete
<hr/>		
2018/19 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2018/19.</p>	April 2018	Complete
<p>Accounts Audit Plan</p> <p>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.</p>	January 2019	Complete and on this agenda
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	March 2019	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the July Committee.</p>	July 2019	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2019	Not yet due
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	August 2019	Not yet due
<p>Annual Certification Letter</p> <p>This letter reports any matters arising from our certification work carried out.</p>	December 2019	Not yet due

Results of Interim Audit Work

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

	Work performed	Conclusions and recommendations
Documentation of business processes	<p>We have completed a detailed documentation of some of your key business processes including:</p> <ul style="list-style-type: none"> Cash <ul style="list-style-type: none"> The Collection Fund Accounts payable (including creditors) Accounts Receivable Investments Payroll Welfare Benefits Property, Plant and Equipment <p>Detailed documentation of the processes around pensions and journals will be undertaken during the course of the interim audit.</p> <p>Our work 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. Work in this area has not identified any weaknesses which impact on our audit approach.</p>
Entity and its environment	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> Commitment to integrity and ethical values; Training and development of staff; Participation by those charged with governance; Management's philosophy and operating style; Organisational structure; Financial reporting responsibilities; Assignment of authority and responsibility; and Human resource policies and practices. 	<p>Our work has identified no material weaknesses which are likely to adversely impact on Council's financial statements.</p>

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 Audit 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.

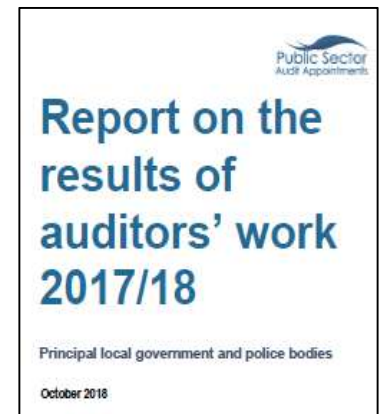
The report is available on the PSAA website:

<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.

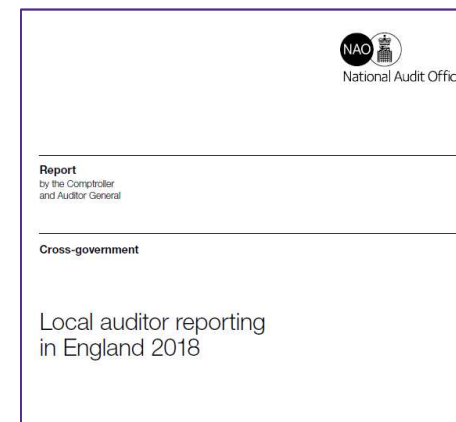
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 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.

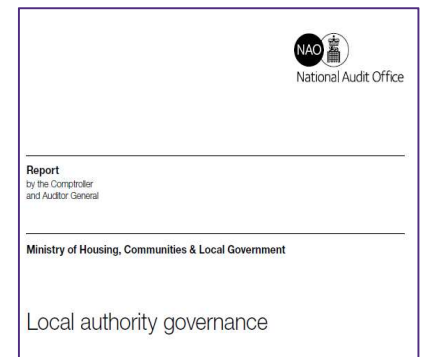
The report is available on the NAO website:

<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

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.

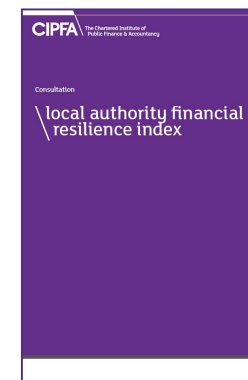
“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

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 **Head 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:**
 - **CLG & 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

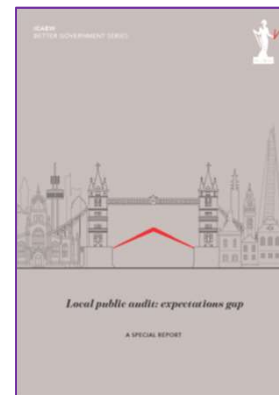
Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions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

Page 31 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..

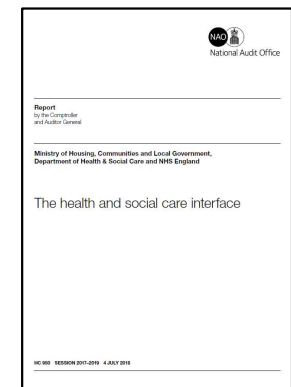
This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there 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 Audit 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?



Links

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.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

Report Number: WSC 9/19

West Somerset Council

Audit Committee – 19 March 2019

External Audit – Audit Plan 2018/19

This matter is the responsibility of Councillor Martin Dewdney

Report Author: (Andrew Stark, Interim Head of Financial Services and Deputy s151 Officer)

1 Purpose of the Report

- 1.1 This report introduces the Audit Plan for 2018/19. This is prepared by our external auditors, Grant Thornton, and is detailed in the appendix to this report.
- 1.2 The report summarises their approach to the 2018/19 audit programme, together with the auditors review on risk, materiality and value for money.

2 Recommendations

- 2.1 Members are requested to note the External Audit Plan for 2018/19 received from Grant Thornton.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails to maintain an adequate system of internal control.	2	3	6

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			Impact				

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background and Full details of the Report

- 4.1 Each year our external auditors, Grant Thornton, provide a plan which details their approach to the audit work required in respect of the preceding financial year (2018/19). Specifically this audit work focuses on the provision of an audit opinion in relation to the final accounts, value for money and associated key risk areas.
- 4.2 The plan for 2018/19 is set out in Appendix A.

5 Links to Corporate Aims / Priorities

- 5.1 None in relation to this report.

6 Finance / Resource Implications

- 6.1 The report sets out the external auditors view on key risks for the Council and their approach to auditing them.

7 Legal Implications

7.1 None in this respect of this report.

8 Environmental Impact Implications

8.1 None in respect of this report.

9 Safeguarding and/or Community Safety Implications

9.1 None in respect of this report.

10 Equality and Diversity Implications

10.1 None in respect of this report.

11 Social Value Implications

11.1 None in respect of this report.

12 Partnership Implications

12.1 None in respect of this report.

13 Health and Wellbeing Implications

13.1 None in respect of this report.

14 Asset Management Implications

14.1 None in respect of this report.

15 Consultation Implications

15.1 None in respect of this report.

Democratic Path:

- **Audit Committee – Yes**
- **Full Council – No**

Reporting Frequency: **Once only** **Ad-hoc** **Quarterly**
 Twice-yearly **Annually**

Contact Officers

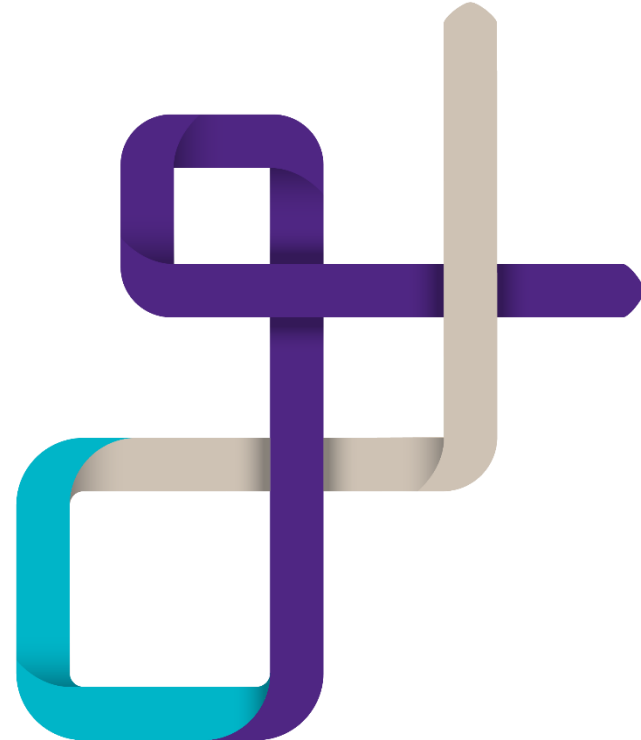
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External Audit Plan

Year ending 31 March 2019

West Somerset District Council
March 2019

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

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of West Somerset District Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of West Somerset District Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Authority (and its successor, Somerset West and Taunton Council) to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Significant risks

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Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of Controls
- Valuation of the pension fund net liability
- Valuation of land and buildings
- Accounting for redundancies

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £0.335m (PY £0.354m) for the Authority, which equates to 1.7% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.017m (PY £0.018m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Medium term financial position including Transformation and creation of the new Somerset West and Taunton Council in April 2019.
- Transformation Programme and service delivery

Audit logistics

Our interim visit will take place in February and March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £32,744 (PY: £42,525) for the Authority, subject to the Authority meeting our requirements set out on page 13.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Key matters impacting our audit

External Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

As with all Councils, this has had a significant impact on West Somerset Council. It is the reason behind the significant Transformation Project and the creation of the New Council.

Locally across Somerset, there is also considerations of how to work together across all the Councils in the area to ensure that services are provided as efficiently as possible.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

Internal Factors

New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

Creation of the New Council and Transformation

The Council, in conjunction with Taunton Deane Borough Council, will be merging to form Somerset West and Taunton Council from 1st April 2019. This is part of a significant restructuring programme that is currently being undertaken across the two Councils.

The Councils believe that that this change is essential to ensure the efficient use of resources in order to continue to deliver services to the best of their ability.

The transformation programme has resulted in significant (largely voluntary) redundancy costs, as the One Team workforce downsizes in line with the joint business case.

Our response

- 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 consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

- 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.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- You will see changes in the terminology we use in our reports that will align more closely with the ISAs
- We will ensure that our resources and testing are best directed to address your risks in an effective way.

- The Transformation programme and creation of the new Council will be included as a key area of audit focus . See page 11 for further information on this.
- The redundancy costs will be considered as a significant risk due to the size and nature of the transactions. See page 6 for further details.

Audit approach

DRAFT

Use of audit, data interrogation and analytics software

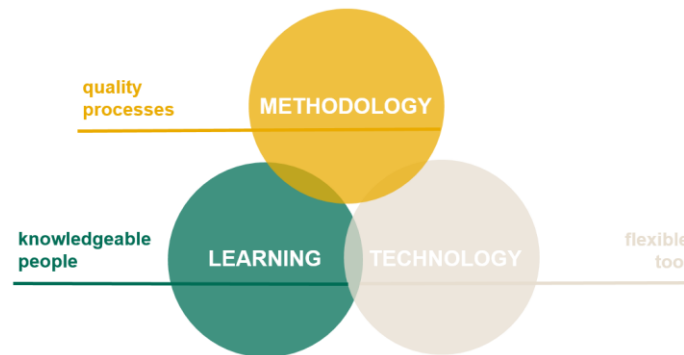
LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft

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IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also use other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian

Appian

Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including West Somerset District Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for West Somerset District Council.</p>	N/a
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£7.172 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuations were carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£17.342 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Somerset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Accounting for Redundancies	Due to the significant transformation project being undertaken this year, it has been identified that there will be significant redundancies incurred. As all employees are employed by Taunton Deane, the redundancies will be recharged to West Somerset at an appropriate percentage for each individual. This presents a risk in terms of the calculation of the redundancies and the disclosure of them in the accounts. Therefore, we have highlighted this as a risk to the audit.	We will: <ul style="list-style-type: none">• Review, on a sample basis, the calculation of and accounting for the redundancy costs to ensure that they have been recorded accurately, and that they have been correctly recharged between the two Councils.• Review, the disclosures of the redundancy costs in the financial statements to ensure that they have been correctly included.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

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Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

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

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

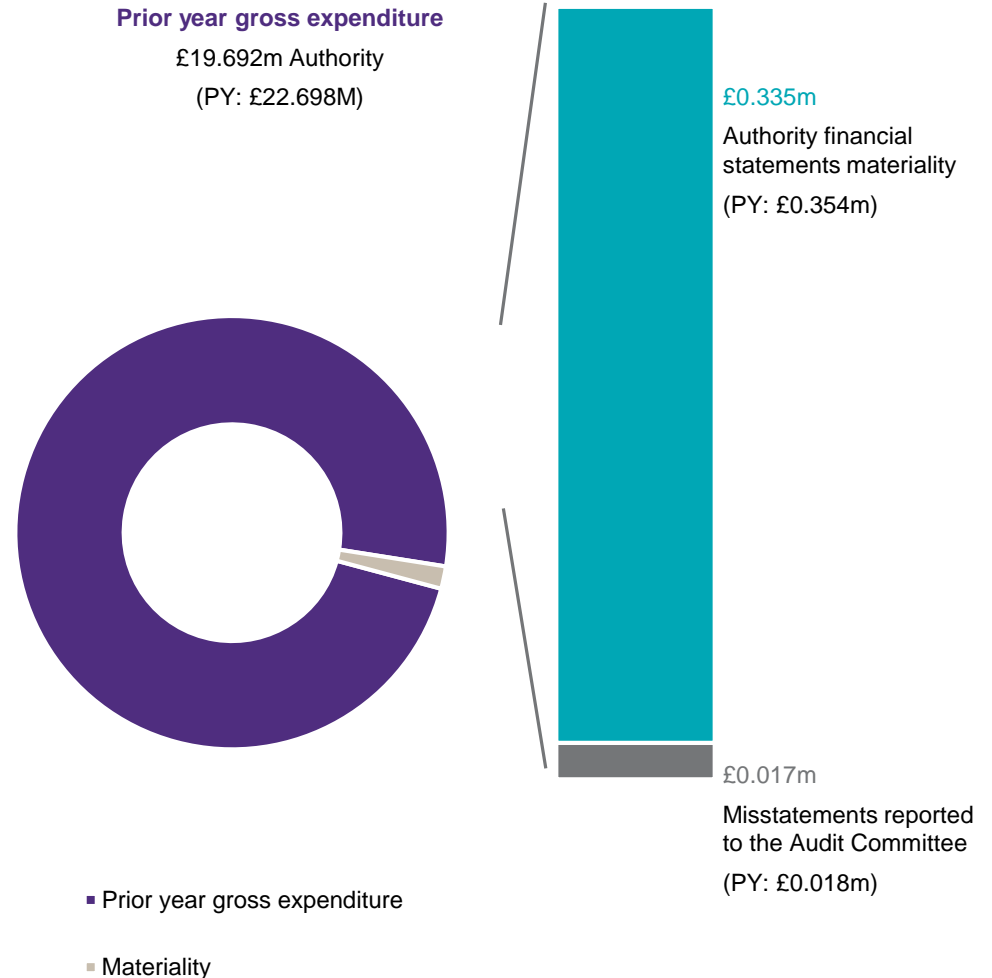
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £0.335m (PY £0.354m) for the Authority, which equates to 1.7% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be 2% for Senior officer remuneration and redundancy costs.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Corporate Governance Committee (and its successor within Somerset West and Taunton)

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.017m (PY £0.018m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

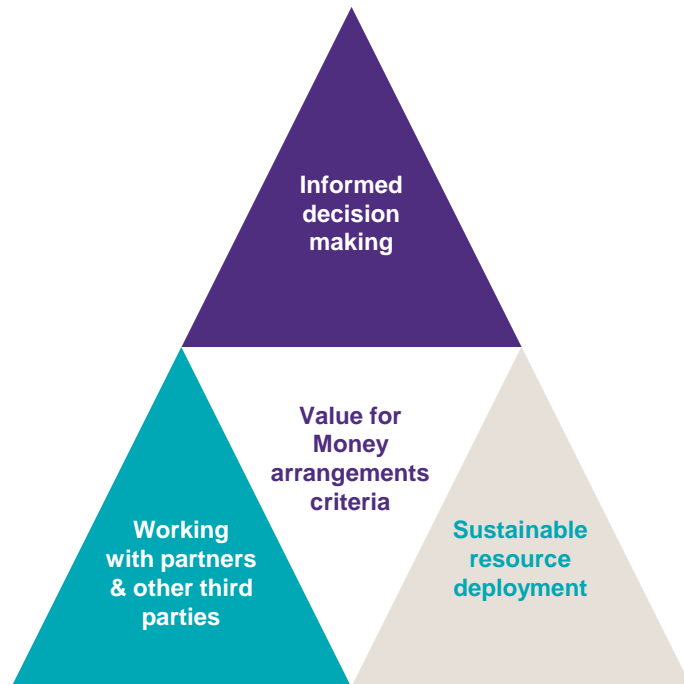
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

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

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Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Medium term financial position including Transformation and New Council

The Council set a budget in February 2018 with a balance financial plan for 2018/19. However, the budget gap increases to £170k by 2022/23 based on West Somerset Council continuing in its current form. This plan includes savings through transformation of £1,493k by 2022/23. Therefore, if these savings are not achieved or the cost of transformation increases, there would be a significant increase in the forecast budget gap. It has recently been reported that the cost of transformation is increasing, including the redundancies.

We will review the West Somerset Council and the New Council's medium term financial plan in detail, including the assumptions that underpin the plan. We will review how the Council is progressing with the Transformation Programme, as well as reviewing the costs and savings involved.

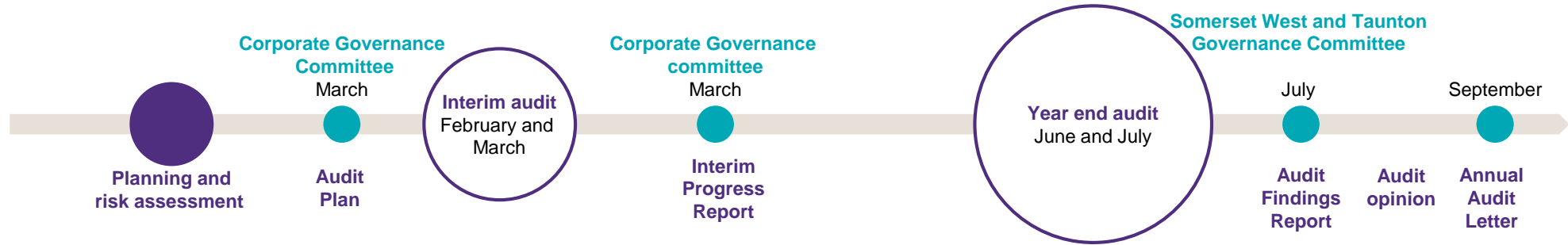
Transformation Programme and service delivery



The Council is currently undertaking a significant transformation programme. This is resulting in a large number of staff applying for new positions in the new Council, and therefore there is currently significant disruption to staff and services as the Council continues to restructure. This could result in service delivery dipping in quality until the new roles and structure is bedded in and operational.

We will review the progress of the transformation programme and the level of service delivery, particularly when disruption reaches a peak in the final quarter of the 2018/19 year.

Audit logistics, team & fees



Geraldine Daly, Engagement Lead

Responsible for overall quality control, accounts opinions, final authorisation of reports, risk communication with management and Corporate Governance Committee and its successor in the new council.



Aditi Chandramouli, Assistant Manager

Responsible for the overall management of all audit fieldwork including accounts, review of work performed by the incharge auditor and attendance at Committee and liaison meetings



Stessy Juganaikloo, In Charge Auditor

Responsible for management of audit fieldwork including accounts, coordination of work completed by audit assistants, coordination of work of specialists and advisors

Audit fees

The planned audit fees are £32,744 (PY: £42,525) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. £11,091.37 of fees are planned for the Housing Benefit Subsidy Claim, which constitutes non Code work by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

In 2017/18, the Council prepared the accounts in time for the audit, and the audit was completed ahead of the 31 July deadline.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page [xxx]). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing Benefit Subsidy Claim	11,091.37	Self-Interest (because this could be a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,091.37 in comparison to the total fee for the audit of £32,744 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been communicated to the Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.



Report Number: WSC 10/19

West Somerset Council

Audit Committee – 19 March 2019

Grant Thornton – Housing Benefit Subsidy Certification Report 2017/18

This matter is the responsibility of Councillor Martin Dewdney

Report Author: (Andrew Stark, Interim Head of Financial Services and Deputy s151 Officer)

1 Purpose of the Report

- 1.1 This report introduces the Certification Report 2017/18 which has been compiled by our external auditors, Grant Thornton, in relation to the certification of our Housing Benefit Subsidy Claim.
- 1.2 The report, which will be presented by Grant Thornton, summarises the findings from their work in relation to the above claim and return for 2017/18.

2 Recommendations

- 2.1 To note the findings of the audit report on the Housing Benefit Subsidy Claim for 2017/18.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails to maintain an adequate system of internal control.	2	3	6

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			Impact				

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background and Full details of the Report

- 4.1 Each year our external auditors, Grant Thornton, review the Council’s arrangements in relation to grant claims and returns.
- 4.2 Their full report together with detailed recommendations and details of the cost of this work are attached to this report.

5 Links to Corporate Aims / Priorities

- 5.1 None in relation to this report.

6 Finance / Resource Implications

- 6.1 The claim and return submitted by the Council (and reviewed by our external auditors) totals £10.834m. This is clearly a significant financial matter for the Council and we must ensure that proper arrangements are in place to meet the conditions of the grant.

- 6.2 No qualifications were made to the claim as a result of the 2017/18 audit.

7 Legal Implications

7.1 The Section 151 Officer has a legal requirement to ensure appropriate arrangements are in place to adequately control the Council's resources.

8 Environmental Impact Implications

8.1 None in respect of this report.

9 Safeguarding and/or Community Safety Implications

9.1 None in respect of this report.

10 Equality and Diversity Implications

10.1 None in respect of this report.

11 Social Value Implications

11.1 None in respect of this report.

12 Partnership Implications

12.1 None in respect of this report.

13 Health and Wellbeing Implications

13.1 None in respect of this report.

14 Asset Management Implications

14.1 None in respect of this report.

15 Consultation Implications

15.1 None in respect of this report.

Democratic Path:

- **Audit Committee – Yes**
- **Full Council – No**

Reporting Frequency: **Once only** **Ad-hoc** **Quarterly**
 Twice-yearly **Annually**

Contact Officers

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Email	a.stark@tauntondeane.gov.uk

Name	Sue Williamson
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Grant Thornton

An instinct for growth™

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www.grant-thornton.co.uk

6 December 2018

Dear Paul

Certification work for West Somerset District Council for year ended 31 March 2018

We are required to certify the Housing Benefit subsidy claim submitted by West Somerset District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £10.879 million. Further details are set out in Appendix A.

We identified one issue from our certification work which we wish to highlight for your attention. Further details are set out in Appendix A.

As a result of the error identified, the claim was amended.

The indicative fee for 2017/18 for the Council was based on the final 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £6,996. This is set out in more detail in Appendix B.

Yours sincerely

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£10,879,477	Yes	£10,834,451	No	See below

Findings from certification of housing benefits subsidy claim

Rent Officer Determination

We identified one error where a rent officer determination had not been obtained for 2017-18. Officers were able to review the whole of the population and we agreed the amendment required to the claim as a result. The audit team reviewed and re-performed a sample of the work of the Council.

Appendix B: Fees for 2017/18 certification work

Claim or return	2015/16 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£6,996	£6,996	£6,996	£0	N/a – no variance
Total	£6,996	£6,996	£6,996	£0	N/a – no variance

Report Number: WSC 11/19

Presented by: Alastair Woodland, Assistant Director
Author of the Report: Alastair Woodland, Assistant Director

Contact Details:
Tel. No. Direct Line: 07720 312467
Email: alastair.woodland@swapaudit.co.uk

Report to a Meeting of: Audit Committee
To be Held on: 19 March 2019

INTERNAL AUDIT PLAN 2018-19 OUTTURN REPORT

1. PURPOSE OF REPORT

- 1.1 To update members on the Internal Audit Plan 2018-19 progress and bring to their attention any significant findings identified through our work.

2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 Delivery of the corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, SWAP Internal Audit Services.

3. RECOMMENDATIONS

- 3.1 Members are asked to note progress made in delivery of the 2018/19 internal audit plan and the significant findings.

4. RISK ASSESSMENT (IF APPLICABLE)

- 4.1 Any organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. WSC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement. The most significant findings are reported to this committee in terms of significant corporate risks or in terms of high priority findings at an individual service level.

5. BACKGROUND INFORMATION

This report summarises the work of the Council's Internal Audit Service and provides:

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in December 2018.
- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.

6. FINANCIAL/RESOURCE IMPLICATIONS

6.1 There are no specific finance issues relating to this report.

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

7.1 No Specific comments.

8. EQUALITY & DIVERSITY IMPLICATIONS

8.1 There are no direct implications from this report.

9. CRIME AND DISORDER IMPLICATIONS

9.1 There are no direct implications from this report.

10. CONSULTATION IMPLICATIONS

10.1 There are no direct implications from this report.

11. ASSET MANAGEMENT IMPLICATIONS

11.1 There are no direct implications from this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

12.1 There are no direct implications from this report.

13. HEALTH & WELLBEING

13.1 There are no direct implications from this report.

14. LEGAL IMPLICATIONS

14.1 There are no specific legal issues relating to this report.



SWAP

INTERNAL AUDIT SERVICES

Assuring – Improving – Protecting

West Somerset Council

Report of Internal Audit Activity

Outturn Report 2018/19

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Internal Audit Plan Progress 2018/2019

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Follow Up**
- **Non-Opinion / Advisory Reviews**



Role of Internal Audit

The Internal Audit service for the West Somerset Council is provided by SWAP Internal Audit Services (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 Committee at its meeting in March 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
- Grants
- Follow Up
- Non-Opinion / Advisory Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team. This year's Audit Plan was reported to and approved by this Committee at its meeting in March 2018. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2018/2019

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a fundamental concern to the services/area being reviewed and 3 being a minor concern that requires management attention.



Internal Audit Work

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 on **Appendix A** of this document.

Since the December 2018 update the following audits have been finalised.

Audit Area	Quarter	Status	Opinion
2018/19			
Healthy Organisation	2 & 3	Final	Medium
System Parameter Testing	4	Final	Advisory
Service Mapping Activity	3	Final	Advisory

Overall good progress has been made on the Audit Plan 2018-19. The current position statement can be seen at **Appendix B**. Four transformation reviews are scheduled to run until the end of March/early April which accounts for 25% of the WSC Plan. A further 2 reviews were not due to commence until March 2019.

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a fundamental concern to the services/area being reviewed and 3 being a minor concern that requires management attention.

Internal Audit Work

Partial Assurance / No Assurance Audits

As agreed with this Committee where a review has a status of 'Final' and has been assessed as 'Partial' or 'No Assurance', I will provide further detail to inform Members of the key issues identified. Since the December update there are no 'Partial' or 'No Assurance audits that I need to bring to your attention. I have included details on the Healthy Organisation review as this cross-cutting review looks across 8 key theme areas. The conclusion on our work is in the form of a RAG rating (Red, Amber Green) as an overall assessment and against the 8 key theme areas. WSC has an Amber rating. Further details can be found within **Appendix A** together with a comparison with other local authorities where we have undertaken the work.

'High' Corporate Risk

Our audits examine the controls that are in place to manage the risks that are related to the area being audited. We assess the risk at an inherent level i.e. how significant is the risk(s) at a corporate level on a scale of High, Medium or Low. Once we have tested the controls in place we re-evaluate the risk based on how effective the control are operating to govern that risk (Residual Risk). Where the controls are found to be ineffective and the inherent and residual risk is assessed as 'high', I will bring this to your attention.

There are no 'High' corporate risks that I need to bring to your attention through the work we have completed since the December 2018 update.

Internal Audit Plan Progress Outturn 2018-19

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



Approved Changes to the Audit Plan

The audit plan for 2018/19 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to West Somerset Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Section 151 Officer/Audit Client Officer.

Since the December 2018 update there have been a couple of changes to the WSC Audit Plan. Following a meeting with the Head of IT a revised IT plan was agreed with the focus on testing the new transaction portal, Firm Step. Residual time was allocated to the Healthy Organisation work for completion.

Audit Assignments completed since the December 2018 update:



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

Summary of Audit Findings

The following information provides a brief summary of each audit review finalised since the last Committee update in December 2018. Each audit review is displayed under the relevant audit type, i.e. Operational; Key Control; Governance; Fraud & Corruption; ICT and Special Review.

Since the December 2018 update there are no 'Partial Assurance' audit opinions that I need to bring to your attention. I have, however included details of our Healthy Organisation review which looks at 8 key theme areas. Included at the end is a comparison with other local authorities where we have undertaken this review.

Healthy Organisation

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

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

For each of the corporate themes the strength of the management control framework in place was assessed against a benchmark model by identifying the presence or otherwise of key controls. This included the use of assurance from other sources, such as external audit, as well as recent internal audit reports. The work was carried out during 2018/19 with the draft report issued in December 2018 and finalised in January 2019.

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Internal Audit Plan Progress Outturn 2018-19

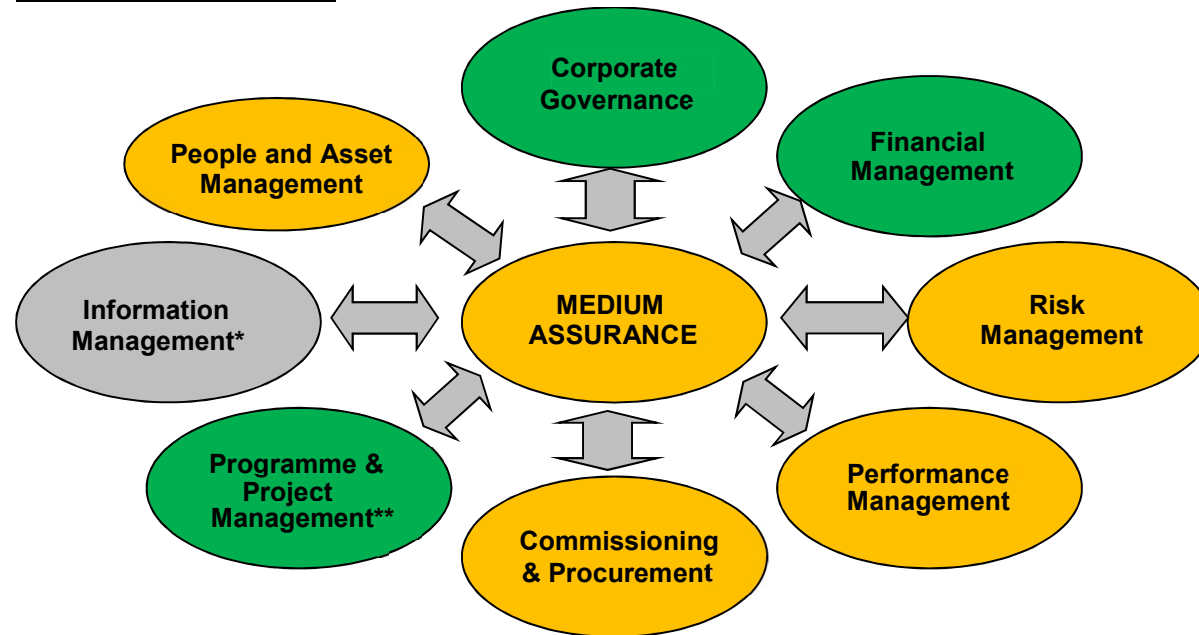
Eight themes are normally reviewed for the Healthy Organisation piece of work. Information Management was out of scope for this review due to the significant pressure on IT resources during the change process. The remaining seven themes reviewed were:

1. Corporate Governance;
2. Financial Management;
3. Risk Management;
4. Performance Management;
5. Commissioning and Procurement;
6. Programme & Project Management;
7. People and Asset Management

Healthy Organisation

The assurance levels, for each of the eight themes referred to above, have been reviewed and depicted in the following chart. This leads us to provide a **Medium** Assurance opinion. As outlined above, the delivery of the Transformation Programme and the impending changes on control frameworks, together with the additional pressures on staff have meant that this report should be considered as a “Part One” review. A further review will be carried out in 2019/20 to assess transformed arrangements for Somerset West and Taunton Council.

Overall assurance graph



* Not reviewed due to client availability during transformation.

** Limited to the growth programme.

Eight themes are normally reviewed for the Health Organisation piece of work. Information Management was out of scope for this review due to the significant pressure on IT resources during the change process. The remaining seven themes reviewed were:

1. Corporate Governance;
2. Financial Management;
3. Risk Management;
4. Performance Management;
5. Commissioning and Procurement;
6. Programme & Project Management;
7. People and Asset Management

Healthy Organisation

Corporate Governance – Green Rating

Key Areas covered

- Leadership of the Council
- Clear vision and plan
- Effective working relationships
- Codes of Conduct
- Openness and Transparency
- Complaints and Whistleblowing
- Decision Making
- Overview and Scrutiny
- Stakeholder Consultation
- Annual Review of Governance
- The Constitution
- Member Development
- Senior Officer Development
- Annual Governance Statement
- Marketing and Communication Strategy

The **Green** RAG rating has been assigned because governance within the Council is generally well managed. Management should note that as transformation moves towards the formulation of the New Single Council there are some key documents that require an update to ensure they reflect the aims and objectives of the New Single Council and legislation. These include the: Corporate Plan; Constitution (including Financial Regulations and Contract Standing Orders); Strategy (including the People Strategy and Communication Strategy), Policy (including the Whistleblowing Policy) and Procedure. Once the new Authority is up and running members and staff should be surveyed to determine the effectiveness of working relationships and to ensure members have the knowledge and skill through training to deliver their role effectively.

Eight themes are normally reviewed for the Health Organisation piece of work. Information Management was out of scope for this review due to the significant pressure on IT resources during the change process. The remaining seven themes reviewed were:

1. Corporate Governance;
2. Financial Management;
3. Risk Management;
4. Performance Management;
5. Commissioning and Procurement;
6. Programme & Project Management;
7. People and Asset Management

Healthy Organisation

Financial Management – Green Rating

The **Green** RAG rating has been assigned because there is no evidence of repeated overspending at service level and the Council has always been within budget. Areas for attention that need to be addressed in order to improve the internal control framework include: the lack of budget setting guidance; the lack of budget monitoring guidance, the ad-hoc budget monitoring reports produced. Other issues are mentioned below.

Key areas covered

- Budget Setting
- Medium Term Plan
- Budget Management
- Budget Monitoring
- Financial Systems
- Financial Regulations
- Value for Money
- Treasury Management
- Financial Resilience
- Financial Liabilities

Risk Management – Amber Rating

Key areas covered

- Risk Management Strategy
- Risk Appetite
- Risk Registers
- Planning, monitoring & reporting
- Options and Proposals
- Decision making
- Transparency

The **Amber** RAG rating has been assigned because although there is a Joint Corporate Risk Management Framework in operation, a Corporate Risk Register in existence and oversight by Management and Members, weaknesses still exist with risk management being an embedded and everyday process that captures risks both top down and bottom up. We have identified that the Strategy has not been reviewed since May 2014, it does not include risk appetite statements and is not accessible to staff via the intranet. The level and detail of risks capture at operational and service level is weak and staff have not received risk management training recently. Risk language used throughout the organisation is not consistent in all areas where risks are referred to, nor is the method of risk assessment.

Eight themes are normally reviewed for the Health Organisation piece of work. Information Management was out of scope for this review due to the significant pressure on IT resources during the change process. The remaining seven themes reviewed were:

1. Corporate Governance;
2. Financial Management;
3. Risk Management;
4. Performance Management;
5. Commissioning and Procurement;
6. Programme & Project Management;
7. People and Asset Management

Healthy Organisation

Performance Management – Amber Rating

The **Amber** RAG rating has been assigned because: the Council have not documented their Performance Management Framework; Performance measures have not been reviewed since 2017/18; There is a need for refresher training on performance management; Joint Management Team and Members monitor performance biannually rather than quarterly. The performance management framework will need to be updated in line with the new organisational structure and its priorities. Mechanisms need to be developed to easily capture the relevant data to inform how well the Authority is delivering on its priorities and statutory commitments.

Key areas covered

- Performance Management Framework
- Key Outcome Measures
- Monitoring of KPIs
- Accountability & Responsibility
- Data Integrity
- Performance Reports
- Performance Management informs initiatives
- Links to Corporate Objectives

Commissioning & Procurement – Amber rating

Key areas covered

- Commissioning & Procurement Strategy
- Procurement Life Cycle
- Procure and Commissioning decisions
- Policy Framework
- Achieving benefits and savings
- Transparency in the letting of contracts
- Category Management
- Understanding of key suppliers
- Maximising Social Value

The **Amber** RAG rating has been assigned because: There are no commissioning strategies; Procurement Strategies are out of date; No monitoring on the performance of the procurement activity has been undertaken; There are a lack of savings and benefits targets in place for procurement activities. Further areas for attention are detailed below.

Eight themes are normally reviewed for the Health Organisation piece of work. Information Management was out of scope for this review due to the significant pressure on IT resources during the change process. The remaining seven themes reviewed were:

1. Corporate Governance;
2. Financial Management;
3. Risk Management;
4. Performance Management;
5. Commissioning and Procurement;
6. Programme & Project Management;
7. People and Asset Management

Healthy Organisation

Programme and Project Management – Green Rating

The **Green** RAG rating has been assigned because: Programme and Project Management within the Councils are generally well managed. The Programme and Project Management framework could be strengthened through a review and update of the Taunton Growth Programme Organisation Structure Document; by being more explicit within the Project Brief about the capacity and skills required to deliver projects; ensuring that the management of risk is in accordance with the Council's Risk Management Framework and the minuting of Project Management Meetings in relation to the Coal Orchard.

Key areas covered

- Programme & Project Methodology
- Project Risk Management
- Capacity and Skills
- Reporting and Monitoring
- Responsibility and Accountability
- Delivering Objectives

People and Asset Management – Amber Rating

Key areas covered

- Asset Management Plan
- Asset Inventory
- Workforce Planning
- VfM through utilisation of assets
- Safeguards against misuse of assets
- Investment Appraisal
- OD Policy Framework
- Policy Compliance
- OD Benefits Realisation
- Organisational Culture

The **Amber** RAG rating has been assigned because: the protocols within the Corporate Asset Management Strategies have not been implemented; the inventories of the Council published on the website are out of date; at the point of testing asset data was still being held on spreadsheets; the lack of continuous monitoring of financial and non-financial data with a view to ensuring value for money through the utilisation of assets; Human Resource policy and procedure requires updating; and performance measures related to the Human Resource Policy Framework requires development.

Internal Audit Plan Progress Outturn 2018-19

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Eight themes are normally reviewed for the Healthy Organisation piece of work. Information Management was out of scope for this review due to the significant pressure on IT resources during the change process. The remaining seven themes reviewed were:

1. Corporate Governance;
2. Financial Management;
3. Risk Management;
4. Performance Management;
5. Commissioning and Procurement;
6. Programme & Project Management;
7. People and Asset Management

* Not reviewed due to client availability during transformation.

** Limited to the growth programme.

Healthy Organisation

A number of Healthy Organisation reviews have been carried out across SWAP partners and a summary chart is provided below to show how TDBC & WSC compare to other authorities. The attached Healthy Organisation Report will provide a further breakdown against each of these 'themes' and guide management where improvement could be made.

Type of Authority	Overall	Corporate Governance	Financial Management	Risk Management	Performance Management	Commissioning & Procurement	Programme & Project Management	Information Management	People & Asset Management
TDBC & WSC	Medium Assurance						**	*	
District Council 1	Medium Assurance								
District Council 2	High Assurance								
District Council 3	Medium Assurance								
District Council 4	Medium Assurance								
Unitary Council	Medium Assurance								
County Council 1	Medium Assurance								
County Council 2	Medium Assurance								

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Minor			Comments
						Recommendation			
						1	2	3	
FINAL									
Governance, Fraud & Corruption	New: GDPR - Members Awareness Training	1	Final	Advisory	-	-	-	-	
Governance, Fraud & Corruption	Supplier Resilience	1	Final	Partial	6	0	1	5	
Follow-up audit	Parking Maintenance	1	Final	Advisory	6	0	0	3	
Governance, Fraud & Corruption	GDPR	2	Final	Reasonable	7	0	0	7	
Governance, Fraud & Corruption	Insurance Arrangements	2	Final	Reasonable	2	0	2	0	
Governance, Fraud & Corruption	Healthy Organisation	2 & 3	Final	Medium	44	-	-	-	
Transformation	New: Service Mapping Activity	3	Final	Advisory	-	-	-	-	
Key Control Audit	System Parameter Testing	4	Final	Advisory	-	-	-	-	
DRAFT									
Key Control Audit	Main Accounting	3 & 4	Draft	-	-	-	-	-	
Key Control Audit	Debtors	3 & 4	Draft	-	-	-	-	-	
Key Control Audit	Treasury Management	3 & 4	Draft	-	-	-	-	-	

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Minor			Comments
						Recommendation			
						1	2	3	
IN PROGRESS									
Transformation	New Council Governance	1 to 4	In progress	Advisory	-	-	-	-	
Transformation	Business Process Re-engineering	1 to 4	In progress	Advisory	-	-	-	-	
Transformation	Benefits Realisation Management	1 to 4	In progress	Advisory	-	-	-	-	
Information and Communication Technology	New Universal Transaction Portal (Firm Step testing)	1 to 3	In progress	-	-	-	-	-	
Key Control Audit	Creditors	3 & 4	In progress	-	-	-	-	-	
Transformation	New: Redundancy Payments	4	In progress	-	-	-	-	-	
DROPPED									
Information and Communication Technology	Refresh of Network Security Infrastructure	2 to 3	Dropped	Additional time Universal Transaction Portal – Firm Step Testing					
Information and Communication Technology	Programme of Consolidation	2 to 4	Dropped	Additional time to Healthy Organisation					
Transformation	Strategic Framework	1 to 4	Dropped	Time to Redundancy Payments due to payroll removal.					
Operational audit	Homelessness Reduction	4	Dropped	Time to Service Mapping Activity					

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



Audit Framework Definitions

Control Assurance Definitions

- Substantial
- Reasonable
- Partial
- None
- Non-Opinion/Advisory

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

Non-Opinion/Advisory – In addition to our opinion-based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendation are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Audit Framework Definitions

Categorisation of Recommendations

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

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

Definitions of Risk

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

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Report Number: WSC 12/19

Presented by: Alastair Woodland, Assistant Director
Author of the Report: Alastair Woodland, Assistant Director

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Report to a Meeting of: Audit Committee

To be Held on: 19 March 2019

INTERNAL AUDIT ANNUAL OPINION REPORT - 2018-19

1. PURPOSE OF REPORT

1.1 To inform the Audit Committee of the Annual Opinion Report 2018-19 from Internal Audit.

2. CONTRIBUTION TO CORPORATE PRIORITIES

2.1 Delivery of the corporate objectives requires strong governance, risk management and internal controls. The attached report provides a summary on internal audit's view on the effectiveness of internal controls, risk management and governance based on the work completed during 2018-19.

3. RECOMMENDATIONS

3.1 Members are asked to note Internal Audit's Annual Opinion Report for 2018-19.

4. RISK ASSESSMENT (IF APPLICABLE)

4.1 Any organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. WSC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement. The most significant findings are reported to this committee in terms of significant corporate risks or in terms of high priority findings at an individual service level.

5. BACKGROUND INFORMATION

5.1 The Accounts and Audit Regulations (England) 2015 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report provides that opinion based on the work undertaken during 2018-19.

6. FINANCIAL/RESOURCE IMPLICATIONS

6.1 There are no specific finance issues relating to this report.

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

7.1 The Internal Audit opinion on the control environment has been noted for the Annual Governance Statement.

8. EQUALITY & DIVERSITY IMPLICATIONS

Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

8.1 There are no direct implications from this report.

9. CRIME AND DISORDER IMPLICATIONS

9.1 There are no direct implications from this report.

10. CONSULTATION IMPLICATIONS

10.1 There are no direct implications from this report.

11. ASSET MANAGEMENT IMPLICATIONS

11.1 There are no direct implications from this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

12.1 There are no direct implications from this report.

13. HEALTH & WELLBEING

13.1 There are no direct implications from this report.

14. LEGAL IMPLICATIONS

14.1 There are no specific legal issues relating to this report.



SWAP

SOUTH WEST AUDIT PARTNERSHIP

Delivering Audit Excellence

West Somerset Council

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Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

Contents

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Appendix B – Summary of Work Plan Page 15-16

Summary

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Purpose

The Accounts and Audit Regulations (England) 2015 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual opinion report to those charged with governance to support the AGS. This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment;
- disclose any qualifications to that opinion, together with the reasons for the qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- compare the work undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria;
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Summary

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.

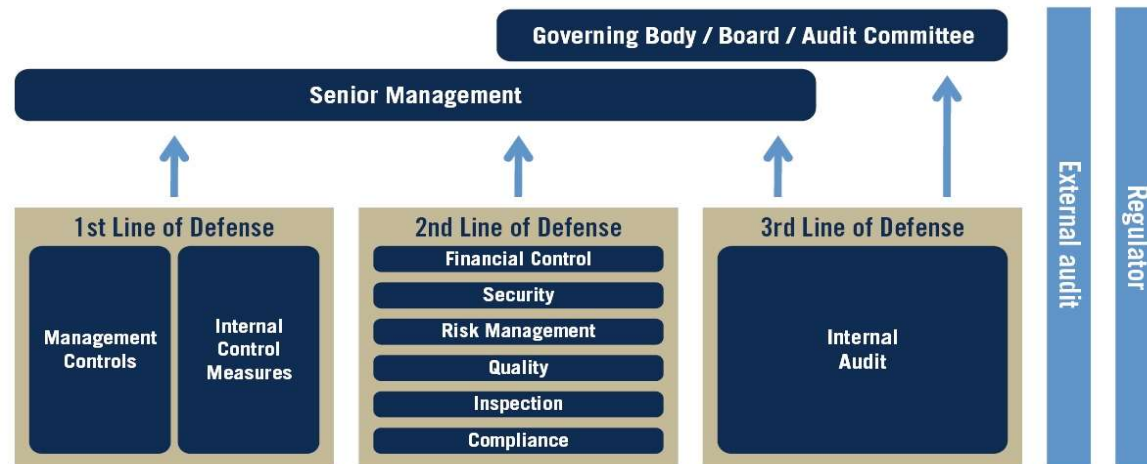


Background

The Internal Audit service for West Somerset Council is provided by the SWAP Internal Audit Services (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). The Partnership is also guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness through the work based on the Annual Plan agreed by Senior Management and this Committee.

The position of Internal Audit within an organisation's governance framework is best summarised in the three lines of defence model shown below.

The Three Lines of Defence Model



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

This Annual Report gives the opinion of the Assistant Director (Head of Internal Audit) on the adequacy and effectiveness of internal control, governance and risk management within West Somerset District Council. Internal Audit has not reviewed all risks and assurances relating to West Somerset District Council and cannot provide absolute assurance on the internal control environment. Our opinion is derived from the completion of the risk based internal audit plan at **Appendix B**, and as such it is one source of assurance on the adequacy of the internal control environment.

Senior Management and Members through the various committees are ultimately responsible for ensuring an effective system of internal control. The purpose of internal control is to manage risk rather than eliminate it. Getting the balance of internal control right is essential for organisational success—to knowingly take risk rather than be unwittingly exposed to it.

In the 2018-19 audit plan for West Somerset District Council there were 18 reviews to be delivered. In agreement with management, and previously reported to this Committee, some reviews were 'exchanged' or 'removed' as the need to respond to new and emerging risks was identified. Change can be seen from **Appendix B**.

Out of the 17 revised reviews to be delivered, all except six are at report stage. Of those at final report stage, one (14%) received Partial Assurance. I am encouraged by the management response and readiness to accept and address the matters raised in audit reports. Whilst our follow up reviews have shown some recommendations remain outstanding, the most significant risks were addressed.

The Healthy Organisation review has been a major piece of work this year and covered the management control framework across eight corporate themes. Each theme was assessed, and these assessments were used to provide an overall rating of Medium. The main areas of weakness are included in the 2019-20 Internal Audit Plan, which will provide assurance that improvements are made, and expected outcomes achieved.

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion Continued

It is also worth noting the number of 'Advisory' audits during 2018-19. Given the level of change within the Authority, Internal Audit has a role to play in being the 'Trusted Advisor', and as such we have been involved in a number of key areas of organisational change. Although no opinion is offered with this work, the work is used to assist in forming our overall opinion on the adequacy of internal control, governance and risk management.

When forming this 'opinion' I have considered the major transformational change that the Authority is undergoing and I am mindful of the fact that the majority of the impact of this change, both positive and negative, will be felt from March 2019 onwards. The back drop to 2018-19 was one of uncertainty for staff due to the organisational wide change and voluntary redundancy open to all staff. Despite this uncertainty and the scale and speed of change we have been encouraged by how well staff have adapted. Through our work we can see there is strain and some weaknesses are appearing in the internal control framework, however, based on the balance of audit work, the assurance levels provided and outcomes together with the response from Senior Management and our Advisory work I feel I can offer '**Reasonable Assurance**' on the internal control framework in place. The pace and extent of change is not without risk but there is evidence that appropriate steps have been taken to address the most significant areas of risk, although this might come at a short-term financial cost and there will be some disruption to services during the initial period of transition.

Summary of Audit Work 2018/19

Our audit activity is split between:

- Operational Audits
- Key Control Audits
- Governance, Fraud & Corruption Audits
- IT Audits
- Transformation
- Follow-up



Internal Audit Work Programme

The schedule provided at **Appendix B** contains a list of all audits agreed for inclusion in the Annual Audit Plan 2018-19 and the final outturn for the financial year. In total, 17 will be delivered. 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.

Of the 17 reviews in the revised 2018-19 audit plan, they are broken down as follows:

Type of audit	2018-19 original plan	2018-19 revised plan
• Operational Audits	1	0
• Key Control	5	5
• Governance, Fraud & Corruption	4	5
• Information Systems	3	1
• Transformation	3	5
• Follow-up	1	1
• TOTAL	18	17

As would be expected some audits were ‘exchanged’ or ‘removed’ as the need to respond to changes and emerging risks that arise during the year. Due to the need to be flexible with transformation work a number of reviews have been exchanged throughout the year.

In addition to the 2018-19 annual Audit Plan, we have also undertaken a number of benchmarking and comparison pieces of work during the year that are summarised in the ‘added value’ section of this report.



Significant Corporate Risks

Identified Significant 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 under **Appendix A**. For those audits which have reached report stage through the year, we may assess some risks as 'High'.

There were no significant corporate risks identified this year.

During 2018-19 there has been one Partial Assurance Audit. Our assessment at a corporate level of the weaknesses are assessed as follows:

- Supplier Resilience – Medium Risk

The Council has faced some significant challenges in the year with its transformation programme and new Authority preparedness.

Summary of Audit Work 2018/19

SWAP Performance - Summary of Audit Opinions

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

- Substantial
- Reasonable
- Partial
- No Assurance

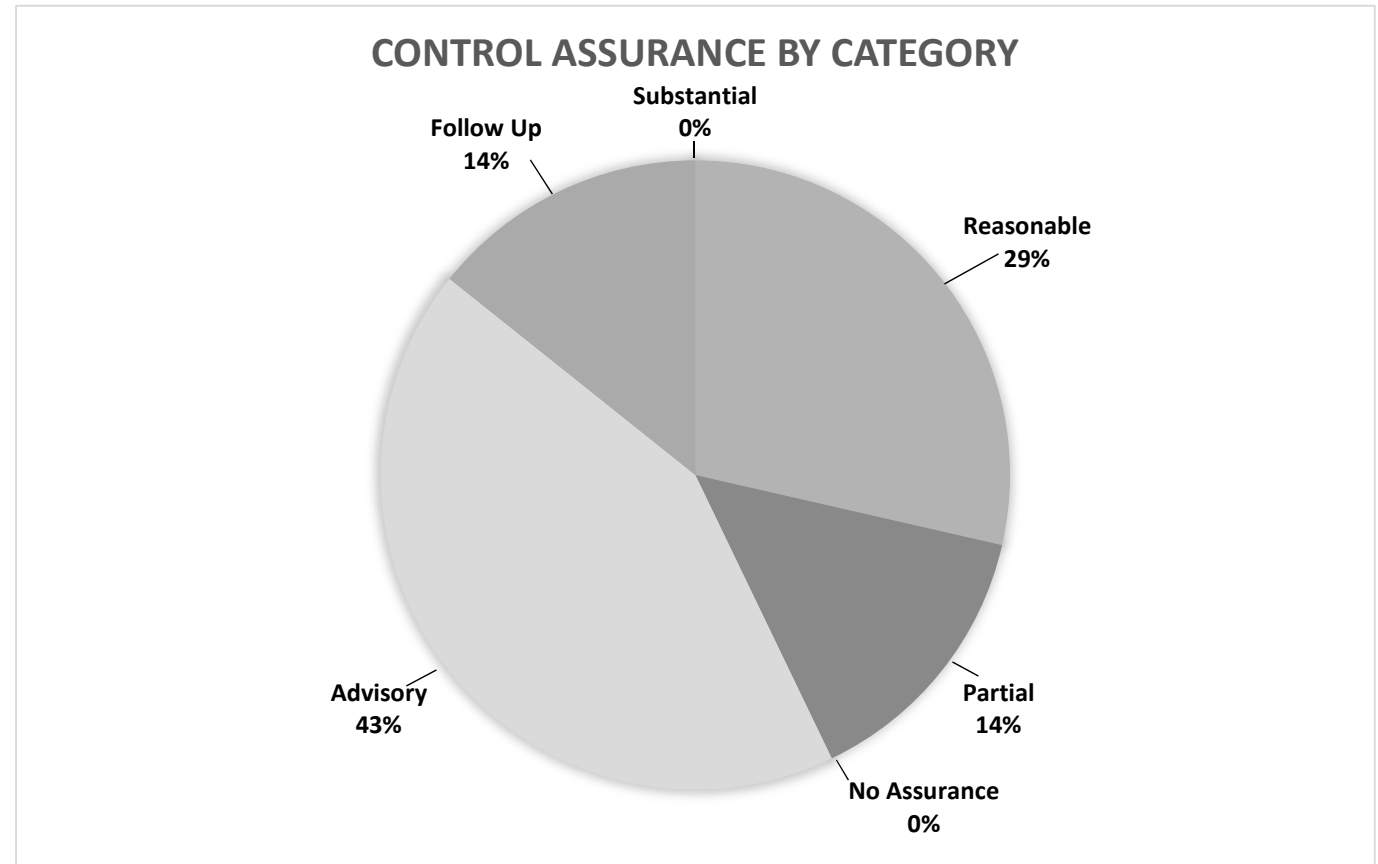
We also undertake 'Advisory / Non-Opinion' work on a consultancy basis where we have been asked to look at a specific area of potential concern.

Where we follow up on a previous adverse audit opinion the opinion is stated as 'follow up'.



Summary of Audit Opinion

Taking only the finalised reviews into account, the breakdown is summarised below. Definitions for each assurance category can be found in [Appendix A](#).



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Summary of Audit Work 2018/19

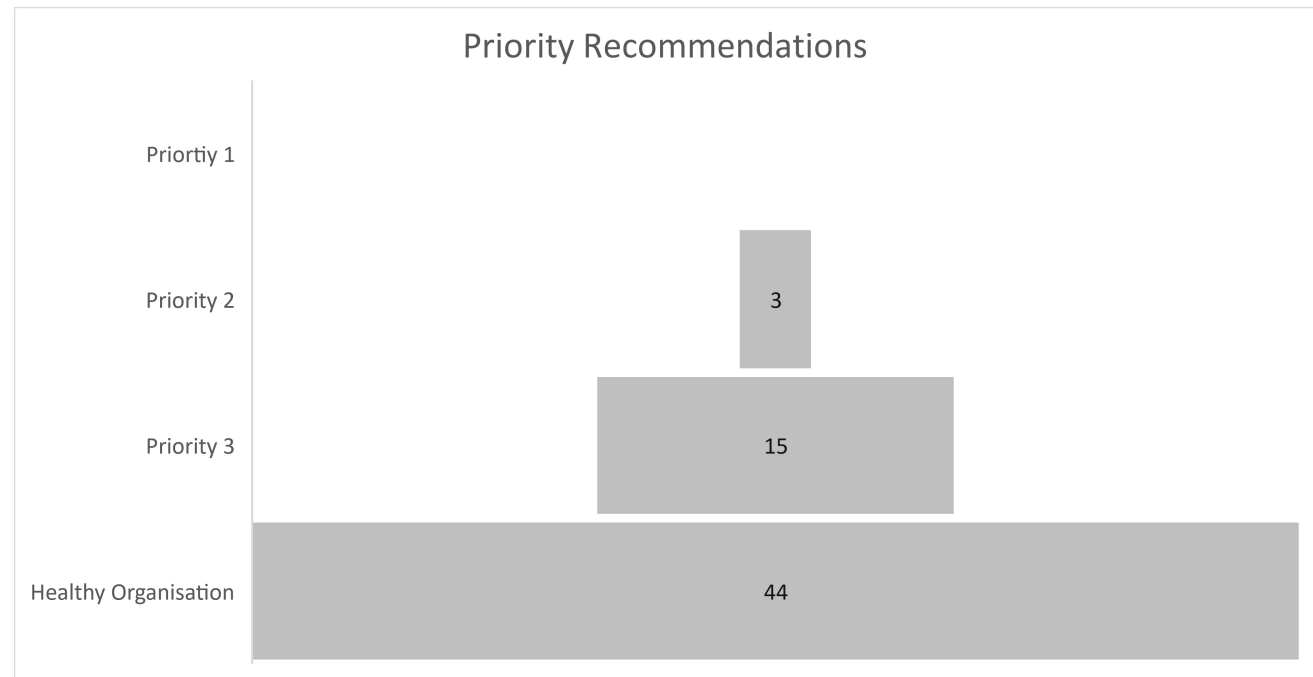
SWAP Performance - Summary of Audit Recommendations by Priority

We rank our recommendations on a scale of 1 to 3, with 1 being areas of major concern requiring immediate corrective action to 3 being minor or administrative concerns.



Priority Actions

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. Therefore, recommendations are assessed as to how important they are to the scope of the area audited. Priority 1 recommendations being more important than priority 3. All recommendations as currently contained in **Appendix B** are summarised below. Please note the Healthy Organisation recommendations are not priority rated and are analysed separately below.



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of “added value” is; “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

In addition to audits undertaken in [Appendix B](#), where requested by client officers we look to share risk information, best practice and benchmarking data/information. The following are some of the areas where WSC has requested or participated in enabling us to produce benchmarking reports across the partnership:

- **Fraud Bulletins** – We send out regular fraud bulletins highlighting where there are attempted frauds and what officers need to be on the lookout for.
- **Members Training Days** – We organise and provide members training days across the various SWAP regions focussing on the role of the audit committee, internal audit and more general topical subjects that are relevant to the Audit Committee.
- **Partners Newsletters** – We also produce quarterly partner newsletters that provides information on topical areas of interest for public sector bodies.
- **Building Control** – A comparison was completed on how the Councils maintain and plan to expand their current market share of statutory Building Control business within their geographic area.

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.

Added Value Continued

- **B&B VAT Charges** – A comparison was made on how councils manage the change in VAT rules for B&B stays over 28 days.
- **Business Continuity Management** – compared the Business Continuity processes in place for the local authorities and identified any areas of best practice.
- **Revenue Debt Recovery** - Comparisons were made against the different payment options offered, the recovery methods used, the enforcement action undertaken, the performance targets set and monitored, and the number and average value of repayment plans. This was to determine whether there is any additional recovery action the councils could take to tackle current and historic unpaid debts accumulated from the non-payment of Council Tax and Business Rates, and recoverable Housing Benefit Overpayments.
- **Anti-Fraud & Corruption Policy & Strategy Comparison** – compared the contents of the strategies in place across the councils that responded.
- **Car Parking Benchmarking** – a comparison was undertaken on the charging for car parks across local authorities at hourly, and daily rates and permit holder rates. They also compared the alternative use of the car parks and how enforcement is managed.

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



SWAP Performance

SWAP now provides the Internal Audit service for 18 Councils, 4 Police Authorities, 4 Office of Police and Crime Commissioners and also many subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for West Somerset District Council for the 2018-19 year are as follows;

Performance Target	Average Performance
<p><u>Audit Plan – Percentage Progress</u></p> <p>Final, Draft and Discussion</p> <p>Fieldwork Completed awaiting report</p> <p>In progress</p>	<p>65%*</p> <p>65%</p> <p>100%</p>
<p><u>Quality of Audit Work</u></p> <p>*Customer Satisfaction Questionnaire</p>	<p>99%**</p>

* Note 4 transformation Advisory reviews due to run until the end of March and early April 2019 which account for 24% of the plan.

**At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality, professionalism and value added.

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



SWAP Performance

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.

SWAP has been independently assessed and found to be in full conformance to the International Professional Practices Framework and the PSIAS. As a result of the external assessment, a Quality Assessment Improvement Plan (QAIP) was produced. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.



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

- Substantial
- Reasonable
- Partial
- No Assurance



Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
No Assurance	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Non-Opinion/Advice – In addition to our opinion-based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Re We rank our recommendations on a scale of 1 to 3, with 1 being areas of major concern requiring immediate corrective action to 3 being minor or administrative concerns.



Audit Framework Definitions

Categorisation of Recommendations

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

- Priority 1: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 2: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.

Definitions of Risk

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

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ← → 3 = Minor			Comments
						Recommendation			
						1	2	3	
FINAL									
Governance, Fraud & Corruption	New: GDPR - Members Awareness Training	1	Final	Non-Opinion	-	-	-	-	
Governance, Fraud & Corruption	Supplier Resilience	1	Final	Partial	6	0	1	5	
Follow-up audit	Parking Maintenance	1	Final	Non-Opinion	6	0	0	3	
Governance, Fraud & Corruption	GDPR	2	Final	Reasonable	7	0	0	7	
Governance, Fraud & Corruption	Insurance Arrangements	2	Final	Reasonable	2	0	2	0	
Governance, Fraud & Corruption	Healthy Organisation	2 & 3	Final	Medium	44	-	-	-	
Transformation	New: Service Mapping Activity	3	Final	Advisory	-	-	-	-	
Key Control Audit	System Parameter Testing	4	Final	Advisory	-	-	-	-	
DRAFT									
Key Control Audit	Main Accounting	3 & 4	Draft	-	-	-	-	-	
Key Control Audit	Debtors	3 & 4	Draft	-	-	-	-	-	
Key Control Audit	Treasury Management	3 & 4	Draft	-	-	-	-	-	
IN PROGRESS									
Transformation	New Council Governance	1 to 4	In progress	Advisory	-	-	-	-	

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Minor			Comments
						Recommendation			
						1	2	3	
Transformation	Business Process Re-engineering	1 to 4	In progress	Advisory	-	-	-	-	
Transformation	Benefits Realisation Management	1 to 4	In progress	Advisory	-	-	-	-	
Information and Communication Technology	Universal Transaction Portal (Firm Step testing)	1 to 3	In progress	-	-	-	-	-	
Key Control Audit	Creditors	3 & 4	In progress	-	-	-	-	-	
Transformation	New: Redundancy Payments	4	In progress	-	-	-	-	-	
DROPPED									
Information and Communication Technology	Refresh of Network Security Infrastructure	2 to 3	Not started	Additional time Universal Transaction Portal – Firm Step Testing					
Information and Communication Technology	Programme of Consolidation	2 to 4	Not started	Additional time to Healthy Organisation					
Transformation	Strategic Framework	1 to 4	Not started	Time to Redundancy Payments due to payroll removal.					
Operational audit	Homelessness Reduction	4	Not started	Time to Service Mapping Activity					

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Report Number: WSC 14/19

West Somerset District Council

Audit Committee – 19th March 2019

Corporate Risk Management Update

Report Author: Richard Doyle, Corporate Strategy & Performance Officer

1 Purpose of the Report

- 1.1 This report provides an update on the corporate risks which are being managed by the Senior Leadership Team (SLT). The Committee are invited to debate whether all necessary corporate risks have been identified.

2 Recommendations

2.1 It is recommended that:-

- The committee note the current position in relation to the identification and tracking of corporate risk and discuss any areas of concern with officers present.
- The committee debate whether all necessary corporate risks have been identified.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
There is the general risk that if the Council fails to make good use of the management of risk processes it is likely to lead to uncontrolled exposure to many high level strategic and operational risks.	Feasible (3)	Major (4)	Medium (12)
<i>The mitigation for this will be the identification and management of risk at all levels of the organisation and oversight of the key strategic risks facing the Council by Members and JMT.</i>	Unlikely (2)	Significant (3)	Low (6)

4 Background and Full details of the Report

- 4.1 West Somerset District Council recognises the importance of effective identification, evaluation and management of all key strategic and operational risks. This is endorsed by the increased focus on the importance of Corporate Governance to public sector bodies. The Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2003:

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes the arrangements for the management of risk.”

- 4.2 Risk management is a key element of the Council’s overarching Governance arrangements.
- 4.3 The Corporate Risk Register is a ‘live’ document which highlights the key corporate risks facing the Council. The register is a joint one between Taunton Deane and West Somerset Council and is formally reviewed by SLT on a regular basis.
- 4.4 These regular reviews ensure that new strategic-level risks can be recognised; continuing risks can be re-assessed in the light of management actions to date; and risks which are no longer considered important can be removed.
- 4.5 Risk registers exist with divisions, teams, projects and programmes.
- 4.6 Risks which are managed at a corporate level are those which have a significant risk to the delivery of a corporate priority or which are cross-cutting risks that don’t naturally sit with a single department or team. These risks have been identified and escalated from other risk registers within the Councils, officer concerns or from external sources.
- 4.7 There are currently **16** strategic risks identified and approved by SLT (**13** joint risks, **1** WSC risk and **2** TDBC specific risks).
- 4.8 Mitigating actions have continued to be delivered in respect of the various risks. These are set out in the risk register and will continue in order to manage down the risks to an acceptable level.
- 4.9 An extract of the corporate risk register is provided in Appendix A. Members are invited to review the register and consider whether all the appropriate Corporate Risks have been identified.
- 4.10 The key to the risk scoring used is shown in the following two tables:

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	Extremely unlikely or virtually impossible	< 10%
2. Slight	Unlikely to occur	10 – 25%
3. Feasible	Fairly likely to occur	25 – 50%
4. Likely	More likely to occur than not	50 – 75%
5. Very Likely	Almost certainly will occur	> 75%

Likelihood	5	V.Likely	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Feasible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Slight	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	V. Unlikely	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Significant	Major	Critical
			Impact				

4.11 The risk matrix below shows the spread of corporate risks, based on the latest assessment. The numbers shown relate to the Risk Number within Appendix A.

PROBABILITY (A)	Very Likely 5					
	Likely 4				93	6
	Feasible 3			14, 95	9, 10, 11, 16, 17	
	Slight 2			13	3, 4, 5, 8	2, 15
	Very Unlikely 1					
			Negligible 1	Minor 2	Significant 3	Major 4
IMPACT (B)						

5 Links to Corporate Aims / Priorities

5.1 There are no direct links to corporate aims/priorities although good governance (of which risk management is a part) underpins good performance.

6 Finance / Resource Implications

6.1 There are financial risks identified within the Corporate Risk register.

7 Legal Implications

7.1 There are no direct legal implications within this report.

8 Environmental Impact Implications

8.1 There are no direct environmental risks within this report.

9 Safeguarding and/or Community Safety Implications

9.1 Safeguarding is part of risk 14

10 Equality and Diversity Implications

10.1 Equalities is part of risk 14

11 Social Value Implications

11.1 There are no Social Value risks associated with this report.

12 Partnership Implications

12.1 The corporate risk register is maintained jointly between Taunton Deane Borough Council and West Somerset Council and reflects the 'One Team' approach to service delivery between the Councils.

13 Health and Wellbeing Implications

13.1 There are no Health and Well-being implications associated with this report.

14 Asset Management Implications

14.1 Risk 5 identifies a risk in relation to asset management.

15 Consultation Implications

15.1 There are no Consultation implications associated with this report.

Democratic Path:

- **Audit Committee - Yes**
- **Scrutiny – No**
- **Cabinet – No**
- **Full Council – No**

Reporting Frequency: Twice yearly

List of Appendices

Appendix A – Corporate Risk Register

Risk Number	Organisation	Risk Group Heading	Risk Description	Risk Owner	Corp Measure	Risk Response Action (what more do you plan to do)
2	BOTH	Transformation	<p>THE TRANSFORMATION PROGRAMME</p> <p>RISK - failure to deliver the Business Case on time and/or to target.</p> <p>KEY EFFECTS - programme benefits not realised-real or opportunity cost in terms of financial or non-financial efficiency. Reputational damage.</p>	Adam, Shirlene;#129	Yes	<p>Until end 2017/18</p> <ol style="list-style-type: none"> 1. Finalise detailed programme plan; 2. Approve blueprint; 3. Approve and commence first 'commercialism' venture; 4. Commence and complete WSH refit for CASA; 5. Commence refurbishment of Deane House; 6. UTP platform procured and implemented; 7. 'New Council' submission finalised and sent to the Secretary of State, decision made and regulations approved; 9. Detailed org design signed-off and implementation commenced;
3	BOTH	Transformation	<p>SHARED SERVICES ACROSS SOMERSET & WIDER PUBLIC SECTOR</p> <p>Government policy is pushing wider transformation of the public sector.</p> <p>RISK - the organisation is too inward looking and wider opportunities may be missed (opportunity risk) and /or the council is not shaping its destiny through not engaging in strategic conversations (eg devolution).</p> <p>KEY EFFECTS - failure to maximise efficiencies. Having strategic change imposed (eg being done to) on terms agreed by others.</p>	Hassett, James;#1168	Yes	<ol style="list-style-type: none"> 1. Provisional Full Council in place (Awaiting outcome of Devolution Bid) 2. Continue to explore opportunities of working with others where this supports the transformation vision. 3. Continue engaging with the sector - LGA, DCLG, Somerset Leaders & CEOs - in order to keep abreast of emerging issues and opportunities in the region.
4	BOTH	Political	<p>NATIONAL LAW & POLICY</p> <p>Changes advocated or made maybe missed or not evaluated in a timely manner.</p> <p>RISK – that the Councils are failing to meet an existing legislative requirement or fail to implement new requirements.</p> <p>KEY EFFECTS - The Councils are non-compliant leading to financial and /or reputational damage.</p>	Hassett, James;#1168	Yes	<ol style="list-style-type: none"> 1. LTOPS to review and discuss at monthly meetings 2. SLT to review and discuss at monthly meetings
5	BOTH	Financial	<p>ASSET MANAGEMENT</p> <p>RISK - failure to manage existing assets appropriately.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • Legal and reputational - increased risk & liabilities in relation to disrepair (condition) & compliance (Health and Safety) matters 	May, Terry;#190	Yes	Action plans in place and being transitioned into business as usual and managed within the service area.

6	BOTH	Financial	<p>MEDIUM TERM FINANCIAL PLANNING (MTFP)</p> <p>The key financial risk factors are: continuing budgetary pressures due to demographic change and the impact of the Gov's austerity measures (such as: Business Rates retention, Revenue Support Grant, Council Tax & Council Tax Support, Income from Fees & Charges, Capital investment), uncertainty as to the long-term sustainability / affordability of the existing contract with Somerset Waste Partnership, the shrinking of the General Fund (impact on the HRA).</p> <p>RISK - failure to agree and deliver a sustainable MTFP for the next 5 years</p> <p>KEY EFFECTS - may include:</p> <ul style="list-style-type: none"> • short-term or 'knee jerk' decisions with detrimental long-term implications • Government intervention • Adverse impact on the council's limited reserves & financial standing • Potential service closure / reduced service quality & therefore inability to deliver customer expectations • Insufficient capital resources to fund Corporate Strategy objectives • Unable to maximise investment returns • For TDBC inability to financially resource its growth ambitions • For West Somerset the risk is of being unable to continue to operate as a viable separate sovereign council, delivering an acceptable level of service to the community. 	Adam, Shirlene;#129	Yes	<ol style="list-style-type: none"> 1. Ongoing engagement with Gov/LGA/CIPFA (SA ongoing) 2. Continued engagement and modelling in relation to NHB, and 100% business rate retention in order to identify impacts on MTFP.
8	BOTH	Leadership & People	<p>POLITICAL LEADERSHIP & MEMBER ENGAGEMENT</p> <p>Both Councils are led by strong majority administrations. It is important to engage the whole council in the change programme to ensure it is member led & steered.</p> <p>RISK - lack of member engagement and therefore member ownership.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • lack of cross party buyin and ownership • loss of member input, ideas & challenge 	Hassett, James;#1168	Yes	<ol style="list-style-type: none"> 1. Further- "Making a Difference" workshops as part of Member development 2. Continuing Member communications
9	TDBC	Corporate Aim (TDBC)	<p>CORPORATE (STRATEGIC) RISK RE TDBC'S VISION AND AIMS FOR A "QUALITY PLACE" (Quality sustainable growth & development. A vibrant economic environment, A vibrant social, cultural and leisure environment)</p> <p>If the Growth Programme is not successful in the delivery of its projects (quality and timescale)</p> <p>RISK - Failure to deliver the ambitions or realise the outcomes & benefits as defined in the "Growing our Garden Town" document</p>	Cleere, Brendan;#222	Yes	<p>Detailed Action Plan held on the Programme Page. (Dan Webb)</p> <ol style="list-style-type: none"> 1. ensure adequate resources focussing on delivering Growth Priorities - develop a clear resource plan (eg NHB, CIL HIF etc) 2. ensure Taunton schemes are high profile with key funding providers (eg LEP) 3. prioritisation of CIL receipts 4. meet the timetable for preparation of Planning Policy documents 5. working with developers to bring forward Monkton Heathfield, other Urban Extensions, and other development sites across the district. (Formation of new Programme Delivery Team) 6. On-going identification, prioritisation and management of risks and issues within the programme

			<p>KEY EFFECTS - Taunton's key economic challenges may not be addressed, thus having a detrimental impact on the local economy and quality of life, ie:</p> <ul style="list-style-type: none"> • transport & infrastructure needs not met - traffic worsens, inability to attract inward business investment • long-term increased flood risk (climate change) is not mitigated - no additional protection offered to existing development, future planned growth is prevented • Taunton town centre regeneration does not happen and the town centre stagnates • Taunton's full economic potential is not realised and opportunities for economic growth are not exploited (eg Hinkley Point) • Housing growth (as per proposals in the Development Plan) is not delivered, and/or unplanned development occurs • Employment land (as per proposals in the Development Plan) is not delivered, or fails to provide the optimum mix of uses to attract the targeted growth clusters • opportunity cost in terms of New Homes Bonus and Business Rates • Poor reputation for Taunton and TDBC 			<p>7. Further implementation of effective and proactive stakeholder engagement, communications and marketing strategy and plans / campaigns.</p> <p>8. Planning approvals and commence delivery of key sites (Coal Orchard, Firepool, Nexus 25, M5 J25).</p> <p>9. Funding bids (eg HIF).</p> <p>10. Implement new Growth team structure (New Operating Model 2018).</p>
10	WSC	Corporate Aim (WSC)	<p>HINKLEY POINT C</p> <p>RISK - that the development could have an adverse impact on the local environment, tourism, accommodation and highways.</p> <p>RISK - failure to realise the Economic & Social opportunities which the development could bring</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • increase in housing demand & lack of affordable housing leading to homelessness increases and the council is unable to discharge its homelessness obligations; • increased congestion (impacting on Growth & Regeneration goals / inward investment) • Local businesses are not able to win contracts to participate in the project • Local people aren't trained and are unable to gain employment on the project 	Goodchild, Andrew;#142	Yes	<p>1. Continuing to work with LEP and Partners with Government via the Hinkley Strategic Delivery Forum.</p> <p>2. Specific SMART targets to deliver initiatives in response to all key areas are being monitored and delivered in response to Risk and Corporate Priority</p>

11	BOTH	Communities	<p>WELFARE REFORMS</p> <p>There is an on-going requirement to reduce benefit payments (CTRS, Business Rates, Universal Credit) - the Welfare Reforms will mean that people in the welfare system will receive less Council Tax support. It will also mean that Universal Credit will be paid directly to tenants rather than the HRA housing landlord.</p> <p>a) RISK - of the Council failing to adequately support our community and services for the impact of the Government's Welfare Reform Agenda.</p> <p>b) RISK - of the Housing Service having substantially reduced collection rates on introduction of Universal Credit</p> <p>KEY EFFECTS-</p> <ul style="list-style-type: none"> • taxes and rents harder to collect • reduced rent collection could affect ambitions of HRA business plan • Impact on MTFP due to government changes which will affect HRA Income & 30 year B.P. • more vulnerable people - individuals & families may be unable to manage • increased pressure and demand on services • Timetable unknown • Result in more evictions which will increase pressure on the Housing Options & Homelessness Teams 	Lewis, Simon;#125;#Fitzgerald, Paul;#127	Yes	<ol style="list-style-type: none"> 1. UC Project Mgr engages with partners to ensure that appropriate support is provided to UC claimants (MA ongoing) 2. UC Project Mgr works with Housing Officers and others to help ensure their are adequate internet access points in TD and WS with appropriate support for residents to apply online (MA ongoing) 3. Online and written guidance has been provided for tenants to help manage Welfare Reform issues 4. Additional Estates Officers working in One Team areas to allow for increase in UC. 5. Inspired To Achieve recruited to support tenants back into work, to reduce UC claimants and help others demonstrate they are seeking work. 6. Bad debt provision increased to reflect risk 7. New Positive People programme rolled out in Somerset will help people back into work and provide more online support through Pluss
13	TDBC	Communities	<p>GYPSIES & TRAVELLERS</p> <p>Local Authorities have a (planning) duty to allocate suitable provision for Gypsies & Travellers. TDBC has had previous experience of illegal Gypsy & Traveller encampments.</p> <p>RISK - that TDBC cannot defend against future illegal encampments if we are unable to identify suitable provision.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • unable to respond to community or political pressure; • financial impact (eg high legal fees); • reputational damage • lack of land management and gypsy liaison expertise 	Burton, Timothy;#144	Yes	<ol style="list-style-type: none"> 1. actively progressing the purchase of Otterford Green site (for temporary provision, not a permanent solution) 2. Council needs to potentially purchase sites or work with other providers to develop sites - regular Countywide group meeting (Ongoing AR)

14	BOTH	Corporate Governance	<p>CORPORATE GOVERNANCE ARRANGEMENTS ON RUNNING THE BUSINESS</p> <p>There is a need for robust arrangements, and on-going monitoring and focus on embedding effective corporate governance arrangements (ie budget monitoring, risk management, debt management, performance management, Treasury management, compliance with audit recommendations, asset management, Equalities duties, Business Continuity Planning, Information Governance & Security, Health & Safety management).</p> <p>RISK - of failure to comply with key internal controls & corporate governance arrangements.</p> <p>KEY EFFECTS - include:</p> <ul style="list-style-type: none"> • inaccurate budget forecasting & financial loss • failure to adhere to HRA ringfence • project or service failure or under-performance • reputational damage • Government intervention • Failure to comply with statutory duties & regulations (eg Health & Safety, Equalities, Data Security / Data Protection, Safeguarding) causing harm or injury • lack of resilience to unexpected events / failure of IT systems / data loss •safeguarding 	Fraser, Christine;#1124	Yes	<ol style="list-style-type: none"> 1. Harmonisation of governance frameworks and arrangements across both councils for officers to operate within 2. Communicate and embed in ways of working (eg through learning & development plans) 3. On-going 'policing' 4. Quick wins on aligning governance to be identified 5. Simplifying Governance project within transformation programme (July 16)
15	BOTH	Communities	<p>BUSINESS CONTINUITY</p> <p>RISK - The Council may be unable to deliver critical services in the event of a critical loss of accomodation, data, power, staff or premises.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • major disruption to services; • Impact upon customers if critical services (payment of housing costs, homeless service, Deane helpline etc) are disrupted or unavailable. • Reputational damage; 	Hall, Chris;#121	Yes	<p>Business Continuity</p> <ol style="list-style-type: none"> 1. Further business continuity desktop exercise to be undertaken 2. Continued development of SharePoint site 3. Final Service BC plans to be uploaded 4. Completion status of service BC plans to be formally reviewed by JMT on 30th September as part of Performance review day.

16	BOTH	Leadership & People	<p>STAFF ENGAGEMENT & DEVELOPMENT</p> <p>RISK - that due to increased opportunities in the private sector, as the economy improves, and austerity continues within the public sector that the organisation finds it difficult to attract and retain the right skills - leads to use of expensive agency workers or disruption to service provision.</p> <p>The Organisation has also been through a period of significant restructure and needs to ensure its staff are fully engaged in the changes underway and being planned.</p>	Barrah, James;#116	Yes	<ul style="list-style-type: none"> • Work will progress to create a suite of HR policies to enable our ambition of having a modern flexible workforce, capable of delivering services when and where required. (RS Dec 16). • The forthcoming reviews of T&C;s will ensure we continue to support the Health & Wellbeing of employees. (MG Implemented Sept 16) • Develop an OD plan of the ONE Team that supports the immediate needs re capacity & resilience and sets out a wider programme to support transformation. (RS). • Staff engagement plan to be agreed. • ADs to ensure as a minimum that 'basic' staff engagement measures are in place across their services (1-2-1s, team meetings and PREDs) (ADs May 15) Staff Design Panel to be developed to support staff involvement in transformation programme. People Strategy developed (July 16) • Engagement work in JMASS Phase 2 to be developed (BC Sept/Oct 15)
17	BOTH	Communities	<p>COMMUNITY IMPACT OF AUSTERITY</p> <p>RISK - Austerity measures will impact on services to the community.</p> <p>KEY EFFECTS - This may manifest in a number of ways including (but not limited to):</p> <ul style="list-style-type: none"> • direct impact on household income e.g. through cap / reduction in benefits - leading to increased debt and subsequent issues • Lack of income where households are subject to DWP sanctions - leading to crisis and requirement for food banks • Reduced ability to pay council tax, housing rent (Council or private) and utility bills, leading to potential evictions, homelessness and health issues • reduction in level of support that can be delivered by the district councils directly, or through grant-funded providers e.g. reduced ability to support One Team measures through rent changes to HRA - leading to reduced support for deprived communities • Reduced ability to support Under 21s where they are unable to claim HB and need support with potential of increased homelessness and sofa surfing and associated risks (e.g. CSE) • impact of service reductions by other local authorities such as County Council (e.g. P4A and P2I cuts leading to increased homelessness) • Increasing aging population with unmet Health and Social Care needs struggling to live comfortably 	Lewis, Simon;#125	Yes	<ol style="list-style-type: none"> 1. Introduce changes to approach to support Homelessness which reflect the Homelessness Reduction Act. This will provide a far wider support net for a longer period of time. 2. Strengthening Safeguarding responses throughout Council and role of Social Exclusion Panel 3. Support the Taunton Symphony project to better support people with long-term conditions and ensuring Housing is a key partner 4. Working to bring Health Partners and ASC into One Team model 5. Strong participation in projects with partners to improve approach to P4A (now Positive Lives) and P21 to protect vulnerable clients. 6. New pilot with CCG, ASC and Mental Health Services on joined-up multiagency support for those with complex mental health needs living in community (North Taunton pilot) 7. Continued commitment to One Team working and funding now secured to ensure this continues until 31/3/18. Solution to be sought post 2018. 8. Development of Customer Landlord Strategy for HRA service to better define and enhance support to vulnerable tenants.

93	BOTH	Data Protection	<p>DATA PROTECTION</p> <p>Risk - Failure to have adequate Data Protection Policies and procedures in place which are compliant with the new General Data Protection Regulation coming into force in May 2018.</p> <p>Key Effects Higher financial penalties imposed. Reputational damage. A lack of trust from the public regarding how we handle their personal data.</p>	Fraser, Christine;#1124	Yes	<p>The majority of actions on our GDPR Action Plan have been completed. New Data Protection Policy and Procedures in place from May 2018. New Privacy notices created and published on our websites. GDPR training presentations given to members and a mandatory E-Learning module set up for staff to complete. GDPR Guidance site also set up for staff on the Intranet site.</p> <p>There is a currently a separate Information Management project set up which should pick up the outstanding actions around the Information Asset Register, a new Data Management system and revised Retention Schedule.</p>
95	BOTH		<p>Information Technology - Back Up Systems</p> <p>The system for IT backups has not been working properly over recent weeks. We therefore are running a risk that should the worst happen there are some systems where the off-site data backup is a couple of weeks out of date. These are key systems (eg housing!).</p>	Adam, Shirlene;#129	Yes	<p>Latest Update - 7th Feb 2019 Off-site back-ups now up to date following major reset. System still under pressure and new kit ordered to try and resolve. When installed, the back-up should be less "risky". In addition we are progressing new links to WS which will mean our off-site backup is MORE offsite than at present (it's at Flook House)</p>

Report Number: WSC 15/19

West Somerset Council

Audit Committee – 19 March 2019

Draft Annual Governance Statement 2018/19

Responsibility: Leader of the Council, Cllr Anthony Trollope-Bellew

Report Author: Richard Doyle, Corporate Strategy & Performance Officer

1 Purpose of the Report

- 1.1 Local authorities are required to prepare an Annual Government Statement (AGS) to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year, and setting out any planned changes in the coming period.
- 1.2 This report includes a review of the actions set for 2018/19 and a proposed set of actions for the 2019/20 year.

2 Recommendations

- 2.1 Members of the Audit Committee are asked to review the draft Annual Governance Statement attached to this report and to recommend its adoption by the Leader of the Council and the Chief Executive.

3 Risk Assessment

- 3.1 No significant risks have been identified in respect of this report.

4 The Annual Governance Statement (AGS)

The Annual Governance Statement is usually approved around the same time as the annual statement of accounts. However the legislation supporting the creation of the new council requires WSC to approve their AGS by 31 March 2019. The S151 Officer will advise the relevant committee of the new Council, with responsibility for approving the legacy Councils Statements of Accounts, of any significant matters between the approval of the AGS in March and the approval of the Statement of Accounts (anticipated in July 2019).

The Corporate Governance Officers Group has led the 2018/19 review of the governance framework. The group includes the Head of Performance and Governance, the Monitoring Officer, the Section 151 Officer, the Internal Audit Manager, and the Corporate Strategy & Performance Manager.

The conclusions from this review are that overall the Council's governance framework is reasonable and fit for purpose.

The draft Annual Governance Statement is appended to this report.

5 Links to Corporate Aims / Priorities

None in respect of this report.

6 Finance / Resource Implications

None in respect of this report.

7 Legal Implications

The Accounts and Audit Regulations 2015 require councils to undertake an annual review of their governance. The Regulations require that an Annual Governance Statement prepared to fulfil this requirement should form part of the Council's Statement of Accounts. The report is therefore coming to the Committee to meet this purpose and that timescale. The Regulations also state that the Annual Governance Statement should be prepared in accordance with proper practices. Compliance with the CIPFA guidance *Delivering Good Governance in Local Government: Framework (2016)* fulfils this requirement and I confirm that the Statement put forward with this report is compliant with that guidance/framework.

8 Environmental Impact Implications

8.1.1 None in respect of this report.

9 Safeguarding and/or Community Safety Implications

9.1 None in respect of this report.

10 Equality and Diversity Implications

10.1 There are no equality and diversity implications associated with this report.

11 Social Value Implications

11.1 There are no Social Value implications associated with this report.

12 Partnership Implications

12.1 None associated with this report.

13 Health and Wellbeing Implications

13.1 None associated with this report.

14 Asset Management Implications

14.1 None associated with this report.

15 Consultation Implications

15.1 The Annual Governance Statement has been developed by the Corporate Governance Officers Group which includes the Head of Performance and Governance, the Monitoring Officer, the S151 officer, the Internal Audit Manager and the Corporate Strategy and Performance Officer.

Democratic Path:

- **Audit Committee – Yes**
- **Scrutiny – No**
- **Cabinet – No**
- **Full Council – No**

Reporting Frequency: Annually

List of Appendices

Appendix A	Draft Annual Governance Statement 2018/19
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West Somerset Council

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**Annual Governance Statement
2018/19**

Annual Governance Statement 2018/19

Introduction

This is West Somerset Council's Annual Governance Statement (AGS) for 2018/19. The Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015.

The Council has responsibility for conducting, at least annually, a review of its governance framework including the effectiveness of the system of internal control. A review of the effectiveness is informed by senior managers within the Council who have responsibility for the development and maintenance of the governance environment, and also by the work of the internal auditors and external auditors.

The review for the 2018/19 statement was carried out in February 2019 by officers of the Corporate Officers Governance Group. This is made up of the Head of Performance and Governance, the Internal Audit Manager, Section 151 Officer, Monitoring Officer and the Corporate Strategy & Performance Officer.

The Statement will be published on the Council's website alongside the Council's Statement of Accounts.

This is a significant period of change. Following agreement of the Secretary of State in March 2018, Government has agreed that a new Council will be formed on 1 April 2019 that will replace both Taunton Deane Borough Council and West Somerset Council. As part of the transition, shadow governance arrangements have operated with responsibility for the preparation and implementation of the new Council and the dissolution of TDBC and WSC on 1 April 2019. These arrangements are summarised within this Statement.

In addition, TDBC and WSC have continued their joint transformation programme, which seeks to deliver improved services for customers through new, more modern and efficient ways of operating. This is also the planned approach to meeting the financial challenges and ensuring our services are sustainable and affordable for the foreseeable future.

Usually the Annual Governance Statement is approved around the same time as the annual statement of accounts, however the legislation supporting the creation of the new council requires both TDBC and WSC to approve their AGS by 31 March 2019. The S151 Officer will advise the relevant committee of the new Council, with responsibility for approving the legacy Councils Statements of Accounts, of any significant matters between the approval of the AGS in March and the approval of the Statement of Accounts (anticipated in July 2019).

What is Corporate Governance?

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account. It is also about culture and values - the way that councillors and employees think and act. The Council's corporate governance arrangements aim to ensure that it does the right things in the right way for the right people in a way that is timely, inclusive, open, honest and accountable.

The Council's Governance responsibilities

The Council is responsible for ensuring it conducts its business in accordance with the law and to proper standards and that public money is properly accounted for and is used economically, efficiently and effectively. It also has a duty to continuously improve the way that it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

To meet these responsibilities, the Council acknowledges that it has a duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control, and for reviewing the effectiveness of those arrangements.

The Council is committed to the principles of good governance in line with the guidance produced by CIPFA and SOLACE, as follows:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable, economic, social and environmental benefits
- Determining the interventions necessary to optimize the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit, to deliver accountability

The Governance Framework

The governance framework consists of the systems and processes, and culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.

It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services.

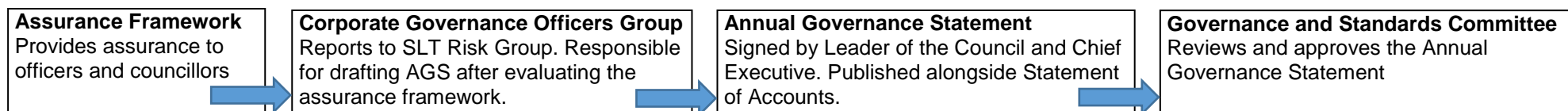
This framework is applicable both for the current Council – West Somerset Council – and its successor from April 2019 – Somerset West and Taunton Council. As the Council improves the way it provides services, it is important that the governance arrangements are robust and flexible enough to manage this.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committees, Executive or Council as appropriate.

The framework is summarised in the diagram below and some of the key elements of the governance framework are highlighted on the next pages.

West Somerset Council – Governance Assurance Framework

Key Documents / Functions		
<ul style="list-style-type: none"> • Constitution • Council Procedure Rules • Councillor Code of Conduct • Employee Code of Conduct • Officer and Councillor protocols • Schedule of Council Meetings • Record of Decisions • Local Code of Corporate Governance • Annual Governance Statement • Complaints and Compliments Procedures • Ombudsman Reports 	<ul style="list-style-type: none"> • Information Strategy • Information Governance Framework • Information Commissioner’s Reports • Corporate Plan • Operational Plans • Risk Management Framework • Risk Registers • Performance Management Framework • People Strategy • HR Policies • Personal Development Plans 	<ul style="list-style-type: none"> • Financial Regulations • Contract Regulations • Financial Strategy • Capital Strategy • Treasury and Investment Strategies • Medium Term Financial Plan • Statement of Accounts • Internal and External Audit • Anti-Fraud, Bribery and Corruption Policies • Anti-Money Laundering Policy • Whistleblowing Policy



Performance Management	Risk Management	Legal/Regulatory Assurance	Councillor Assurance	Management Assurance	Other Sources of Assurance	Financial Management	Internal Audit	External Audit
Corporate Plan	Risk Management Strategy	Monitoring Officer and Solicitor	Governance and Standards Committee	Strategic Leadership Team	Ombudsman Reports	Financial, Capital, Treasury and Investment Strategies	Annual Audit Plan	Audit Plan
Operational Plans	Risk Registers	Data Protection Officer	Scrutiny Committee	Corporate and Operational Plans	Information Commissioner Decisions	Medium Term Financial Plan	Audit Findings reports	Statement of Accounts Opinion
Performance Indicators	Business Continuity Plans	Anti-Fraud, Bribery and Corruption Policies	Constitution	Performance Monitoring	Contract Monitoring	Revenue and Capital Budget and control	Annual Audit Opinion	Value Money Conclusion
Complaints / Compliments	Civil Contingencies Partnership	Anti-Money Laundering Policy	Code of Conduct	Financial Monitoring	Fraud Investigation Service	Statement of Accounts	Assessment of Audit Effectiveness	Audit Findings Report and Annual Audit Letter
Customer satisfaction rates	Insurance Policies	Whistleblowing Policy	Interests Register	Performance Reviews		Treasury performance and compliance monitoring	Audit advice	Public Inspection of Accounts / Public Interest reports
	Robust Budget and Reserves	RIPA Policy		Review effectiveness of internal control systems				

The Corporate Strategy and Plan

In February 2016 the Council approved its Corporate Strategy. The Strategy provides a clear direction for the Council to follow, with four key priority areas where the Council will concentrate its efforts and resources between April 2016 and March 2020.

The key elements of the Strategy are:

- Refreshed high-level Corporate Priorities for the Council
- Design principles for our organisation
- Refreshed vision
- Clarity on the role and purpose of the Council

The Corporate Strategy is not intended to capture everything that the Council does nor does it include the detail of our work and projects. That is the role of the Corporate, Operational and Individual Plans which will flow from the Corporate Strategy.

The Corporate Plan 2017-18 was approved by the Council in October 2017 and the Plan for 2018-19 was a continuation of this. It sets out our priorities and success measures we will use to monitor progress, organised into key themes of:

- Key Theme 1 – People
- Key Theme 2 – Business and Enterprise
- Key Theme 3 – Our Place
- Key Theme 4 – A Modern and Efficient Council

Decision Making and Responsibilities

The Council consists of 28 elected Members, with an Executive Board of Lead Members who are supported and held to account by Scrutiny Committees. Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate. The Constitution sets out the functions of key governance officers, including the statutory posts of Chief Executive, 'Monitoring Officer' and 'Section 151 Officer' and explains the role of these officers for ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

Equality

The Council is committed to delivering equality and improving the quality of life for the people of West Somerset. Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision making processes.

Managing Risk

The Council's Risk Management Policy is fundamental to the system of internal control. It involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. It also requires the risks to be managed efficiently, effectively and economically. All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This is especially important as the Council goes through its Transformation programme.

Senior management meet to identify the principal risks to the Council. These risks are recorded in a Corporate Risk Register. Each Service Area also keeps a separate risk register for its area. These registers also record the controls necessary to manage the risks. The registers are regularly reviewed and challenged by senior management and by the Audit Committee. Specific assurance is sought concerning those risks associated with the key elements of the Governance Framework and that any necessary improvements to controls have been implemented. The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Financial Management

The Council has a long establish record of effective financial management and managing within our means. We continue to face the challenge of designing a sustainable budget for the future in the face of further Government plans to cut public spending.

The Council has worked in partnership with Taunton Deane Borough Council since 2013 to share management and staff across the two Councils. Together this partnership has resulted in efficiencies and produced annual savings of £1.8m.

In 2016 the two Councils agreed a High Level Transformation Business Case which puts the customer at its heart, and seeks to drive benefits through implementing new ways of delivering services, providing more services digitally and modernising our business processes. The Councils have also obtained agreement from the Secretary of State to create a new Council from April 2019 that will create a new district and Council area currently covered by the two. The financial implications for the business case were refreshed in December 2018, with the new Council and transformed services producing further savings of £3.5m per year.

West Somerset has a balanced budget for 2018/19, and the new Council has in February 2019 set a balanced budget for 2019/20 with a broadly balanced position projected throughout the 5-year Medium Term Financial Plan.

The Strategic Finance Advisor and Section 151 Officer is responsible for the proper administration of the Council's financial affairs, as required by the Local Government Act 1972, and the Council's financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These include established budget planning procedures and regular financial performance reports to Councillors. Our treasury management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review.

The Council's financial statements and arrangements for securing value for money are reviewed each year by our external auditor. The Council has opted in to the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton LLP is our appointed auditor for 2018/19.

Commissioning and Procurement of Goods and Services

The Council recognises the value of considering different service delivery options in delivering our Council Plan. The effective commissioning and procurement of goods, works and services is therefore of strategic importance to our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are delivered.

Managing Information

The Council recognises that it has a responsibility to safeguard the information it holds and to manage it with care and accountability.

Over the past year the Council has been preparing to meet the requirements of the General Data Protection Regulation (GDPR), which came into force under the UK Data Protection Act 2018 on 25 May 2018. This changes how we can collect, use and transfer personal data. A GDPR Action Plan has been established to ensure compliance across all parts of the Council's activities and to raise awareness amongst all staff and members.

Conduct

Our Codes of Conduct set out the standards of conduct and these are regularly reviewed and updated as necessary. These include the need for Members to register personal interests and the requirements for employees concerning gifts and hospitality, outside commitments and personal interests. The requirements of these codes are included in induction training to members and employees and both groups are regularly reminded of the codes.

Whistleblowing

People who work for or with the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation. The Council has a Whistleblowing Policy that advises staff and others who work for the Council on how to raise concerns about activities in the workplace.

Counter Fraud

Our Counter Fraud Strategy clearly states that the Council will not tolerate any form of fraud, corruption or bribery. It provides for deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention.

In 2017 West Somerset entered into a Counter Fraud Partnership with Powys County Council who undertake counter fraud investigation work on behalf of the council. This has proven to be a very effective partnership with improvement in fraud prevention and detection being evident. The costs of the service are funded by the savings delivered through prevention and detection.

Transformation

Both Taunton Deane Borough Council and West Somerset Council agreed a High Level Business Case for Transformation in the summer of 2016. Programme and project management arrangements have been in place with a SRO appointed from the Leadership Team and programme management roles required to lead the programme and various workstreams. There has been regular engagement with Members at a Programme level through the Joint Partnership Advisory Group (JPAG), comprising Members from each Council, which has acted as a steering group and enabled Member consultation as the programme has progressed.

A series of “Making A Difference” events have been open to all Members, providing regular opportunities for raising awareness of progress and consultation at various stages.

In July 2018 the Councils agreed to new Governance arrangements which saw the dissolution of JPAG following the establishment of the Shadow Council arrangements (see below). At the same time it was agreed that progress in delivering the Transformation Programme would be reported to the Shadow Scrutiny Committee. This change provides openness and transparency to Members and the public.

The Transformation Programme provides a major whole-organisation change process with a new operating model (staffing structure), new technology, and extensive changes to business processes. The Programme management arrangements include regular review and updating of risks to ensure these are appropriately managed.

Creating a New Council and Shadow Governance Arrangements

Taunton Deane and West Somerset councils submitted an application to Government in March 2017 request agreement to create a new single district Council to replace the two. Following a period of consultation the Secretary of State announced approval of this change in March 2018.

This was followed by the making of the Somerset West and Taunton (Modification of Boundary Change Enactments) Regulations 2018 and the Somerset West and Taunton (Local Government Changes) Order 2018 on 25 May, 2018, which resulted in the Somerset West and Taunton Somerset Council came into being on 26 May 2018.

The Order requires the Shadow Council to prepare and keep under review an Implementation Plan to ensure that the new council is properly established on 1 April 2019. The Shadow Council at its first meeting held on 7 June 2018 duly agreed a governance structure, including a Shadow Executive, a Shadow Scrutiny Committee and New Council Working Group to ensure that mechanisms are in place for member engagement and decision making in this process going forward. Four Sub-Groups of the New Council Working Group have subsequently been in operation covering Constitution and Governance, Electoral Review, Policy and Service Alignment, and Finance.

The Shadow Council has established Shadow Governance arrangements including a Constitution for the Shadow Somerset West and Taunton Council. The new Council will formally come into being on 1 April 2019. The Shadow Executive will maintain responsibility for the management of the Council until the elections in May 2019 following which a new Full Council and its various committees will be created. In addition there is also a Shadow Scrutiny Committee and a Shadow Governance and Standards Committee.

The Central Implementation Team (CIT) comprising the Chief Executive, Interim Monitoring Officer and Interim S151 Officer, are responsible for ensuring the necessary preparations are completed to ensure the new Council is legal, safe and functioning from 1 April. The CIT has been supplemented with project management and legal capacity, and relied on many officers of the existing Council to progress all the work necessary.

A detailed implementation plan has been maintained, with weekly meetings to monitor and control progress. The Member Working Groups have provided extensive opportunity for consultation and Member engagement in the process for example with the development of a new Constitution and a wide range of policies. The first Full Constitution for the new Council has been presented to Shadow Full Council for approval on 26 March 2019.

Conclusion

This is the last Annual Governance Statement for West Somerset Council, with the Council being dissolved on 31 March 2019. The main priorities for the past year have been focussed on continuing to provide effective and resilient services, progressing the major changes through Transformation and preparing for the implementation of the new Somerset West and Taunton Council.

A key focus for the next 12 months will be to secure effective governance and controls arrangements for the new Council and to drive continuous improvement through ongoing programme, operational, and financial control. The new Council will need to establish its own approach to risk management and risk appetite, and refine its business controls to ensure the ambitions of the new operating model and improved services to customers can flourish.

Improving Governance

Action Plan 2018/19 – Progress Report

Actions that were planned for 2018/19	Progress	Status
To implement and develop our new Risk management culture.	<p>The implementation and development of our new Risk Management structure won't be achieved in the existing structure by the end of March.</p> <p>However good progress has been made during this transitional year. Implementation Teams are now meeting weekly and Project Managers in the new Commercial, Investment and Change (CIC) area are actively looking at risk. Internal Audit has also been adapted to reflect the new structure that comes into place from April.</p> <p>In addition a "Healthy Organisation" audit was conducted in December/January looking at 7 areas of the business including Corporate Governance and Risk Management resulting in a Medium Assurance rating.</p>	Ongoing
To implement the Corporate Governance process for the Shadow Council and the new transformed Council.	<p>Shadow Council, Executive, Scrutiny and Governance committees have been established throughout the existence of the Shadow Council and the constitution for the Shadow Council has been adopted and followed. Various policies and key decisions have been taken as necessary for the new council, for example, budget setting and tax setting and several policies have been approved.</p> <p>A Shadow Governance and Standards Committee has been set up. There is also a New Council Working Group providing councillors with the opportunity to informally discuss matters relating to the establishment of the new council. The Working Group have set up a number of Sub-Groups, including the Constitution Sub-Group. The drafting of a new constitution for the new council is well under way. The complete draft new Council Constitution Document will then be submitted for formal adoption at the meeting of the Shadow Council on 26th March, 2019 ready to come into effect on 1st April, 2019.</p>	Ongoing

Action Plan for 2019/20

	Action now planned for 2019/20	Timescale for Completion	Monitoring Body
1	Establish an effective Audit Committee for the new council through Member and Senior Officer Development and to adopt the principles set out in the Local Code of Corporate Governance.	March 2020	Corporate Governance Officer Group
2	Develop and implement a risk management framework and meaningful culture within the new council structure	March 2020	Corporate Governance Officer Group
3	To ensure the appropriate controls are in place with regards the Council's new ways of working	March 2020	Corporate Governance Officer Group

This is an Action Plan of particular governance priorities that the Council will address during 2019/20.

Statement of Opinion

The opinion of the Internal Auditor was that overall the control environment was reasonable in 2018/19 (the opinion was also "reasonable" in 2017/18).

The Council has assessed its overall governance arrangements remain adequate and fit for purpose.

Some areas where further improvements could be made have been identified and have been included within the 2019/20 Action Plan which is proposed to the new Somerset West and Taunton Council to address during the 2019/20 financial year.

It is our opinion that the Council's governance arrangements in 2018/19 were sound and give reasonable assurance in order to achieve the new Council's priorities and challenges in 2019/20.

SIGNATURES

Signed on behalf of West Somerset Council

James Hassett
Chief Executive

Cllr Anthony Trollope-Bellew
Leader of the Council

Report Number: WSC 16/19

West Somerset District Council

Audit Committee – 19 March 2019

Review of Effectiveness of Internal Audit

Report Author: Richard Doyle, Corporate Strategy and Performance Officer

1 Purpose of the Report

- 1.1 To inform the Audit Committee of the recent review of the effectiveness of the delivery of Internal Audit through SWAP (South West Audit Partnership) during 2018/19.

2 Recommendations

- 2.1 The Audit Committee is requested to note the findings of the review of effectiveness of internal audit for 2018/19.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The Authority fails to maintain an adequate system of internal control; monitored and controlled by internal audit leading to financial exposure and reputational and operational risk	3	4	12
The Authority has put in place suitable internal audit arrangements.	1	4	4

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			Impact				

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background and Full Details of the Report

4.1 The South West Audit Partnership (SWAP) is a partnership that provides the Internal Audit service to all of the six Somerset authorities. In total SWAP provides audit services for 18 Councils, 3 Police Authorities, 3 Office of Police Crime Commissioners as well as a number of related bodies such as the Somerset Waste Partnership.

4.2 Internal audit forms a part of the corporate governance and internal control framework that provides accountability to stakeholders on all areas of the Council Plan. Their opinion on the adequacy and effectiveness of the Council's internal control framework forms a part of the evidence used in preparing the corporate Annual Governance Statement (AGS) for 2018/19, which will be published alongside the Council's Statement of Accounts in July 2019.

4.3 There are several statutory requirements regarding Internal Audit:

- The Accounts and Audit (England) Regulations 2015 require authorities to review the effectiveness of the system of Internal Audit. They also state "A relevant authority

must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” (part 5)

- Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.” CIPFA has defined “proper administration” as including “compliance with the statutory requirements for accounting and internal audit”.
- The CIPFA Statement on the Role of the Chief Finance Officer in Local Government states that the Chief Finance Officer (CFO) must:
 - Ensure an effective internal audit function is resourced and maintained
 - Ensure that the authority has put in place effective arrangements for internal audit of the control environment
 - Support the authority’s internal audit arrangements
 - Ensure that the Audit Committee receives the necessary advice and information, so that both functions can operate effectively.

4.4 Therefore it is important that the findings of the review of the effectiveness of the system of Internal Audit are considered by a committee such as the Audit Committee as a part of the consideration of the system of internal control. This review has to be carried out by someone independent of SWAP.

5. Compliance with PSIAS and Local Government Application Note

5.1 The 2006 CIPFA Code of Practice for Internal Audit has been superseded by the Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note on the 1st April 2013 that sets out how an internal audit function should be fulfilled. The main focus is the internal audit service itself, but the Standards also refer to the wider elements of the “system of internal audit”, including the importance of the direct relationship between Internal Audit and the Audit Committee. The Standards cover:

- Purpose, authority, and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality Assurance and Improvement Programme;
- Managing the Internal Audit Activity;
- Nature of Work;
- Engagement Planning;
- Performing the Engagement;
- Communicating Results;
- Monitoring Progress.
- Communicating the acceptance of risks

6. The Review of Internal Audit (SWAP)

6.1 West Somerset Councils' review of Internal Audit has been carried out by the Council's S151 Officer. The findings have been reported as part of the overall evaluation and will also provide supporting evidence for the Annual Governance Statement. The following criteria were used in the evaluation:

- Annual report and opinion of the Assistant Director of SWAP;
- Audit plan and monitoring reports; Reports on significant findings; Key performance measures and service standards;
- View of the Council's External Auditor covering the extent of reliance placed on internal audit work on key financial systems.

6.2 The table below shows some of the overall performance of the service during the year compared to the previous two years:

Performance Measure	2016-17	2017-18	2018-19
Levels of satisfaction from feedback questionnaires	84% (3 Returned)	89% (2 Returned)	100% (10 issued 9 Returned)
Audits and reviews completed in year compared to the plan (all at least at final draft stage)	83% end of March (100% for year)	85% end of March (100% for Year)	65% end of February
Key Controls audits completed in year compared to plan	100%	100%	80%
Total completed audits and reviews	18	20	17 (3 draft, 6 in progress)
Cost of audit service to WSC	£56,780	£56,780	£61,322
Number of actions for improvements agreed by managers.	88	65	18* (+ 44 Healthy Organisation)
SWAP A/Cs outturn on spend compared to budget – (brackets indicate net income)	Budget (£37,617) Surplus Actual (projected) (£7,698) Surplus	Budget (£4,834) Surplus Actual (£16,513) Surplus	Budget (£455) Surplus Predicted (£72,500) Surplus

* Only in relation to assignments at final report stage. Also note priority criteria change for 2018-19 from 1-5 to 1-3.

6.3 The table shows that the satisfaction from client feedback questionnaires is high. A new questionnaire template was used for 2018-19 that covered: *did our audit work meet or exceed expectations; our Communication; Auditor Professionalism and Competence; and Value to the Organisation*

- 6.4 In total 65% of the audit plan at the end of February has been delivered. Of the six reviews in progress, 4 relate to transformation and are due to run until the end of March and early April and two were not scheduled to commence until March 2019. Therefore, the plan is on track to be materially complete by the 31 March 2019 and 100% will be delivered for 2018-19.
- 6.5 The number of recommendations when taking into account the Healthy Organisation review is broadly in line with previous years. However, please note that the priority rates have changed from a 1-5 rating to a 1-3.
- 6.6 The outturn position for SWAP is likely to show that, as in previous years, the partnership makes a surplus from operations. This has been down to an unusually greater staff turnover within the partnership than in previous years with savings from vacancies.
- 6.7 As SWAP is a company limited by guarantee the Directors of the company will be required to act in the interests of the company. The Section 151 Officer has access to the SWAP Management Team to influence service delivery and priorities from a customer's perspective. Additionally, the 'Members Board', which is comprised of Elected Member representatives from each partner authority, meets quarterly to review the performance of the company.

7. Service Standards

- 7.1 In assessing SWAP's performance it is important to review the standards of service to ensure that each authority is afforded the same standards and also senior officer time. The following table outlines the minimum standards to be introduced and whether they would have been delivered for West Somerset Council had they been in place:

Service Standard	Expected Standard	Delivery of Standard
Attendance by Audit Assistant Director at Audit Committee.	At least 4 times per annum	4 times in 2017/18
Attendance by SWAP Assistant Director at Corporate Governance Officer Group	Attendance as required	Meetings attendant where held.
Liaison meetings with S151 Officer/and or Client Liaison Officer and Audit Assistant Director	6 times per annum	Regular meetings were held with the Assistant Director for SWAP and relevant TDBC/WSC Client Officers.

Service Standard	Expected Standard	Delivery of Standard
Agreement of Audit Plan: Prepared for Management Board/S151 Prepared for Audit Committee Audit Plan monitoring reports	By mid-January each year By end January each year 4 times per annum including Annual Report	Delivered Prepared by end February and presented to the Shadow Corporate Governance and Standards Committee in March 2019 meeting. 4 times (quarterly report) per annum
Agreement of Audit Charter: Prepared for Management Board/S151 Prepared for Audit Committee	By mid-January each year By end January each year	Being presented to the Shadow Corporate Governance and Standards Committee in March 2019.
To assist with member/officer training in audit and governance	Once per annum	Two half day sessions were held for Members in the autumn of 2018.

8. 2018/19 Action Plan

8.1 The following shows progress against the actions to be completed in 2018/19:

Actions Arising from This Review	Progress
To update and maintain the Quality Assurance and Improvement Programme	The QAIP focused on the delivery of the Top 10 Company Priorities. These include: Review of partner correspondence & Audit Reports; Document Management and Information Management; Quality review model; Embedding Added Value; Marketing Strategy; Partners Commissioning; Commercial Strategy; Workforce Planning; Management Team Agenda and Board Champions. The majority of these have been delivered. Further details can be found from the SWAP Board QAIP update report.

9. Actions to be completed in 2019/20

9.1 The following new actions are to be progressed during 2019/20:

Actions Arising from This Review	Progress
To update and maintain the Quality Assurance and Improvement Programme	

10 Links to Corporate Aims / Priorities

10.1 It is the responsibility of the S151 Officer to ensure the Authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.

11 Finance / Resource Implications

11.1 There are no financial implications arising from this report.

12 Legal Implications

12.1 There are no direct legal implications within this report although poor governance arrangements, leading to unmitigated risks could expose the Council to unanticipated claims / litigation. An effective internal audit function helps mitigate these risks.

13 Environmental Impact Implications

13.1 There are no implications in respect of this report.

14 Safeguarding and/or Community Safety Implications

14.1 There are no implications in respect of this report.

15 Equality and Diversity Implications

15.1 There are no implications in respect of this report.

16 Social Value Implications

16.1 There are no implications in respect of this report.

17 Partnership Implications

17.1 There are no implications in respect of this report.

18 Health and Wellbeing Implications

18.1 There are no implications in respect of this report.

19 Asset Management Implications

19.1 There are no implications in respect of this report.

20 Consultation Implications

20.1 There are no implications in respect of this report.

Democratic Path:

- **Audit Committee – Yes**
- **Cabinet – No**
- **Full Council – No**

Reporting Frequency: Annually

Contact Officers

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West Somerset Council

Audit Committee – 19 March 2019

Transitional Financial Arrangements – Responsibility for Preparation of the Final Accounts of a Predecessor Council

This matter is the responsibility of Councillor Martin Dewdney

Report Author: Andy Stark, Interim Finance Manager (Deputy S151 Officer)

1 Executive Summary

- 1.1 To advise members of the transitional arrangements with regard to the preparation of final accounts of both predecessor councils; Taunton Deane Borough Council and West Somerset Council.
- 1.2 The regulations covering this are within The Local Government (Boundary Changes) Regulations 2018 and form part of the overall transfer of functions, duties and responsibilities to a successor council (Somerset West and Taunton), and the continuity and responsibility for functions exercised by a shadow authority.

2 Recommendations

- 2.1 That Members are requested to note the report.

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
The details of any specific risks are contained in the report			

4 Background and Full details of the Report

- 4.1 With the demise of both TDBC and WSC, proper arrangements are required in respect of the transitional responsibility of final accounts. This has been set down in legislation and specifically Section 22 of The Local Government (Boundary Changes) Regulations 2018.
- 4.2 In summary, the regulations places the responsibility for the preparation of the 2018/19 final accounts of both TDBC and WSC with the section 151 officer of the shadow authority.
- 4.3 The regulations state that:

- (i) The section 151 officer of the shadow authority shall direct and supervise the steps for the preparation of the final accounts of a predecessor councils and such other steps as may be required to further the efficient and timely closure of the predecessor council's final accounts.
- (ii) The section 151 officer of the shadow authority must as soon as reasonably practicable prepare and implement a plan for taking of the necessary steps.
- (iii) The closure plan must include a timetable of the necessary steps; and a statement of the resources which, in the section 151 officer's opinion, are required to further the efficient and timely closure of the predecessor council's final accounts.
- (iv) The section 151 officer must keep the closure plan under review and, if necessary, amend it.
- (v) The predecessor council and its officers must assist with the section 151 officer in the discharge of the functions of that officer under this regulation.

5 Action Taken to Date and Key Dates

- 5.1 The finance team has already produced and distributed to all key staff the 2018/19 financial year end closedown guidance for TDBC and WSC. Within this guidance is a summary of the key dates and deadlines that budget holders and other staff need to be aware of in respect of the closedown processes. In this regard the first two weeks of April are critical to the delivery of the year-end.
- 5.2 A more detailed closedown timetable has been produced for both TDBD and WSC specifically for the financial actions that need to be completed. This details the separate financial actions, the lead officer for each and when it should be completed by. This timetable will be reviewed at least on a weekly basis. This timetable also sets out the various key dates in terms of the democratic approval process. A summary of the key dates for the final accounts process is shown in the table below:-

MARCH	ACTION
13 Mar 19	Financial Year End training for budget holders and business support
19 Mar 19	Annual Governance Statement approved by Audit Committee (WSC)
19 Mar 19	Annual Governance Statement approved by Corporate Governance Committee (TDBC)
31 Mar 19	END DATE FOR 2018/19 FINANCIAL YEAR
APRIL	
16 Apr 19	Deadline for final transfers to and from Earmarked Reserves
16 Apr 19	Deadline for final carry forward requests
30 Apr 19	Revenue Account Closed

MAY	
03 May 19	Capital Account Closed
14 May 19	Public Inspection Notice to be Published on Website
22 May 19	Produce draft final accounts including notes and narrative statement
24 May 19	s151 Officer Approval of Unaudited Statement of Accounts
24 May 19	Send Unaudited Statement of Accounts to External Auditor
31 May 19	Publish Unaudited Statement of Accounts on Website
31 May 19	DRAFT STATEMENT OF ACCOUNTS COMPLETED
JUNE	
01 Jun 19	Public Inspection Period for Final Accounts Begins
04 Jun 19	Outturn Report to Assistant Director for Review prior to submission to Committees
14 Jun 19	SCRUTINY MEETING to consider outturn financial position of TDBD and WSC
JULY	
02 Jul 19	Public Inspection Period for Final Accounts Ends
11 Jul 19	CABINET MEETING to note outturn and approve carry forward of budgets
23 Jul 19	Statement of Accounts Briefing for Members approving Statement of Accounts (date to be agreed)
23 Jul 19	AUDIT COMMITTEE MEETING 2.00 p.m. Approve 2018/19 Statement of Accounts for both councils
30 Jul 19	Publish "Notice of Conclusion of Audit" for 2018-19
30 Jul 19	Publish Approved Statement of Accounts on Website

6 Links to Corporate Aims / Priorities

6.1 There is no direct contribution to the Corporate Priorities.

7 Finance / Resource Implications

7.1 As we are already One Team and working through the implementation of the new operating model the majority of work will be undertaken by Finance case and specialist officers, overseen by the Interim Finance Manager with overall leadership and sign off being the responsibility of the section 151 officer. Due to the new council and elections, finance staff will provide suitable training and briefings to new council audit committee members prior to presenting accounts for their approval.

8 Legal Implications

8.1 These are outlined in this report.

9 Environmental Impact Implications

9.1 None

10 Safeguarding and/or Community Safety Implications

10.1 None

11 Equality and Diversity Implications

11.1 None

12 Social Value Implications

12.1 None

13 Partnership Implications

13.1 None

14 Health and Wellbeing Implications

14.1 None

15 Asset Management Implication

15.1 None

16 Consultation Implications

16.1 None

Democratic Path: Audit Committee

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