

# **AUDIT COMMITTEE (VIRTUAL MEETINGS TO COMMENCE FROM JUNE 2020 DUE TO CORONAVIRUS)**



**Thursday 19 November 2020 10.00 am  
Luttrell Room - County Hall, Taunton**

To: The members of the Audit Committee (virtual meetings to commence from June 2020 due to Coronavirus)

Cllr M Lewis (Chair), Cllr M Caswell (Vice-Chair), Cllr H Davies, Cllr B Filmer, Cllr L Leyshon, Cllr G Noel, Cllr M Rigby and Cllr P Ham

All Somerset County Council Members are invited to attend.

Issued By Scott Wooldridge, Strategic Manager - Governance and Democratic Services - 11 November 2020

For further information about the meeting, please contact Neil Milne or Scott Wooldridge on 01823 357628 or ndmilne@somerset.gov.uk

Guidance about procedures at the meeting follows the printed agenda and is available at (LINK)

This meeting will be open to the public and press, subject to the passing of any resolution under Regulation 4 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

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

**Are you considering how your conversation today and the actions you propose to take contribute towards making Somerset Carbon Neutral by 2030?**



**RNID typetalk**

# AGENDA

Item        Audit Committee (virtual meetings to commence from June 2020 due to Coronavirus) - 10.00 am Thursday 19 November 2020

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

**1            Apologies for absence**

**2            Declarations of Interest**

Details of all Members' interests in District, Town and Parish Councils can be viewed on the Council Website at [County Councillors membership of Town, City, Parish or District Councils](#) and this will be displayed in the meeting room (Where relevant).

The Statutory Register of Member's Interests can be inspected via request to the Democratic Service Team.

**3            Minutes from the meeting held on** (Pages 9 - 16)

The Committee is asked to confirm the minutes are accurate.

**4            Public Question Time**

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

**5            External Audit Plan and Sector Update** (Pages 17 - 46)

To consider this report from the External Auditors.

**6            Internal Audit Update report** (Pages 47 - 64)

To consider this report from the Internal Auditors.

**7            Risk Management Update** (Pages 65 - 106)

To consider and comment on the report.

**8            Committee Future Workplan** (Pages 107 - 108)

To consider this report

**9            Any other urgent items of business**

Item            Audit Committee (virtual meetings to commence from June 2020 due to  
Coronavirus) - 10.00 am Thursday 19 November 2020

The Chair may raise any items of urgent business.

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## Guidance notes for the meeting

### 1. Inspection of Papers

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

### 2. Members' Code of Conduct requirements

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

### 3. Minutes of the Meeting

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

### 4. Public Question Time

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

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

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

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

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

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

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

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

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

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

## **7. Recording of meetings**

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

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

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

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

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

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

### **Reports**

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

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

### **Members**

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

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

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

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**AUDIT COMMITTEE**

Minutes of a Meeting of the Audit Committee held virtually, on Thursday 24 September 2020 at 10.00 am

**Present:** Cllr M Lewis (Chair), Cllr M Caswell (Vice-Chair), Cllr B Filmer, Cllr P Ham, Cllr L Leyshon, Cllr G Noel and Cllr M Rigby.

**Other Members present:** Cllrs M Chilcott, T Munt, C Paul,

**Apologies for absence:** No apologies were received.

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

The Chair of the Committee noted the details of all Councillors interests already declared in District, Town and Parish Councils.

Councillors Caswell, Leyshon and Lewis declared personal interest as recipients of the Local Government Pension Scheme.

194 **Minutes from the previous meeting - Agenda Item 3**

The Audit Committee agreed that the minutes of the meeting held on 18<sup>th</sup> June 2020 were accurate and the Chair signed them.

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

No questions or statements were received by the PQT deadline of 5pm on Friday 18 September.

196 **Approval of the Statement of Accounts 2019/20 - Agenda Item 5**

The Finance Director presented the report and summary and findings detailed below:-

As part of the formal process of closing the County Council's 2019/20 accounts the Chief Financial Officer was required to approve the draft Statement of Accounts by 31 August and the Audit Committee was required to approve the audited accounts by 30 November.

The Accounts and Audit Regulations issued by the Secretary of State set out the requirements for the preparation and publication of final accounts. These regulations included the requirement for the formal approval, by a full Committee, of the Council's Statement of Accounts.

The Statement of Accounts (set out in Appendix A) had been prepared in accordance with the current Code of Practice on Local Authority Accounting in Great Britain. The Statement was required to present a true and fair view of the County Council's financial position at 31 March 2020 and also the income and

expenditure for the financial year 2019/20. A separate Statement of Accounts was produced for the Pension Fund.

The Statement of Accounts was available for public inspection during the 30-working day period running from 1 July to 11 August 2020.

The issuing of the Audit Certificate would be delayed until completion of the audit of the Whole of Government Accounts (WGA) submission. This delay is unavoidable due to the timing of the issuing of the WGA toolkit by HM Treasury and WGA submission timetable. Work is currently underway to submit a draft WGA return by the 31st September submission deadline. A final audited WGA return must be submitted by no later than 31st December 2020. The Council is working with Grant Thornton to ensure the final audited submission is submitted by the deadline. The Committee would be notified on receipt of the final Audit Certificate

### Debate

- The Chair of the Committee formally thanked Officers from Grant Thornton and Somerset County Council in the work undertaken as part of the approval of the Statement of Accounts.
- High level summary was considered, this was provided by performance team and set out the direction of performance statistics rather than the RAG rating.
- The change in criteria was questioned in addressing the DSG deficit and Schools Balances.
- The financial year's DSG could be netted off against Schools reserves – which were the standard applied changes from year to year, the authority was able to set a negative earmarked reserve which had been rectified for the current year. There was still ongoing discussion over the treatment of negative DSG balances.
- It was established that there were no other negative earmarked reserves other than DSG, this was reflected in the GT value for money judgment.
- Thanked s151 for the continuity of the last few years, it was considered a significant achievement to go from an adverse to unqualified opinion in two years, all officers involved were praised on the progress made.

The Committee approved:-

- The audited Statement of Accounts for 2019/20 (Appendix A);
- The Letter of Representation for 2019/20 (section 5.1 and Appendix B);
- The updated Annual Governance Statement as included within the Statement of Accounts (section 6) Members are also asked to note the position of the External Auditors assessment of the Council's Value for Money (VfM) judgment (section 7).

**197 The Audit findings for Somerset County Council - Agenda Item 6**

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The Council have faced a number of challenges including operational capacity, remote working and delays from third parties including external confirmation.

Pension Funds are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.

We have considered emerging guidance issued by the Financial Reporting Council (FRC), CIPFA and actively contributed to audit firm and NAO technical meetings where the impact of the virus on the financial reporting disclosures and audit approach has been discussed.

We updated our audit risk assessment to consider the impact of the pandemic on our audit which was reflected in our Audit Plan. In the Plan we reported an additional financial statement risk in respect of Covid-19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.

Restrictions for non-essential travel has meant both the Pension Fund and audit teams have had to develop new remote access working arrangements including remote accessing financial systems, video calling and alternative procedures over the verification of completeness and accuracy of information produced by the entity. There have also been key challenges for the Pension such access to key data from external organisation and changes to governance requirements.

**The Committee noted the report.**

**198 Approval of Pension Fund Accounts 2019/20 - Agenda Item 7**

As part of the formal process of closing the Pension Fund's 2019/20 accounts, the Chief Financial Officer is required to approve the draft Statement of Accounts by 31 August, this has already been done. The Audit Committee is subsequently required to approve the audited accounts by 30 November.

Grant Thornton completed their audit work and issued The Audit Findings Report for the pension fund and this is included in the papers. The report, which will be presented by our external auditors, summarises the findings from the 2019/20 audit of the Pension Fund financial statements.

The report indicated that the accounts had received an unqualified opinion.

### Debate

- The Committee thanked all officers involved in for their hard work in the creation of the report.

The Committee:

- Approved the audited accounts of the Pension Fund for 2019/20; and
- Approved the letter of representation on behalf of the Council.

## 199 **Report of Internal Audit Activity Plan Progress 2020/21** - Agenda Item 8

The Internal Audit Assistant Director presented the report:-

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2020/21. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed at Appendix A of this document.

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

### Debate

- Concerns were raised in relation to planned audits that were postponed in Adults and Children’s services.
- It was recognised there had been some work postponed due to the Covid-19 pandemic.
- Finance director was having ongoing conversations at SLT level and would report back to the Audit Committee.

- Important wide coverage of key risks across the council
- The committee emphasised the importance of the internal audit and assurance was sought on the progress of the Internal Audit Activity.
- A request was made for SLT to recognise concerns from the Audit committee regarding lack of internal audit in high risk areas such as Adults and Children's services

The Committee noted the report

200 **Independent Review of Local Authority Financial Reporting and External Audit** - Agenda Item 9

The Finance Director presented the report.

The report provided an update on the independent review into local authority financial reporting and external audit review by Sir Tony Redmond which was published on the 8th September.

Redmond found that there is a lack of coherence in local audit arrangements and in the approach to procuring audits. The review found that the cost of audit is 25% less than it should be and as a result the quality of auditors has fallen. Redmond noted that 40% of audits missed the deadline in 2018-19 and suggests that the deadline for audited accounts to be published be extended until 30th September.

The report also questions the effectiveness of audit committees and whether they have enough independent members. Redmond also considers the relationship between the audit committee and inspectors, and between the audit committee and full council. Recommendations include the creation of a new local government audit body ("small and focused" rather than a recreation of the Audit Commission) and ministers changing the way they judge the financial sustainability of councils.

He also recommends that there is at least 1 independent member required on 2 of 4 each Audit Committee, and that Audit Committee members and new S.151 officers need improved training on audit and final accounts. It is also recommended that 3 statutory officers meet External Audit annually and that the External Auditor presents an annual report to the first council meeting after the 30th September.

The review concludes that the current reporting arrangements do not allow the public to understand the accounts and more should be done to improve transparency. He recommends the introduction of a standardised Statement of Services and Costs to enable a comparison between budget setting and outturn. CIPFA will consult on this between September and December with a view to trialing the statement in 2020-21 year-end. The recommendations of the review were set out in the report for the committee to consider.

## Debate

- Following questioning around the timescale for the implementation of the recommendations from the review, it was determined that there was no definitive timeline but changes would commence within next 6 months
- The addition of an Independent member assisted continuity at other councils, Councillors welcomed an independent view as a recommendation from the Redmond Review.
- The Committee Requested a further update at the next meeting

The Committee noted the content of the report and its potential impact upon the Council and the Audit Committee if the recommendations of the Redmond Review were adopted.

## 201 **Debtor Management Update Report – Agenda Item 10**

This report reviews the recovery of outstanding debts (monies owed to the Council) and the current performance. The analysis below is based on the total of annual debt raised which is between £120m - £135m. The monthly outstanding debt can range between £7m-20m.

Services' total outstanding debt reported on the Accounts Receivable system stood at £6.219m as at 31st July 2020. This compares with a figure of £8.105m as at 31st July 2019, and £10.087m as at the 30th April 2020 reported at the last Audit Committee in June 2020.

The percentage of debts over 90 days as at 31st July 2020 was 42.72%, which represents a fractional decrease to the end of June which stood at 42.88%. The value of the decrease in outstanding 90 day debt was £1.779m.

## Debate

- The headline figure was an improvement on the previous years position which was Positive in the current climate, the committee recognised the pressure on debts and the trend increasing.
- The Council had a strong relationship with the NHS was maintained with regular meetings undertaken around debt management to establish an improved position.
- Debtor management and regular updates for the committee was considered valuable to understand the ongoing position and take actions where needed.

The Committee noted the position in relation to outstanding debt performance at the end of July 2020.

## 202 **Anti-Tax Evasion Strategy - Agenda Item 11**

The Director of Finance introduced the report.

Under the Criminal Finances Act 2017 (CFA 2017), the Council, if found to be facilitating tax evasion, could face an unlimited fine and consequent damage to its reputation. The Council will be guilty of the offence where a third party commits tax evasion, which a member of staff (or an associate) has in some way assisted.

Part 3 of the Criminal Finances Act 2017 creates a new corporate criminal offence where a corporate entity fails to prevent the facilitation of tax evasion by its staff, agents and contractual associates. The legislation requires all bodies corporate to publish an Anti-Tax Evasion Policy.

The Council's Anti-Tax Evasion Policy was drafted and presented to the Governance Board meeting in December 2019 for consideration. The Board noted the commitments identified in Section 8 of the policy and the requirement for a risk assessment. The Board tasked the Strategic Risk Management Group (SRMG) with consideration of Section 8, with a specific focus on the requirement for a risk assessment.

The risk assessment was reviewed at the meeting of SRMG on 12th February 2020 and has been appended to this report for consideration by the Committee.

### Debate

- The Whistleblowing Policy was still under review, the existing policy still met statutory obligations, this was a work in progress but the committee would be updated on the outcome of the review.
- Existing controls and compliance issues were in place as part of payroll but this was an area to ensure the measures in place were appropriate.
- Income tax and national insurance were the focus of the strategy.
- IR35 was a different focus, there were robust systems in place to address the any instances of tax evasion.

The Audit Committee:-

1. Adopted the Anti-Tax Evasion Strategy (Appendix A) and associated Risk Assessment (Appendix B).
2. On approval of the Anti-Tax Evasion Strategy, the Corporate VAT Team will put in place measures to ensure full compliance on all risks identified. Any additional risks or issues will be reported back to the Committee.

## 203 **Committee Future Workplan – Agenda Item 12**

The Committee noted the workplan that listed future agenda items and reports for the next meeting on 19 November 2020, and the workplan was accepted.

An additional item was requested for an update from the independent review of financial reporting and external audit.

204 **Any other urgent items of business** - Agenda Item 13

There were no other items of business.

**(The meeting ended at 11:18)**

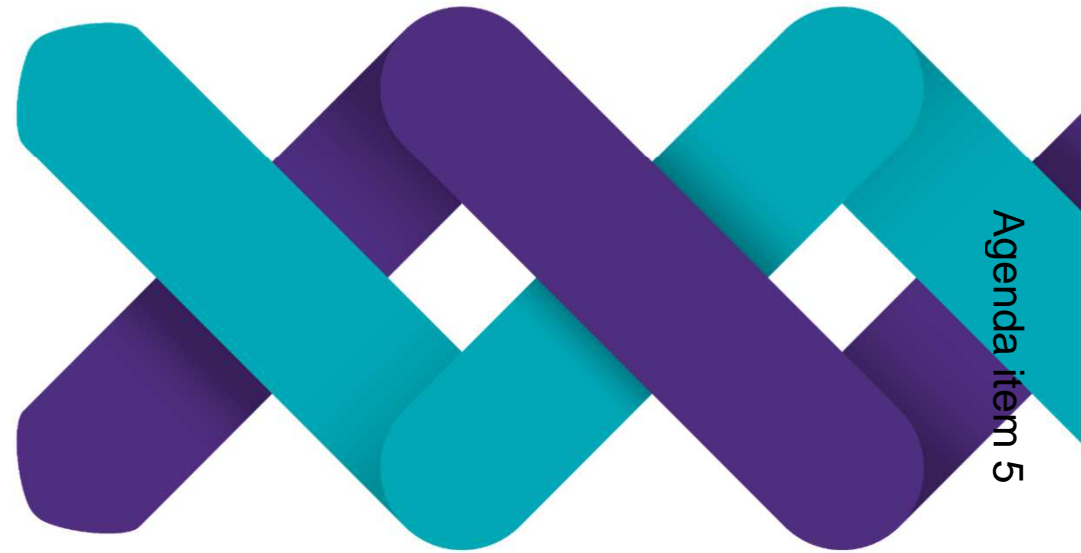
**CHAIRMAN**



# Audit Progress Report and Sector Update

**Somerset County Council and Pension Fund**  
Year ending 31 March 2020

11 November 2020



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# Introduction



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

The paper also includes:

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

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

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

# Progress at November 2020

## Financial Statements Audit

We undertook our initial planning for the 2019/20 audit in December 2019, and interim audit in January to March 2020. We began our work on your draft financial statements in July 2020.

In March 2020 we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We reported our initial findings to the September 2020 Audit Committee for both the Council and the Pension Fund noting that there were still areas that required completing prior to us issuing the Audit Opinion.

Specifically we were still working on obtaining sufficient assurance over the valuation of property assets. This work has been ongoing over a number of months and sufficient evidence to resolve our outstanding queries has still not been received. This lack of progress has been formally escalated to the Director of Finance and there remains a risk that the audit opinion will not be signed by 30 November 2020 and that material adjustments may be required to the financial statements. We will provide a further verbal update to the Audit Committee. Other areas that require completing before we issue our audit opinion are:

- obtain and review the letter of assurance from the pension fund auditor
- receipt of an updated management representation letter; and
- review of the final set of financial statements.

We have completed our substantive testing for the Pension fund and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters

- receipt of the updated management representation letter;
- review of the Annual Report; and
- review of the final set of financial statements

### Covid-19

The Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response. We included this issue in our audit plan, communicated to Those Charged with Governance in July 2020 setting out a significant financial statement risk in relation to Covid-19.

## 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 was included in our Audit Plan.

We will reported our work in the Audit Findings Report and aim to give our Value For Money conclusion by 30 November 2020. There has been no substantive change to the conclusion that was reported to Those Charged with Governance in September 2020

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation ran until 2 September 2020. The NAO will now analyse all consultation responses received and consider what changes are required to the draft guidance. Please see page 19 for more details.

# Progress at November 2020 (Cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2019/20 claim is due to be completed in advance of the 30 November deadline.

### Meetings

We continue to meet with Finance Officers as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in March to discuss the Council's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

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 Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your Director of Finance including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

In addition to the increased work highlighted above, the impact of Covid-19 pandemic and the need to produce the financial statements and undertake the audit of those statements remotely has resulted in audit procedures, taking additional time. This will necessitate further fees to be charged for the additional time taken to deliver the audit. As highlighted in the previous slide, we have also incurred significant additional time in seeking responses to our enquiries on the property valuations of the council. This additional work will also result in an additional fee to the Council. Once the quantum of this has been determined, we will discuss and agree with the Director of Finance and report the final fee to the next Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Somerset County and Pension Fund Audit Deliverables

## 2019/20 Deliverables

	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2019/20.	April 2019	Complete
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.	March 2020	Complete
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2020	Complete
<b>Audit Findings Report</b> The Audit Findings Report was reported to the September Audit Committee.	September 2020	Complete
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	November 2020	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	December 2020	Not yet due

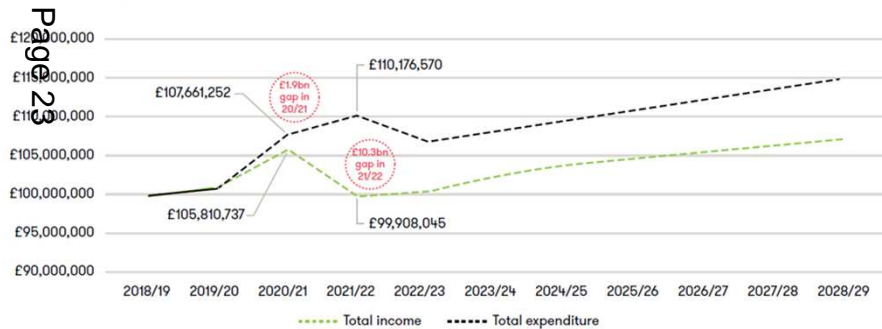
# Covid-19 update – Grant Thornton

## Where are we now?

Over five months into lockdown and councils have moved from the initial emergency response phase to focus on recovery planning which is running in parallel with on-going responses to the pandemic, such as supporting vulnerable people, and managing the capacity challenges of delivering business as usual alongside covid-19 response.

The Government has confirmed three tranches of funding to support the impact of increase spend and reduced income directly attributed to Covid-19, and are in the process of confirming further support via the income compensation scheme.

Local Authority Income and Expenditure (England) 2018/19 to 2028/29



Source: Grant Thornton/CIPFA Financial Foresight

Financial Foresight (a Grant Thornton future look analytics platform building on our CFO Insights and Place Analytics data) forecast indicates that English local authorities have a funding gap of £1.9bn this financial year, rising to over £10bn in 2021/22. There is significant uncertainty as to whether the Government will provide further Covid-19 related funding, and what the medium-term funding for the sector will be following the Autumn's Comprehensive Spending Review. Our modelling currently assumes that government funding will remain broadly unchanged, with income being affected by ongoing reduction to Council Tax and Business Rates, both in terms of a reduction to these tax bases, alongside reduced payments as a consequence of the recession brought about by the pandemic.

The uncertainty also impacts on future spending pressures and sales fees and charges income. For example, leisure centres and swimming pools can now be opened, but must follow Government guidelines on issues such as social distancing. Not all leisure services have been able to reopen, and those that have are not able to generate levels of income originally forecast pre-covid. Social care faces uncertainty in relation to future demand, for example most councils responsible for children's services are forecasting an increase in case load when children return to schools in September. For adults, where in some cases demand has fallen during the pandemic, there is uncertainty over future levels of demand. There is also concern over provider failure in relation to social care and other services such as leisure and transport, with many councils providing financial support and loans to some providers, which will not be sustainable in the medium term.

As place leaders, councils are managing the conflict between revitalizing footfall in high streets and keeping people safe, with some leading by example and encouraging council officers to spend some of the week in council offices. Use of public transport as a key mode of travel to get to work remains a particular challenge.

## Lessons learned

All organisations, including councils, have been reflecting on the lessons learned from the pandemic, and are seeking to maintain the positive experiences as well as learn from the challenges, as part of recovery planning. There is a recognition that technology has enabled many people to successfully work remotely, and that this will have a fundamental impact on working patterns well after Covid-19 has passed. Councils are reviewing their property portfolios to understand the changes required in terms of future usage patterns, including how councils interact with their communities, whether parts of the municipal estate should be disposed, and whether alternate use of space can support income generation.

There will be demographic variations between places, meaning there is no "one size fits all" to economic recovery. For example, home to work geographies will vary, with some people who previously commuted into a council area for their work may now be considering office space closer to home, leading to a rise in demand for shared office space in some areas, that will in part counterbalance the fall in demand elsewhere.

# Covid-19 update (cont'd)

## Lessons Learned (Cont'd)

Many councils have recognized the improvement in community engagement and partnership working with the voluntary sector and other public sector organisations during the pandemic and are seeking to build on this, with a recognition that sharing responsibility for place-based recovery plans can help sustain the improvements gained. Although a shared view of place-based recovery takes an investment of time and resource that not all partner organisations are able to provide.

Wider learning relates to central vs local response to issues such as provision of PPE, housing the homeless and rough sleepers, and provision of food and equipment to the vulnerable. This is currently playing out on test and trace and how local lockdowns should be managed, with ongoing tension between national and local government.

Many councils understand the importance of data in supporting recovery planning decision making, to effectively understand where to prioritise resources and activity in the right way and at the right time to achieve the right outcomes.

## The future?

Covid-19 has only increased volatility and uncertainty for local government, and when working with councils delivering Financial Foresight we have prioritized scenario planning to support strategic financial planning. Understanding best, worst and optimum case scenarios from the impact of the pandemic are critical in strategic discussion when setting next year's budget and updating the Medium-Term Financial Plan – impacts on the place and communities, as well as on the council services and the council as an organization. Some councils are more confident than others in being able to manage their financial position during 2020/21 but all are concerned about 2021/22 and beyond. And it is not just Covid-19 scenarios that need to be understood, but other global, national and local issues that will impact over the medium term, including the impact of a no deal Brexit trade deal, and new government policies such as those expected on devolution and health and social care integration.

As already noted, places will vary depending on their socio-economic and demographic characteristics, but all councils are working through demand impacts arising from the ongoing pandemic and the associated recession, and ensuring their workforce continue to be supported to ensure they remain personally resilient.

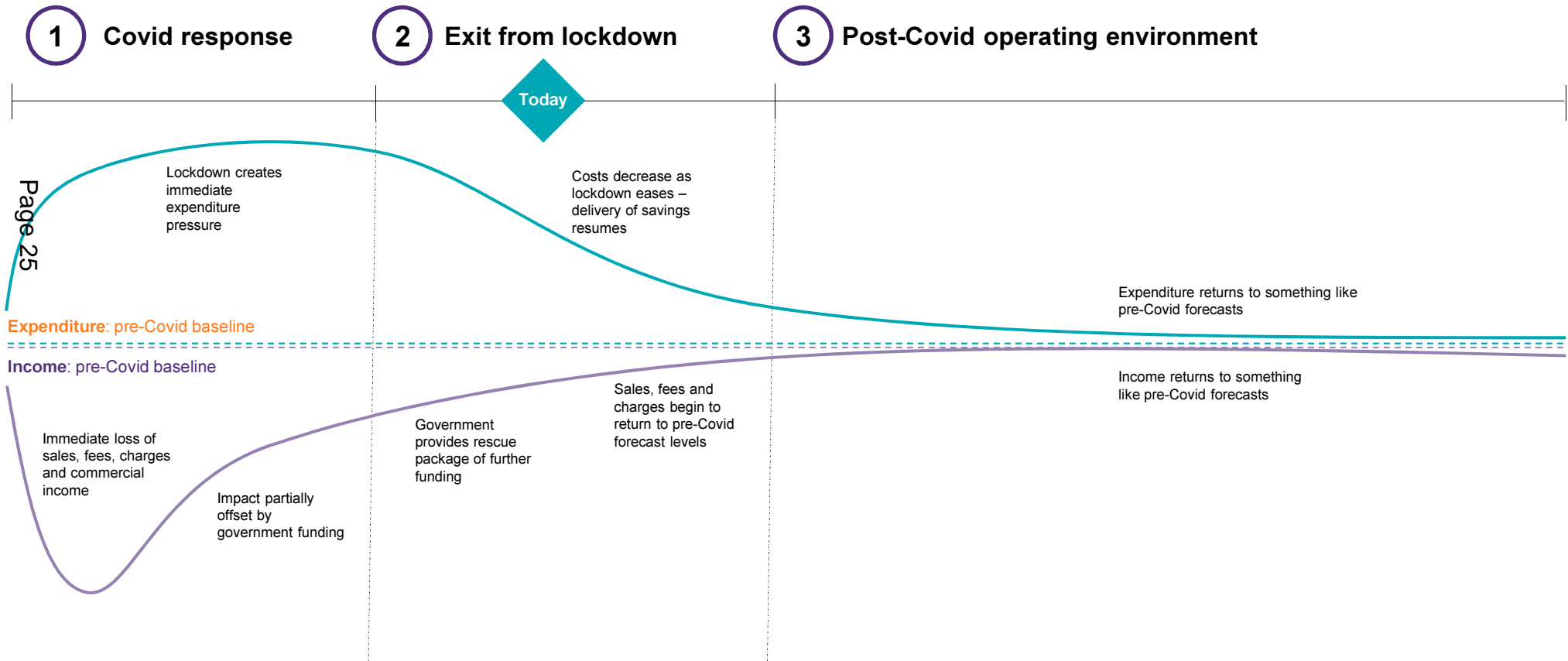
Until a vaccine has been successfully produced and rolled out, the public health threat remains, and there are likely to be further local lockdowns, such as we have seen in Leicester and towns in the north west of England. There could be difficult trade offs for national and local politicians to consider to avert further waves of restrictions. For example to keep schools open after they return in September, will there be a need to increase restrictions elsewhere to ensure the cases of Covid-19 remain at a management level?

Local government has always demonstrated a remarkable resilience in managing significant challenges, including ten years of austerity, and being at the forefront of the pandemic response. And whilst much uncertainty remains, we are confident that councils will continue to demonstrate the capacity to lead places, deliver services.



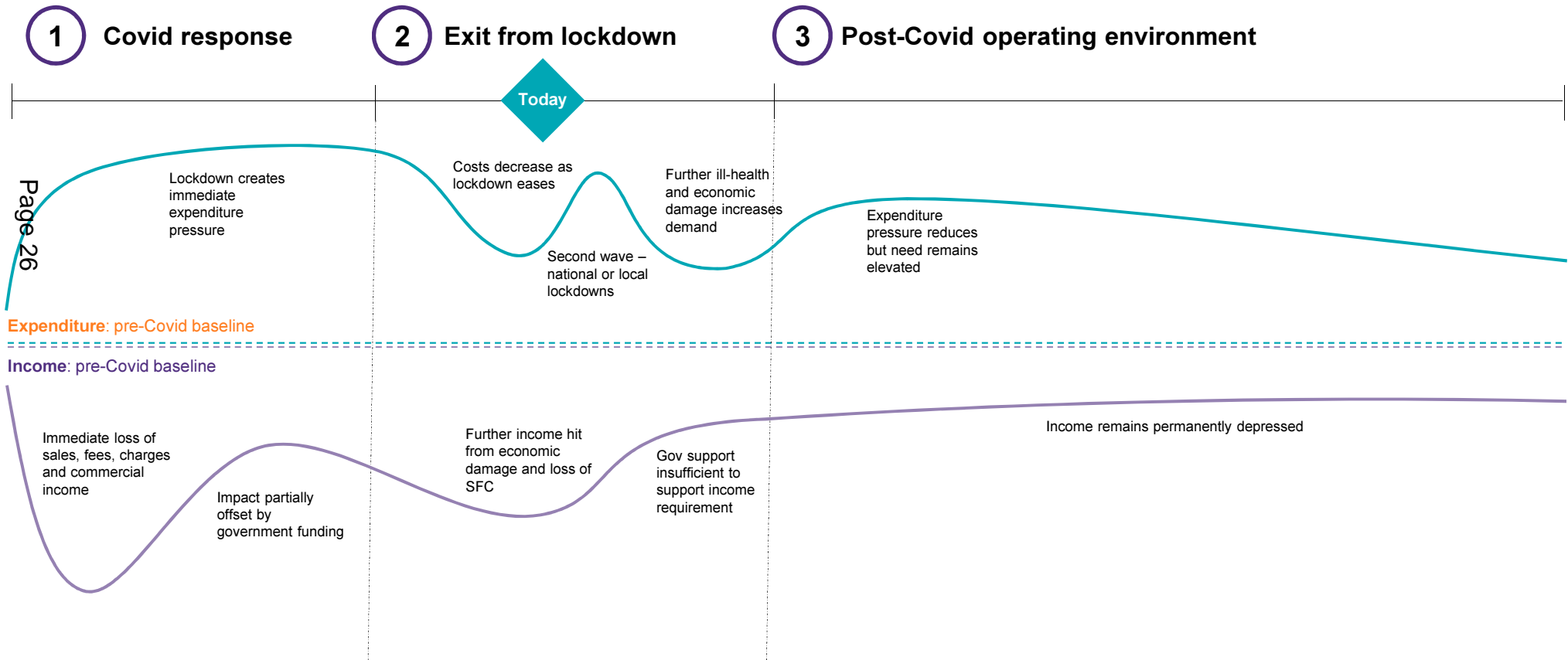
# Example scenarios

## Scenario 1 – swift return to normality









# Example scenarios (Cont'd)

## Scenario 2 – second wave and ongoing disruption



# Scenarios and hypotheses

## Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
<b>People &amp; community</b> 	<ul style="list-style-type: none"> <li>Multiple lockdowns and ongoing disruption</li> <li>Community dependency and expectation of sustained response</li> <li>Turbulence and activism within the VCS</li> <li>Socio-economic inequality is compounded</li> <li>Failure of leisure and cultural services</li> </ul>	<ul style="list-style-type: none"> <li>Smooth exit from lockdown to a “new normal”</li> <li>Community mobilisation is channelled into ongoing resilience</li> <li>Strengthened VCS relationships and focus</li> <li>Systemic response to inequality is accelerated</li> <li>Leisure and cultural services adapted to social distancing</li> </ul>
<b>Business &amp; economy</b> 	<ul style="list-style-type: none"> <li>16% reduction in GVA for 2020 based on OBR reference scenario</li> <li>Slow / uneven economic recovery and “long tail” on unemployment</li> <li>Central gov / BEIS focus investment on areas furthest behind</li> <li>Loss of tourist &amp; student spend causes unmitigated damage</li> <li>'V' shaped recovery results in 2-3 year recovery period</li> </ul>	<ul style="list-style-type: none"> <li>5-10% reduction in GVA</li> <li>Rapid economic recovery with employment levels close behind</li> <li>Central government “back winners” with investment</li> <li>Adaptation allows resumption of tourist and student economy</li> <li>Business base is weighted towards growth sectors</li> </ul>
<b>Health &amp; wellbeing</b> 	<ul style="list-style-type: none"> <li>Increased demand and escalating need due to fallout from lockdown</li> <li>Newly-vulnerable cohorts place strain on the system</li> <li>Unit costs increase further as markets deteriorate and providers fail</li> <li>SEND transport unable to adapt to social distancing</li> <li>Imposed disruption of care system</li> </ul>	<ul style="list-style-type: none"> <li>Positive lifestyle changes and attitudes to care reduce demand</li> <li>Needs of newly vulnerable cohorts met through new service models</li> <li>New investment in prevention and market-shaping manage costs</li> <li>New ways of working leading to stronger staff retention</li> <li>Locally-led reform of health and care system</li> </ul>
<b>Political &amp; regulatory</b> 	<ul style="list-style-type: none"> <li>Local government side-lined by a centralised national recovery effort</li> <li>Unfunded burdens (e.g. enforcement and contact-tracing)</li> <li>Councils in the firing line for mismanaging recovery</li> </ul>	<ul style="list-style-type: none"> <li>Local government empowered as leaders of place-based recovery</li> <li>Devolution and empowerment of localities</li> <li>Councils at the forefront of civic and democratic renewal</li> </ul>
<b>Environment</b> 	<ul style="list-style-type: none"> <li>Opportunity missed to capture and sustain environmental benefits</li> <li>The end of the high street / town centres</li> <li>Emissions and air quality worsened by avoidance of public transport</li> <li>Capital programmes stuck</li> </ul>	<ul style="list-style-type: none"> <li>Ability to invest in transport modal shift and green infrastructure</li> <li>Changed working patterns rejuvenate town centres</li> <li>Sustained impact on emissions due to new behaviours</li> <li>New, shovel-ready infrastructure programmes</li> </ul>
<b>Organisational</b> 	<ul style="list-style-type: none"> <li>Inadequate funding forces fiscal constraint</li> <li>Working practices return to status quo – increased operating costs</li> <li>Imposed structural change within the place</li> <li>Austerity 2</li> <li>Commercial portfolio becomes a liability</li> </ul>	<ul style="list-style-type: none"> <li>Adequate funding enables a programme of targeted investment</li> <li>Learning and adaptation to new operating environment</li> <li>Engaged system-wide collaboration and reform</li> <li>Fiscal reform and civic renewal</li> <li>Commercial portfolio reshaped for economic and social gain</li> </ul>

# What strategy is needed in response?

## *From response to recovery*

### **Learn, adapt and prioritise**

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

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## *Mitigating the worst case*

### **Consolidate and build resilience**

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

## *Steering towards the best case*

### **Invest in renewal**

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

# In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

## Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

## Non-current asset valuations

- There has been a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty?

### Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

### Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

### Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

### Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf>



# Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

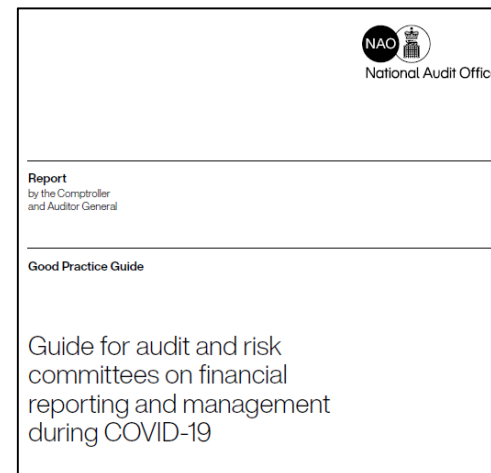
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



# Sector Update

Councils continue to try 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 public 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 local government sector 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



# The Redmond Review

## The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

### Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

### The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

### How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

# Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

## Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

## Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

# Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton

In March Grant Thornton launched a new place-based growth report 'Unleashing counties' role in levelling up England. The report, produced in collaboration with the County Councils Network, provides evidence and insight into place-based growth through the lens of county authority areas. It unpacks the role of county authorities in delivering growth over the past decade through: desk-based research, data analysis and case study consultations with 10 county authorities (Cheshire East, Cornwall, Durham, Essex, Hertfordshire, North Yorkshire, Nottinghamshire, Oxfordshire, Staffordshire, Surrey).

The report reveals:

- Growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years. GVA in the 36 county areas has grown by 14.1% between 2014 and 2018, compared to 16.7% for the rest of England.
- In total, 25 of these counties have grown at a rate slower than the rest of the country. The research finds no north-south divide, as the county areas experiencing some of the smallest economic growth are Herefordshire (5.3%), Oxfordshire (5.6%) and Cumbria (8.2%), Gloucestershire (9.2%), and Wiltshire (9.7%) – showing that one size fits all policies will not work.
- Some 30 of the 36 county authority areas have workplace productivity levels below the England average. At the same time, counties have witnessed sluggish business growth, with county authorities averaging 7.9% growth over the last five years – almost half of that of the rest of the country's figure of 15.1% over the period 2014 to 2019.

To address these regional disparities in growth and local powers, the report's key recommendations include:

- Rather than a focus on the 'north-side divide', government economic and investment assessments should identify those places where the economic 'gap' is greatest – Either to the national average or between different places – and focus investment decisions on closing that gap and levelling up local economies.

- The devolution white paper must consider how devolution of powers to county authorities could assist in levelling-up the country. This should include devolving significant budgets and powers down to councils, shaped around existing county authorities and local leadership but recognising the additional complexity in two-tier local authority areas and whether structural changes are required.

- Growth boards should be established in every county authority area. As part of this a statutory duty should be placed on county authorities to convene and coordinate key stakeholders (which could include neighbouring authorities). These growth boards should be governed by a national framework which would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity.

- Planning responsibilities should be reviewed with responsibility for strategic planning given to county authorities. In line with the recently published final report of the Building Better, Building Beautiful Commission, the government should consider how county authorities, along with neighbouring unitary authorities within the county boundary, could take a more material role in the strategic and spatial planning process.

- The National Infrastructure Commission should ensure greater consideration of the infrastructure requirements in non-metropolitan areas. Their national infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider growth-related matters that would help to level up the economy across the country.

The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/unleashing-counties-role-in-levelling-up-england/>

## Place-based growth

Unleashing counties' role in levelling up England

2020



# Local government reorganisation in two-tier shire counties – County Councils’ Network

The County Councils’ Network (CCN) has published new independent evidence on the implications of local government reorganisation in two-tier shire counties ahead of the publication of the government’s ‘devolution and local recovery’ white paper.

The report identifies considerations relating to:

- the costs associated with disaggregation;
- what this might mean in terms of risk and resilience of service provision;
- how service performance might be impacted;
- what it could mean for the place agenda; and
- issues arising from the response to Covid-19.

The report also sets out the financial implications of four unitary scenarios:

- Establishing one unitary authority in every two-tier area in England.
- Establishing two new unitary authorities in every two-tier area in England.
- Establishing three new unitary authorities in every two-tier area in England.
- Establishing two new unitary authorities and a children’s trust in every two-tier area in England.

CNN note “With councils in shire counties facing billions in rising costs for care services, alongside financial deficits caused by the Coronavirus pandemic, the study from PricewaterhouseCoopers (PwC) shows merging district and county councils in each area into a single unitary council could save £2.94bn over five years nationally.”

CNN go on to comment “The report concludes a single unitary in each area would reduce complexity and give communities a single unified voice to government. It would provide a clear point of contact for residents, businesses and a platform to ‘maximise’ the benefits of strategic economic growth and housing policy; integral to the ‘levelling-up’ agenda and securing devolution.

However, the report shows replacing county and districts with two unitary authorities in each area would reduce the financial benefit by two-thirds to £1bn over five years, with three unitary authorities delivering a net loss of £340m over the same period. A fourth scenario of a two-unitary and children’s trust model in each county would deliver a net five year saving of £269m.

Alongside a minimum £1.9bn in additional costs from splitting county council services, the report outlines the establishment of multiple unitary authorities in each area creates the risk of disruption to the safeguarding of vulnerable children, while ‘instability’ in care markets could impact on the quality and availability of support packages and care home placements.”



The full report can be obtained from the County Councils’ Network website:

<https://www.countycouncilsnetwork.org.uk/new-analysis-reveals-that-single-unitary-councils-could-deliver-3bn-saving-over-five-years-and-maximise-the-benefits-of-economic-growth-and-housing-policy/>

# Local government reorganisation in two-tier shire counties – District Councils’ Network

The District Councils’ Network (DCN) a report ahead of the publication of the government’s ‘devolution and local recovery’ white paper.

The report comments “Devolution should back the success of districts in delivery. It should not distract from the local recovery effort or reduce delivery capacity through forcing reorganisation into a less local, less agile, less responsive local government pushed by interests wanting county unitary councils everywhere. Local governance is a local matter, places must be free to decide how to organise services and to progress any kind of reform only where there is significant local agreement.”

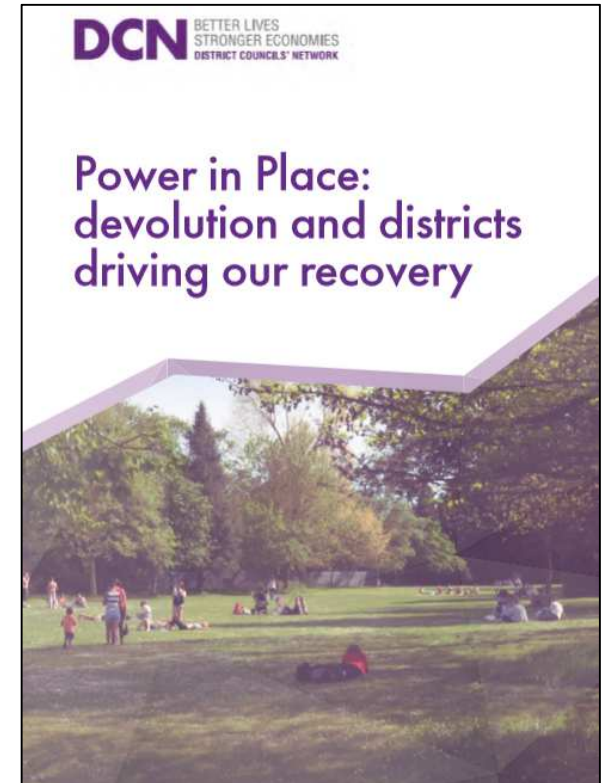
The report calls for the Devolution and Local Recovery White Paper to:

- 1) Deliver genuine devolution that moves quickly to drive local growth
- 2) Retain and build on the local capacity to deliver
- 3) Empower real-world economies
- 4) Continue to anchor local government in local communities
- 5) Reject false arguments that bigger local government is better or cheaper local government
- 6) Support strategic leadership across wider functional economic areas
- 7) Introduce an upper limit for the size of new unitary councils, in line with the principle of electoral equality

The report includes a number of case studies in each of these areas.

The full report can be obtained from the District Councils’ Network website:

<https://districtcouncils.info/wp-content/uploads/2020/08/DCN-Report-Sept-1.pdf>



# CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a highly challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

# Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

## Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

## The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

## Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

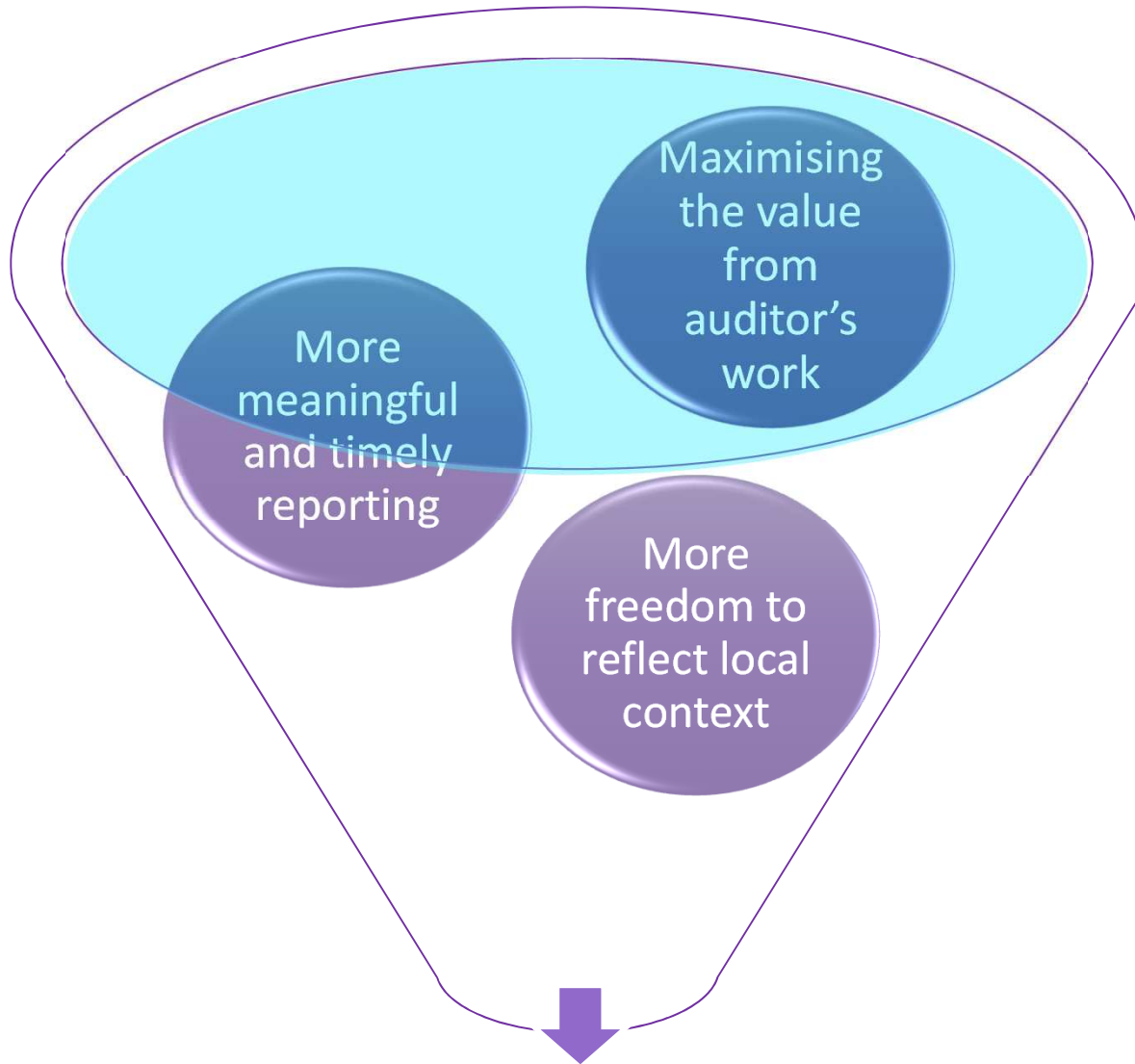
The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

[https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice\\_2020.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf)

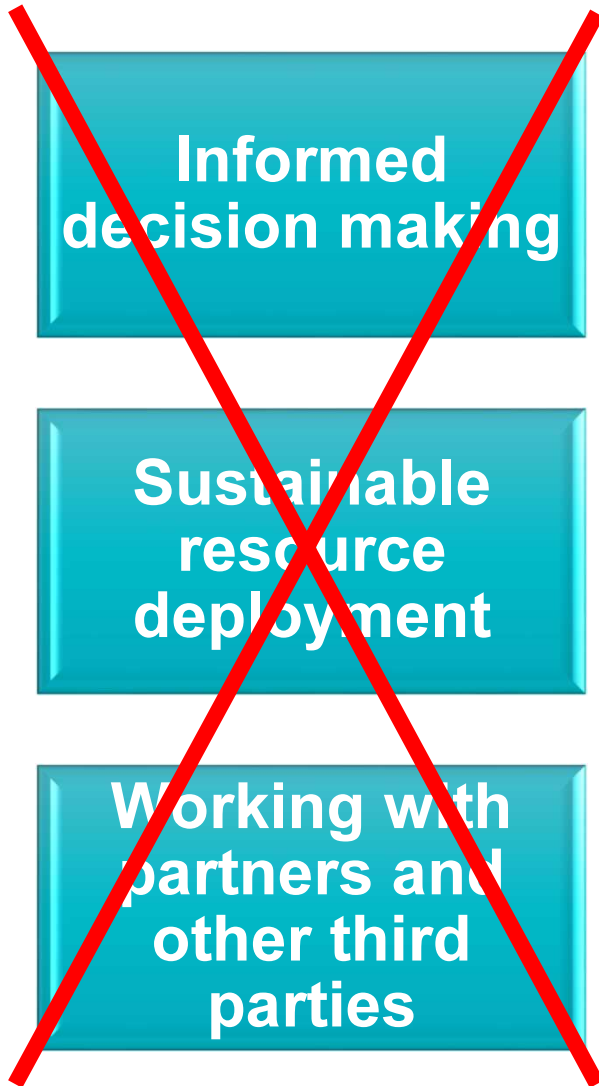
# How is value for money work changing ?



**VFM arrangements commentary and recommendations**



# The three criteria have changed...

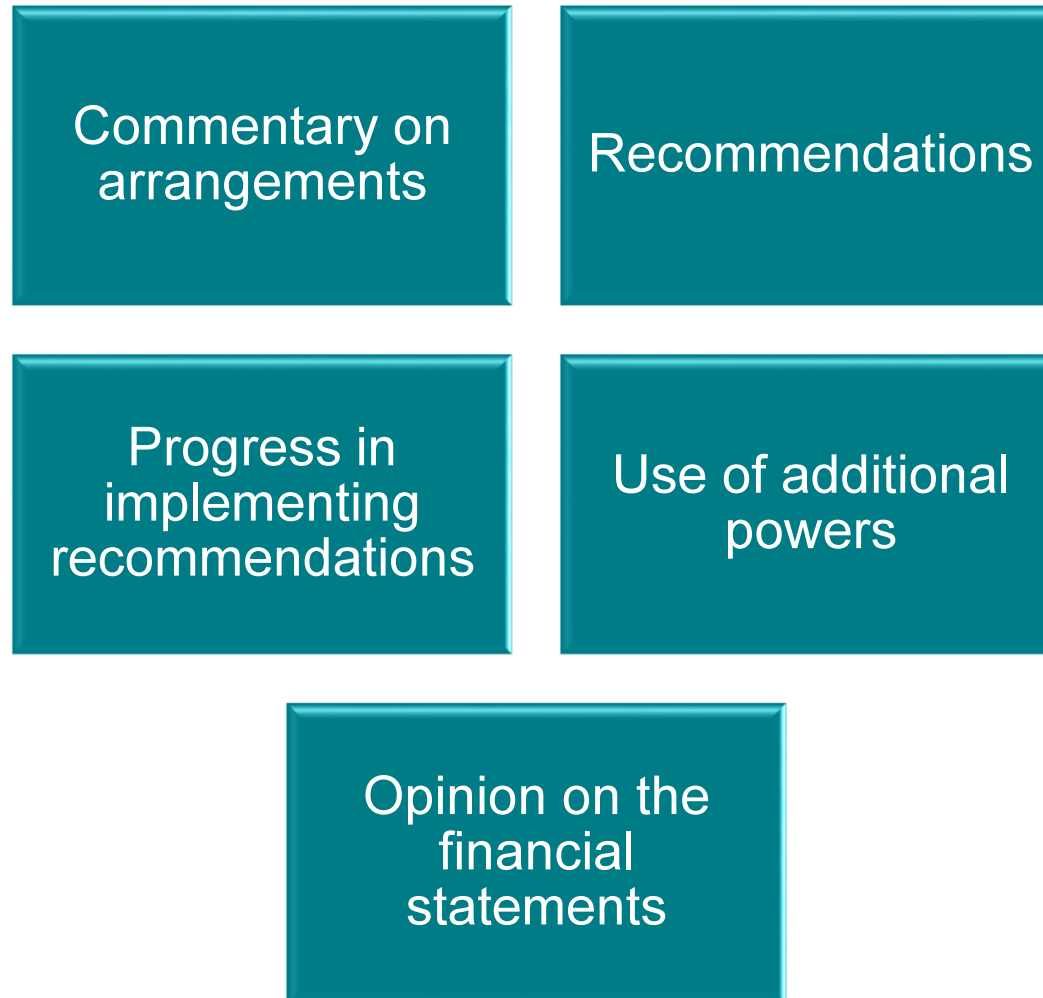


# A key change in reporting...

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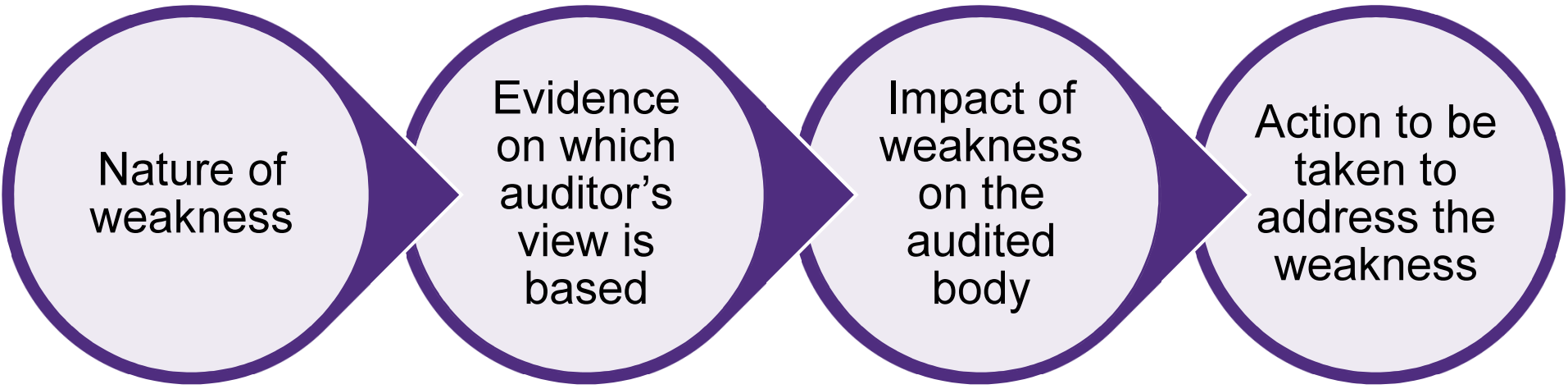


# So what is in an Auditor's Annual Report ?



# Recommendations

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# Practical implications

The new approach is more complex, more involved and will lead to better quality working achieving more impact. Before beginning work, we will discuss with you:

- Timing
- Resourcing
- Fees

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# Somerset County Council

## Report of Internal Audit Activity

### Plan Progress 2020/21- November Update

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Agenda item 6

# Contents

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# Summary

## Our audit activity is split between:

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



## Role of Internal Audit

The Internal Audit service for Somerset County Council is provided by SWAP Internal Audit Partnership Limited. SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Chartered Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 18<sup>th</sup> June 2020.

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

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

### Outturn to Date:

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



### Internal Audit Work programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2020/21. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

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

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

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

# Summary of Audit Work 2020/21

## Significant Corporate Risks

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



## Significant Corporate Risks

We provide a definition of the three risk levels applied within audit reports.

For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

Review/Risks	Auditors Assessment
None to report in this period	

## Summary of Work 2020/21

### SWAP Performance - Summary of Partial Opinions

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



### Summary of Limited Opinions

There have been no audits completed with limited opinions since the last progress update.

Update 2020/21



SWAP Performance

## SWAP Performance

SWAP performance is subject to regular monitoring review by both the Board and at Member meetings. The respective performance results for Somerset County Council and other SWAP partners, using data to the end of August 2020 is as follows:

Performance Target	20/21 Performance	19/20 Performance
<p><b><u>Audit Plan – Percentage Progress</u></b></p> <p>Final, Draft and Discussion</p> <p>In progress</p> <p>Not started</p>	<p>32%</p> <p>21%</p> <p>47%</p>	<p>30%</p> <p>39%</p> <p>31%</p>
<p><b><u>Audit Plan – Delivery</u></b></p> <p>On course to deliver at least 90% of plan by year end</p>	<p>Yes</p>	<p>Yes</p>
<p><b><u>Quality of Audit Work</u></b></p> <p>Customer Satisfaction Questionnaire</p>	<p>98%</p>	<p>98%</p>

## Update 2020/21 continued

### SCC Performance

#### SCC Performance

Please refer to Appendix B for detail of the individual audits.

Despite COVID-19 we have continued to deliver audit work, however progress has been slower than normal as can be seen in the table above. A significant proportion of work undertaken is new and COVID related and therefore in line with our high risk approach. There have been some requests to defer audits until Q4 which we have accommodated.

Given the need of SCC to prioritise their response to COVID-19, it is anticipated that delivery of some audits in the plan will not be possible. There are two main reasons for this: progress has been insufficient for the audit to take place (for example follow-ups) or a lack of resource to support the review. Appendix B shows the current position. SLT have been asked to identify audits not possible to deliver.

#### Fraud Prevention and CIFAS

It is proposed to increase the focus on fraud prevention in this year's plan. Losses from fraud are significant in the public sector and are believed to be on the increase. This approach is consistent with SCC's zero tolerance approach to fraud.

SWAP has established a counter fraud service this year which will lead a fraud risk assessment during the fourth quarter of the year. The outcomes from this review will be used to inform next year's plan.

In addition, it has been agreed that SCC will join CIFAS, the national fraud prevention service this year. SWAP is supporting partners to join this service and this will enable SWAP to start some data matching in high fraud risk areas. A meeting has already been held with the Head of Adult Services to consider data matching within Blue Badges and Residential Care. It has been agreed that a plan will be drawn up for further discussion.



## Approved Changes to the Plan

This year there have been a significant number of plan additions in response to the COVID-19 pandemic. It is important that we are flexible in our planning approach and responsive to changing organisational risk. One of the main areas of new work has been the certification of additional grants that have been awarded to SCC to cover additional COVID-19 expenditure. We have also been requested to carry out both opinion based reviews and advisory work relating to COVID-19.

To accommodate these new pieces of work some audits will need to be rolled forward. All audits have been risk assessed so our preference is to defer medium risk reviews. Given the need for services to step up their response to the pandemic, it is unlikely that it will be possible to deliver every audit in the plan. This will mean that some higher risk audits, including Adults and Children's will also need to be rolled forward and scheduled for early in the 21/22 plan.



## Conclusion

The agreed plan is a balanced one and provides coverage across SCC's high risk areas. This is important both to maximise the effectiveness of internal audit and to provide sufficient evidence for the annual audit opinion on the internal control framework. COVID-19 means this year the audit plan delivered will be very different to that originally agreed. The plan now includes five COVID-19 related grant reviews and 11 advisory reviews have been added so far this year. The results of grant and advisory work will be used to support the annual opinion.

CIPFA are currently considering the writing of this year's opinion and will be issuing guidance on producing this year's later this year.

Assurance Definitions	
<b>None</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.



Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments	
								Major		Minor		
								Recommendation				
1	2	3										
<b>Opinion Based Audits</b>												
Human Resources	Governance	Apprenticeship Scheme	1	Final	Limited	19/03/2020	6			2	4	
Education	School	School Theme – Safeguarding in Schools	1	Final	Limited	15/04/2020	5			2	3	
Finance	Governance	Staff Expenses	2	Final	Reasonable	04/05/2020	5			1	4	
ECl	Operational	Parking Income	1	Final	Reasonable	23/04/2020	4			2	2	
Finance	Key Control	Treasury Management	2	Draft		04/08/2020						
ECl	Governance	Local Enterprise Partnership (LEP) Governance	2	Draft		03/08/2020						
SLT	Healthy Organisation	Healthy Organisation 2020/21	2	In Progress		01/09/2020						
Adult services	Operational	Adults Budget Management	2	In Progress		06/08/2020						
Finance	Governance	COVID-19 Expenditure Approvals	2	In progress		06/08/2020						New
Education	School	School Theme – Community Learning Partnerships	3	In progress		28/09/2020						
Business continuity	Governance	Business Continuity – Review of Plans	3	In Progress		16/11/2020						New

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Finance	Governance	Financial Procedures	3	In progress		2/11/2020					
ICT	ICT	Cyber Security Framework Review	2	Not started							
Children's Services	Operational	Independent Placements – Financial Controls & Contract Management	2	Not started							Push back to Q4 at client request.
ECl	Operational	Wells Enterprise Centre	4	Not started							
Education hey	Operational	Exclusions and Attendance	4	Not started							Request to defer
Education	School	Early Years	4	Not started							
Procurement	Governance	Contract Management Framework	2	Not started							Request to defer until Q4
Business continuity	Governance	Business Continuity - long duration and consecutive incidents	4	Not started							
ECl	Operational	Big Bus Project	3	Not started							
ECl	Operational	Construction Design Management (CDM) Regulations	4	Not started							

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
PMO	Governance	Project Management – Use of Project Mobilisation Toolkit	3	Not started							
Information management	Governance	Information Asset Register	4	Not started							
ICT	ICT	Detailed Cyber Security reviews	3	Not started							
Children's services	Operational	Early Help Assessments	1	Not started							Processes not yet embedded – revisit in Q4.
<b>Follow Ups</b>											
Property services	Follow-up	Corporate property maintenance schools	1	Final	n/a	03/08/2020					Sufficient progress made to remove from JCAD
Adult Services	Follow-up	Service Planning	2	Final	n/a	03/08/2020					Sufficient progress made to remove from JCAD
Risk and insurance	Follow-up	Risk management	2	In progress	n/a	03/08/2020					
Children's Services	Follow-up	The Education of Children Looked After	1	Not Started	n/a						
Health and safety	Follow-up	Corporate Management of Health and Safety	1	Not Started	n/a						
Adult Services	Follow-up	Mental Health – Financial Decision making	2	Not Started	n/a						
Children's Services	Follow-up	Childrens – Education Health and Care Plans (EHCPs)	1	Not Started	n/a						

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Corporate	Follow-up	Early Years Follow Up	3	In progress	n/a						
Children's & Adults	Operational	Cash Handling	4	Not Started	n/a						
Adult Services	Follow-up	Lone Working	3	Not Started	n/a						
Property Services	Follow-up	Role of the Somerset Manager	3	Not Started	n/a						
Finance	Follow-up	Supplier Resilience	3	Not Started	n/a						Deferred until Q4 – to be completed with contract management audit.
Finance	Key Control	Debt Management	3	Not started	n/a						
<b>Grants</b>											
ECl	Grant	Bus services support grant – Tranche 1	1	Completed		18/05/2020					New – COVID-19 Additional funding
Children & Families	Grant	Troubled Families – Phase 2 Claims	1	In Progress		01/04/2020					Certification of claims completed through the year.
ECl	Grant	Local Transport Capital Funding (including Pothole Action)	2	Complete		01/07/2020					
ECl	Grant	DfT COVID-19 Bus Services Support Grant - Tranche 2	2	Complete		01/09/2020					New – COVID-19 Additional funding
ECl	Grant	DfT COVID-19 Bus Services Support Grant - Tranche 3	2	Not started							New – COVID-19 Additional funding

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
ECI	Grant	BDUK Grant Certification	4	Not started							
ECI	Grant	Track and Trace Service Support Grant	4	Not started							New – COVID-19 Additional funding
ECI	Grant	Additional Dedicated Home to School and College Transport Grant	3	Not started							New – COVID-19 Additional funding
<b>Advisory Work</b>											
Education	Advisory	Beech Grove PTA Fund Advice	2	Final	Non-opinion	02/07/2020					New
Procurement	Investigation	Procurement investigation	1	Final	Non opinion	18/05/2020					New
Finance	Investigation	Use of Procurement cards	2	Final	Non opinion	09/07/2020					New
Procurement	Governance	Response to Procurement Policy Note 02/20	1	Final	Non opinion	14/05/2020	4		2	2	New – compliance with COVID-19 procurement regulations
ICT	ICT	ICT Governance Risk Scope Review	1	Final	Non-opinion	29/06/2020	n/a				
ECI	Advisory	Contractor duplicate payments	1	Final	Non-opinion	08/06/2020	7	3	3	1	New
Education	Advisory	Avalon School Hydrotherapy Pool	2	Draft	Non-opinion	22/06/2020					New

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
All	Advisory	SCC COVID-19 Response Advice	1	In progress	Non-opinion	01/04/2020					New
Finance	Operational	Continuous Assurance	1	In progress	Non-opinion	30/04/2020					New – development of a continuous assurance offer for SCC
Adults	Key Control	CIFAS – Plan for Blue Badges/Adult Social Care	3	Not started	Non-opinion						New
Governance	Key Control	Fraud Risk Assessment	4	Not started	Non-opinion						New
<b>Audits Deferred/Removed from the Plan</b>											
Children's services	Operational	SEND casework	1	Deferred							Request to remove from plan as resources diverted to delivery of SEND action plan.
Adult services	Operational	Adult Commissioning	1	Deferred							Deferred due to COVID-19
ECI	Operational	Community Asset Transfers	2	Deferred							Replaced with new higher risk work.
Risk management and insurance	Operational	Insurance Claims	2	Removed							Replaced with new higher risk work.
All	Advisory	Organisational redesign	All	Days Allocated							Days used for new work
Adult Services	Operational	Eclipse System Implementation	4	Deferred							System implementation delays – defer to 21/22

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Children's services	Operational	Education Health & Care Plan Reviews	2	Deferred							Request to remove from plan as resources diverted to delivery of SEND action plan.
Children's Services	Follow-up	FAB Assessments	3	Deferred	n/a						Actions dependant on implementation of Eclipse which is delayed
ECl	Operational	Corporate Landlord Model	3	Deferred							Deferred as FM form key contacts and due to covid do not have resource to support.
Public health	Follow-up	Transfer of Public Health Nursing Services	4	Deferred	n/a						Deferred as lack of capacity with Covid-19
Adult services	Operational	Adults – Workforce Planning	3	Not started							Deferred due to COVID-19

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**Somerset County Council**Audit Committee 19 November 2020

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**Risk Management Update**

Lead Officer: Jason Vaughan, Director of Finance

Author: Pam Pursley, Strategic Risk Manager,

Contact Details: 01823 359062, [ppursley@somerset.gov.uk](mailto:ppursley@somerset.gov.uk)

Cabinet Member: Cllr Mandy Chilcott

Division and Local Member: All

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

- 1.1.** The management of risk has a direct link to the Council's Business Plan, the Medium-Term Financial Plan, forms an integral part of the Annual Governance Statement (AGS) and is a major component of the External Auditor's Value for Money Audit. Risk management is an essential component of good corporate governance.
- 1.2.** Audit Committee members need to be assured that the management actions (those work tasks required to mitigate the risk to an acceptable level) and compliance with the review process, are in accordance with the Council's Management of Risk Policy Pathway (**Appendix B**).
- 1.3.** The Account and Audit Regulations 2015 require the Council to have in place effective arrangements for the management of risk. These arrangements are reviewed annually and reported as part of the Annual Governance Statement (AGS).

**2. Items for consideration**

- 2.1.** Committee members are asked to familiarise themselves with the Management of Risk Pathway documentation as set out in; **Appendix A Strategy, Appendix B Policy and Appendix C Process**.
- 2.2.** The Councils Recovery and Renewal Board facilitated the recent review of all the strategic risks, outcomes of this review are documented in **Appendix D**

**3. Background**

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

The benefits of strategic risk management are

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

- 3.2.** The Management of Risk Pathway documentation supports the Council in effective management of risk. The Pathway suite of documents include:

1. Management of Risk Strategy Pathway (**Appendix A**)
2. Management of risk Policy Pathway (**Appendix B**)
3. Management of Risk Process Pathway (**Appendix C**)

The Chief Executive is the owner of the risk management process with responsibility delegated to the Director of Finance/Section 151 officer. The Member Risk Champion is the Cabinet member for Resources.

- 3.3.** The Councils Management of Risk Strategy Pathway (**Appendix A**) was updated to reflect the following changes.

**Corporate Direction:**

- **Addition:** SLT are required to create a shared understanding of the risk appetite expressed as opportunity and risk, across the Council's functions in delivering its priorities and outcomes. This is to support the Council in effecting change and embracing new opportunities whilst protecting the Council with effective risk analysis. The Risk team will be responsible for supporting SLT, communicating with them to offer expertise and guidance as required.
- **Addition:** SLT to document and prioritize an overall assessment of the range of opportunities and identify the level of risk which is judged to be tolerable, affordable and justifiable to the Council.

**Infrastructure:**

- **Update:** The Director, Economic and Community Infrastructure Commissioning is the chair of the Strategic Risk Management Group (SRMG). The Strategic Risk Management Group is senior managers who meet to review the risks faced by the Council, to review the risk register and to escalate issues or suggestions for change to SLT.

**Resources:**

- **Update:** The Director, Economic and Community Infrastructure Commissioning is the chair of the Strategic Risk Management Group (SRMG).
- **Addition:** Individual Directors to identify Risk Champions from business areas (Senior admin/business support officers) who will be tasked with assisting managers with the management and review of risks. The Risk manager will be responsible for communicating with these individuals.
- **Update:** SLT agree that greater collaboration between Strategic Risk Management, Civil and Emergency Planning, performance management and the financial process is required.

- 3.4. Changes to the Management of Risk Policy Pathway (Appendix B)**

The risk policy has been amended to reflect recommendations in the SWAP Internal Audit report published in July 2019; alongside other routine up-dates as set out below:

- Internal Audit (SWAP) recommended a revision to the explanation of the key risk terms: Terminate, Tolerate, Treat and Transfer. These terms have been explained in the risk Policy in the section Risk Response (**Appendix B**) and in the

Process Pathway (**Appendix C, pages 4, 5 and 7**).

The Management of Risk Policy Pathway includes the 'Three Lines of Defence' model (**page 7**) which is the concept for helping to identify and understand the different contributions various sources of assurance can provide. This has been amended to move the Strategic Risk Management into the "second Line of defence" on the diagram – which emphasises the role that all members of staff within the Council have for risk management.

**NOTE:** The Three Lines of Defence model, issued by the Institute of Internal Auditors was revised in July (2020). The Three Lines Model clarifies and strengthens the underpinning principles, broadening the scope, and explaining how key organisational roles work together to facilitate strong governance and risk management. This revision will appear in the next update of the Policy and Process Pathway documents.

- **Update:** The risk escalation section (**Appendix B page 11**) has been updated with tables that explain the risk escalation process. The aim is to support staff so that they can recognise where they may need support and where they will need senior leadership sign off.

- **Update:** In terms of risk reporting timescales, (**Appendix B page 15**) the Policy and process of the recording and management of 'Low' (green) risks has been up-dated so that green risks do not need to be entered onto JCAD unless the service feels it is necessary. However, they must still be recorded by the service, but this can be done in the services Commissioning/Service Plan template.

**3.5. New:** Issue Management is not covered in the suite of Pathway documents (**Appendix C, page 8**). If a risk does indeed materialise then immediate management action needs to be taken to resolve any escalation in additional risk or undesirable impact on the Council. Where appropriate, contingency, containment, crisis, incident and continuity management arrangements should be developed and communicated to support resilience and recovery if risks crystallise. Contact the Civil Contingencies Unit for advice and assistance with Business Continuity Planning.

**3.6. Changes to the Management of Risk Process Pathway. Appendix C**  
The Process Pathway is a refresh of the previous process document.  
**Additions:** The document has added diagrams, screen shots and tables throughout to enhance understanding.

**3.7. Risk Reporting (Appendix C page 11).** The governance for strategic risk reporting is,

- Strategic Risk Management Group (SRMG) escalate to Governance Board - monthly
- Governance Board - escalation to SLT - quarterly
- SLT - quarterly
- Reporting to Audit Committee - quarterly

#### 4.0 **Strategic Risk Review 2020:**

The Council's Recovery and Renewal Board facilitated the review of the Council's strategic risks. The review asked senior managers to include; any related impacts due to the Covid19 emergency, to identify any new strategic risks and review the current risks that have not been changed. SLT approved all the changes and additions on 6<sup>th</sup> October. The summary of these changes and additions can be found in **Appendix D** attached.

#### 4.1 **Appendix D**

**Table 1.** Highlights those risks that have been reviewed including adjustments made to the current score where required.

**Table 2.** Lists those risks that have been closed to form the new strategic risk Organisational Resilience, ORG0053.

**Table 3.** Identifies the new strategic risks and the details that still need to be completed by the risk owners.

4.2 Part of the strategic risk review was to consider the creation of a new strategic risk for Organisational Resilience (**ORG0053**) which, was approved by SLT on 6<sup>th</sup> October. This new risk has seen the consolidation of six existing strategic risks, that have been on the register individually for several years, but collectively contribute to the resilience of the organisation. The individual actions have been moved to the new risk. The risk description states; "Without the minimum level of capacity and resource, the resilience of the organisation is compromised". **Appendix D** identifies those risks that were closed.

4.3 Each Strategic Risk is owned by the relevant SLT Director. Each Director is responsible for reviewing the strategic risks, in many cases in conjunction with the Strategic Risk Manager and assuring themselves that the actions for mitigation are appropriate and delivering the expected outcome.

### 5 **Consultations undertaken**

5.1 Consultation has been undertaken with;  
SRMG, Recovery and Renewal Board, Governance Board and SLT

5.2 Documents attached:  
Appendix A – Management of Risk Strategy Pathway  
Appendix B – Management of Risk Policy Pathway  
Appendix C – Management of risk Process Pathway  
Appendix D – Strategic Risk Review

### 6 **Implications**

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

# Management of Risk

## Strategy Pathway

2019



# Strategy Pathway

**We must develop long term prevention to reduce the need for services in the future. Operating as a learning organisation where failure demand feeds strategic planning.**

## Background

1. This Strategy provides the strategic direction for the management of risk, to secure the objectives identified in the Councils Business Plan which, is delivered by the Medium Term Financial Plan (MTFP).
2. This Strategy is one of the three documents that make up the Management of Risk Pathway
3. This strategy applies to:
  - All officers of the Council
  - All elected Members of the Council
  - All Committees, Boards or Groups in respect of their oversight of the council's risk management arrangements.
4. This strategy does not cover those risks affecting the County of Somerset. Officers and elected Members are required to consider and monitor those risks that will have a direct effect on the Council when working collaboratively.

## Corporate Direction:

- Senior Leadership Team (SLT) to agree the critical objectives, opportunities, initiatives and operations
- SLT are required to create a shared understanding of the risk appetite expressed as opportunity and risk, across the Council's functions in delivering its priorities and outcomes.
- SLT to document and prioritize an overall assessment of the range of opportunities and identify the level of risk which is judged to be tolerable, affordable and justifiable to the Council.
- SLT to hold annual horizon scanning, opportunity risk identification and assessment to agree the broad understanding of the key challenges for the Council.
- SLT will define a comprehensive view of the portfolio of opportunity risk associated with the critical priorities, outcomes, activities and resources.

**Infrastructure:**

- This strategy is owned by the Senior Leadership Team (SLT) and the Cabinet Member Resources
- The Chief Executive Officer is the Responsible owner of the Risk Management Pathway of which, The Strategy is the first path.
- The Section 151 Officer is the Lead Senior Officer for Risk Management
- The Risk Manager is responsible for the implementation and delivery of the Risk Management Pathway
- SLT to task the Risk Manager with responsibility for the delivery of regular comprehensive inhouse training and coaching

**Resources:**

SLT to identify a Director resource to chair the Strategic Risk Management Group

SLT to identify Risk Champions from their business area

SLT to agree collaboration between risk, performance and the financial process

This strategy sets out how the Council intends to move risk management forward to meet the Councils Transforming SCC To Improve Lives agenda. The Senior Leadership Team and I, are fully committed to this strategy and see it as part of our responsibility to deliver excellent public services.

<b>Signed:</b> Patrick Flaherty Chief Executive Officer	
<b>Date</b>	
<b>Sheila Collins</b> Director Finance & Section 151 Officer	
<b>Date</b>	

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# Management of Risk Policy Pathway

2019

Senior Responsible Owner	P Flaherty, CEO	July 2019
Author	P Pursley, Strategic Risk Manager	June 2019
Quality Assurance	Strategic Risk Management Group Governance Board	August 2019 September 2019
Final copy signed-off	Senior Leadership Team	1 <sup>st</sup> October 2019
Adopted into the business	Cabinet	December 2019



**denotes an update or addition to the policy and process**

# Policy Pathway

## INTRODUCTION

This risk management Policy and supporting documentation supports the Council in the effective management of its risk. In implementing our Management of Risk Pathway, of which this document is a part, we seek to provide assurance to all our stakeholders that the identification and management of risk plays a key role in the delivery of our strategy and related objectives.

The Council will involve, empower and give ownership to all our staff in the identification and management of risk. Management of risk activity will be regularly supported through discussion and appropriate action by senior management. This will include a thorough review and confirmation of the significant risks, those with a current score of 16 or more, evaluating their mitigation strategies and establishing supporting actions to be taken to reduce them to an acceptable level.

Though this policy the management of risk will be an integral part of both strategic and operational planning.

Risk management processes shall be structured to include:

- Risk identification and assessment to determine and prioritise how the risks should be managed;
- The selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level;
- The design and operation of integrated, insightful and informative risk monitoring and
- Timely accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.
- Risk management shall be an essential part of **governance and leadership**, and fundamental to how the organisation is directed, managed and controlled at all levels.
- Risk management shall be an **integral** part of all organisational activities to support decision-making in achieving objective.
- Risk management shall be **collaborative and informed** by the best available information.
- Risk management shall be **continually improved** through learning and experience

### The Purpose of the risk management policy

This policy is intended to provide a framework for the management of risk and to increase overall awareness of risk throughout the council. The policy is to empower and enable managers and those responsible for risk reporting, to better identify, assess and control risks within their areas

This risk management policy is a formal acknowledgement of the commitment of the Council to managing its risks. This policy statement will include:

- What is not covered by this policy
- The rationale for risk management
- Roles and Responsibilities of employees
- Arrangements for embedding risk management
- Sign off by CEO.

This Policy is integral to many of the Councils documents, including:

- Corporate Governance Framework
- Annual Governance Statement
- Medium Term Financial Plan (MTFP)
- Value for Money Strategy
- Healthy Organization
- Performance Management Framework
- Strategic and Service Planning
- Commissioning Gateway
- Corporate Business Continuity Plan
- Health & Safety Policy
- Information Governance

### **What isn't covered by this policy**

This policy does not cover:

- The day to day risks around safeguarding or care of vulnerable individual children or adults. Local arrangements and policies will be in place for these types of risks.
- The threats that are covered by the Councils Health & Safety Policy.

### **The rationale for risk management**

Risk management is a vital activity that both underpins and forms part of our vision, values and strategic objectives, including those of operating effectively and efficiently as well as providing confidence to our community. Risk is present in everything we do, and it is therefore our policy to identify, assess and manage the key areas of risk on a pro-active basis.

### **The Council's risk management aims are**

1. To be proactive and ensure risks are identified early and managed effectively
2. To ensure the council is risk aware not risk averse
3. To enable the council to invest in risk prevention
4. To ensure that the council's policies, strategies, service planning, financial planning and management and its decisions making process consider risks and the appropriate mitigations

5. To acknowledge that talking about risk does not stop innovation or the things we need to do

**The Council's risk management objectives are:**

1. Establishing clear roles, responsibilities and reporting lines for risk management across the Council
2. Developing, documenting and implementing an approach to risk management that is consistent with current best practice and embraces all forms of service delivery, including collaborative arrangements
3. Raising and maintaining awareness of risk management with elected members, staff, partners, providers and contractors to develop a common understanding of the Council's expectations with regard to risk management
4. Integrating risk management with corporate, service and other business and financial planning processes
5. Providing a robust and systematic framework for identifying, managing, responding to and monitoring risk
6. Managing risk to an acceptable level through appropriate mitigations and prioritising the use of its available resources
7. Providing assurance, through risk reporting, of a robust management system for evidencing appropriate risk management
8. Using risk management key performance indicators to measure the effectiveness of risk management activities and the implementation of this policy
9. Benchmarking our risk management performance by reference to the CIPFA/ALARM risk management maturity model, and defining an acceptable level of performance

By having in place an effective process for managing threats and a clear escalation process that ensures problems will be dealt with at an early stage before they become a potentially significant issue. The Council also recognises, however, that risk management is about exploiting opportunities as it is about managing threats, whilst recognising that risks are inherent in all that we do. A full risk assessment should be conducted to assess the level of risk versus the opportunity to be gained. Risks need to be managed rather than avoided, and consideration of risk should not stifle innovation. In some cases, the Council may wish to accept a relatively high level of risk because the benefits of the action outweigh the risk or disadvantages on the basis that the risk will be well managed.

**MANAGEMENT of RISK PROCESS PATHWAY**

This Policy cross-references to the Management of Risk Process Pathway document which, describes the terms and steps to the identification of business risks and when the process will be applied.

## Risk Assessment Matrix

The risk assessment matrix is a 5 x 5 grid that guides users through the priority scoring of individual risks and therefore which risks need to be managed via JCAD. See Appendix A for the amended Risk Assessment Matrix.

## Risk Response



Risks that are important and/or urgent enough to warrant investigation in action must be responded to in the optimal way. Risk response planning enables a range of response options to be considered.

- **Avoid** a threat: Remove the cause of the threat, cease activity
- **Reduce** a threat: Put in place mitigation to reduce the likelihood or impact, making it less likely to have a severe impact on the Council if it materialised
- **Transfer** the risk: Pass the whole risk to a third party
- **Share** the risk: Share the risk with a partner/partnership
- **Accept** the risk: Otherwise known as "tolerate". The Council accepts the chance the risk may occur but has the resources/capacity to deal with it if it did.

The Process Pathway will explain these in more detail.



## JCAD Core®™

JCAD is the Councils risk management system for recording, monitoring and reviewing those risks that require a management response. The Risk Assessment Matrix (Appendix A) sets out the Councils appetite for the recording of risks in JCAD. **Managers note: any risk report generated from JCAD has a retention period of six years from the date printed on the report.** Risk assessments are necessary for the following;

Service Area	Recording mechanism	Responsibility lies with ...
<b>BAU:</b> Service Planning risks, Service lead project risks, Commissioning & Procurement risks Risks from Key decisions	JCAD	<b>Individual Strategic &amp; Service Managers</b> to identify risks, appropriate owners, current and new controls. To review regularly and update when prompted. <b>Senior Risk Owner:</b> To ensure controls are being managed to have a positive effect on the risk. And is responsible for the update of the "Current Score" at each review.
<b>Strategic Risks</b>	JCAD	<b>All Corporate Directors</b> with assistance of the Strategic Risk Manager. Identify

		existing and new controls with appropriate owners.
<b>Corporate Programme &amp; projects</b> inc. Innovation projects	JCAD	Programme & Project officers/managers to identify risks, appropriate owners, current and new controls.
<b>Internal Audit Partial Recommendations</b>	JCAD	Strategic & Service Managers.



**Notifications:** An automatic notification timeline is established once a record has been established in JCAD. This generates an email reminder to the risk / and or control owner when a review is due. If the review does not take place, repeat emails will be sent weekly until reviews have been completed.



**Controls:** You are required to identify the existing control measures for each risk, if this does not provide adequate assurance then new controls will need to be added. All need to be recorded in JCAD, existing controls do not need further monitoring, so ownership & review dates are not necessary. Newly identified controls do need an individual owner who is responsible for the regular monitoring and review of the control, a maximum of a quarterly review period to coincide with the date of the review by the Senior Risk Owner (SRO).



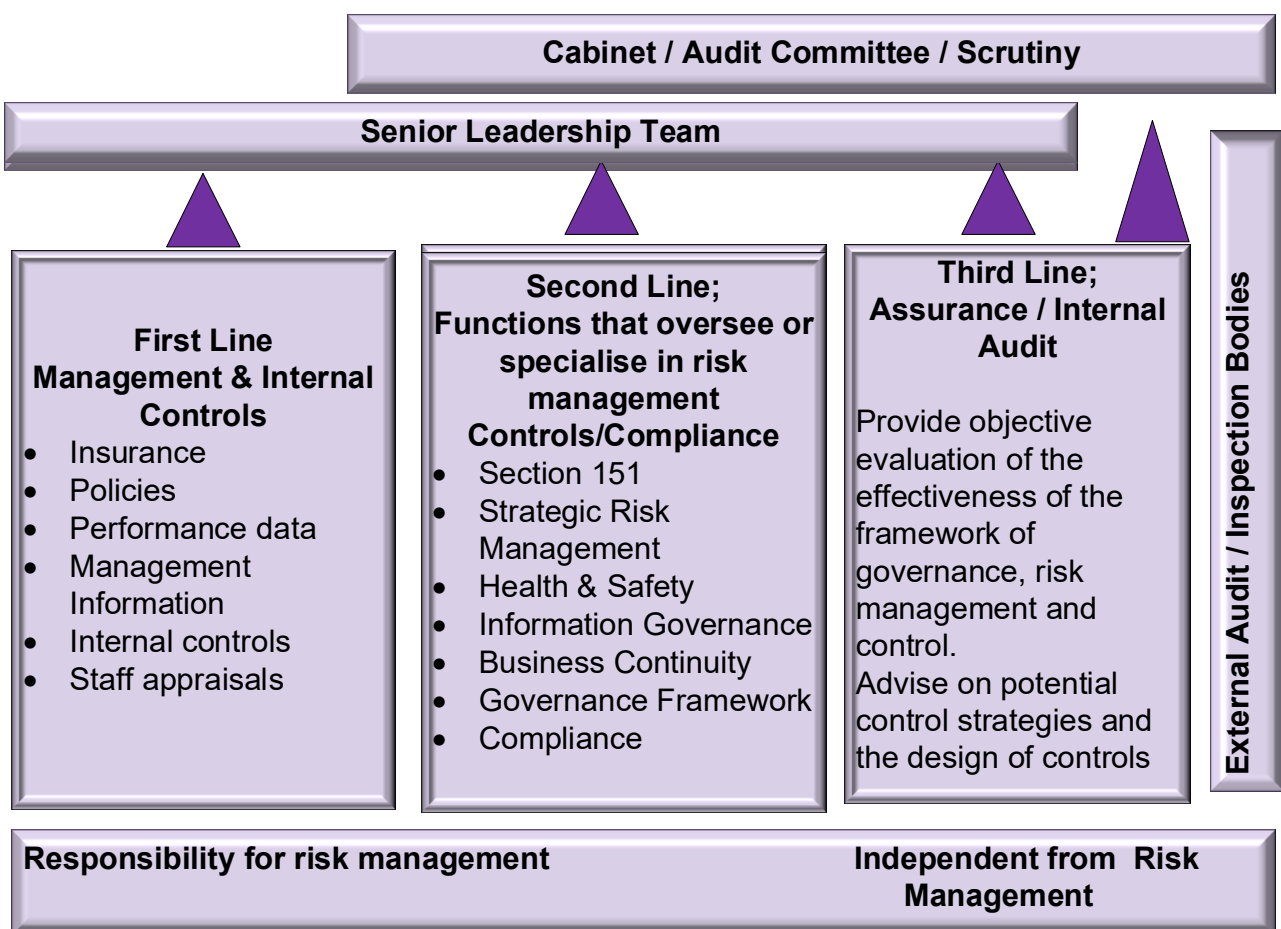
**Senior Risk Owner:** Each risk must have an individual Senior Risk Owner. For Strategic Risks this will be a Director for BAU risks and programme / project risks this will be a Service Manager or above. The SRO is responsible for ensuring that all controls are appropriate and will have a positive effect on the risk, and on review, the SRO is responsible for the review of the "Current Score".



### Three Lines of Defence

All members of staff within the Council have some responsibility for risk management. A concept for helping to identify and understand the different contributions various sources of assurance can provide is the Three Lines of Defence model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive.

For example, management assurances could be harnessed to provide coverage of routine operations, with internal audit activity targeted at riskier or more complex areas.



#### First line of defence

Under the “first line of defence”, management have primary ownership, responsibility and accountability for identifying, assessing and managing risks. Their activities create and/or manage the risks that can facilitate or prevent an organisation’s objectives from being achieved.

The first line 'own' the risks and are responsible for execution of the organisation's response to those risks through executing internal controls on a day-to-day basis and for implementing corrective actions to address deficiencies. Through a cascading responsibility structure, managers design, operate and improve processes, policies, procedures, activities, devices, practices, or other conditions and/or actions that maintain and/or modify risks and supervise effective execution. There should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown, variations in or inadequate processes and unexpected events, supported by routine performance and compliance information.

### **Second line of defence**

The second line of defence consists of functions and activities that monitor and facilitate the implementation of effective risk management practices and facilitate the reporting of adequate risk related information throughout the organisation. The second line should support management by bringing expertise, process excellence, and monitoring alongside the first line to help ensure that risk is effectively managed.

The second line should have a defined and consistent approach to assurance that aims to ensure standards are being applied effectively and appropriately. This would typically include compliance assessments or reviews carried out to determine that standards, expectations, policy and/or regulatory considerations are being met in line with expectations across the organisation.

### **Third line of defence**

Internal audit forms the organisation's "third line of defence". An independent internal audit function will, through a risk-based approach to its work, provide assurance over how effectively the organisation assesses and manages its risks, including assurance on the effectiveness of the "first and second lines of defence". It should encompass all elements of the risk management framework and should include in its potential scope all risk and control activities. Internal audit may also provide assurance over the management of cross-organisational risks and support the sharing of good practice between organisations, subject to considering the privacy and confidentiality of information.

### **External assurance**

Sitting outside of the organisation's risk management framework and the three lines of defence, are a range of other sources of assurance that support an organisation's understanding and assessment of its management of risks and its operation of controls, including:



## Appendix B

- external auditors, chiefly the National Audit Office, who have a statutory responsibility for certification audit of the financial statements;
- value for money studies undertaken by the NAO, which Parliament use to hold government to account for how it spends public money; and
- the Infrastructure and Projects Authority (IPA), who arrange and manage independent expert assurance reviews of major government projects that provide critical input to HM Treasury business case appraisal and financial approval points.

**Comment [LW1]:** Including VFM conclusion (assess the Council's arrangements for securing economy, efficiency and effectiveness)...do we want to specifically add this in here?

Other sources of independent external assurance may include independent inspection bodies, external system accreditation reviews/certification (e.g. ISO), and HM Treasury/Cabinet Office/ Parliamentary activities that support scrutiny and approval processes.

Careful coordination is necessary to avoid unnecessary duplication of efforts, while assuring that all significant risks are addressed appropriately. Coordination may take a variety of forms depending on the nature of the organisation and the specific work done by each party. It is likely to be helpful to adopt a common assurance 'language' or set of definitions across the 'lines of defence' to ease understanding, for example, in defining what is an acceptable level of control or a significant control weakness.

### **Roles and Responsibilities**

It is the responsibility of the Senior Management Team (SLT) to ensure that the Risk Management Framework is implemented consistently across the Council.

All members of staff have a responsibility to support and embed this policy, to identify and escalate risks and to demonstrate consideration of risks in support of proposals and/or decisions.

### **Chief Executive Officer**

Responsible for establishing the overall risk management framework

- Make decisions with proper consideration to risks
- Approves the strategy, business plans and budgets based on the risk management information
- Allocate responsibility for effective risk management to risk owners
- Assign responsibility for designing and implementing the risk management pathway to the Strategic Risk Manager
- Allocate resources necessary to perform business activities with risks in mind

### **Senior Leadership Team**

- Responsibility for the setting of the Council's risk appetite and tolerance levels
- Drive the SLT agenda by discussing those areas that are most at risk

- Provide oversight of the overall risk management effectiveness, including standards and values
- Make Board level decisions with proper consideration to risks and guidance
- Review and establish risk appetites/limits for certain business activities, types of risks (usually required by law) or decisions
- Set risk-adjusted performance targets and KPIs for CEO and the management
- Responsibility for risk management lies with service directors and management teams, and failure to keep risks updated will be an indicator of performance issues;

### **Individual Directors**

- Are responsible, with their individual management teams, to identify the top risks for their Directorate
- To ensure those risks are entered onto JCAD and that regular monitoring and review takes place.
- Are responsible for the monitoring of partial audit recommendations resulting from Internal Audit reports, these are recorded in JCAD.
- Responsibility for risk management lies with service directors and management teams, and failure to keep risks updated will be an indicator of performance issues;

### **Strategic Risk Manager**

- Author of the Councils Risk Management strategy, policy and process documents
- Advise Senior Officers on the implementation of the risk management pathway
- Coordinate risk management activities and provide methodological support for the risk-based decision making
- Participate in the preparation of management reports for strategic and the top directorate risks
- Coordinate the work of the Strategic Risk Management Group
- Provide risk management training
- Author eLearning materials
- Implement activities designed to integrate risk management into the overall culture of the organisation

### **Strategic Risk Management Group**

- Quality Assurance of the Management of Risk Pathway suite of documents
- Monitor existing and suggest, emerging strategic risks to senior leadership team

### **Strategic and Service Managers**

- Identify, assess and treat risks associated with business activities or decision-making within their area of responsibility
- Includes a responsibility for service management teams to include risk management as a regular agenda item for their meetings;
- Allocate resources necessary to manage risks within their area of responsibility

- Optimise business processes or decision making based on the information about risks.
- Are responsible for the monitoring of partial audit recommendations resulting from Internal Audit reports, these are recorded in JCAD.
- Ensure that all service level and project risks are entered onto JCAD and that regular monitoring and review takes place.
- Discuss the risks for their service area at management meetings to gain assurance that the risks are being managed down to an acceptable level.
- Ensure risk is part of finance and performance reporting

## Risk Escalation



All officers are responsible for the identification and management of risks. Where a risk moves beyond the control of an individual service or is above your target level of risk, the risk should be escalated by the senior manager to the Corporate Director who has the authority and the accountability to authorise additional resources to control the risk. Escalation enables the transferring of ownership and accountability, up through the escalation route outlined below. Escalation does not necessarily mean that the risk will be adopted at a higher level e.g. Directorate or strategic, it does enable approval for additional mitigation at a higher level.

<b>Escalation of a risk</b>						
	Service Manager	Strategic Manager	Service/ Corporate Director	Senior Leadership Team (SLT)	Audit (A) and/or Scrutiny Committee	Cabinet
Service Level	√	√	√			
Directorate Level			√	√	√	√
Strategic Level				√	√	√
<b>Programme &amp; Project Risks</b>						
	Project Officers	Project Managers	Programme Manager	Project Board		
	√	√	√	√		

## Risk financing

There are several options for financing the management and materialisation of risks to the Council and its services. The most obvious of these is through conventional insurance, which serves to reduce the financial effect of low likelihood plus high impact events,

although this will apply to only 20 percent of risks identified. Other options include spending on actions to lower the level of risk. This is more likely to occur in respect of operational risk, where controls can more readily be implemented. For example, spending on security to reduce the incidence of theft.

As part of the annual budget setting process, the Council also sets its contingency budget. This specific annual revenue budget allocation is also a means of potentially funding risks that are unable to be controlled by mitigations and or exceed tolerance e.g. the consequences of an extreme weather event or legal actions against the council.

## RISK REPORTING

When risk reporting, you maintain the ownership and the accountability for that risk, and informing senior leadership of the current situation, so they can make risk informed decisions. We report risks from the following;

- Service level risks
  - Directorate level risks
  - Strategic risks
  - Programme & project risks which are the responsibility of the Programme Office.
- JCAD Core provides the standard reporting template (JCAD/Report Explorer/Business Unit Risk Report) used across all services and projects.
  - Risk should also appear on individual services / Directorate performance score cards

<b>Risk Reporting</b>						
	Service Team Meetings	Strategic Manager Team meetings	Directorate Management meetings	Senior Leadership Team (SLT)*	Audit Committee	Cabinet
Service Level	√	√	√			
Directorate Level		√	√	√	√	
Strategic Level				√	√	√
Internal Audit Reports	√	√	√	√	√	
<b>Programme &amp; Project Risks</b>						
	Project Officers	Project Managers	Programme Manager	Project Board		
		√	√	√		

\*Any risks overdue for a significant period, will be immediately escalated to SLT for discussion.

### Reporting Frequency

Recipient	Frequency	Format
Cabinet	Annual	Report on Risk Management Policy and Strategy, together with Council Risk Report
Cabinet	Quarterly	As part of Corporate Performance Report
Scrutiny	Quarterly	As part of Corporate Performance Report
Audit Committee	Quarterly	Report on Strategic risks with a focus on the controls. Report on the Internal Audit Partial Audit Recommendations
SLT	Quarterly	Report on Strategic risks & escalation of out of tolerance commissioning / business risks and emerging risks
SRMG	Monthly	Strategic Risk Report Escalation reporting to SLT Identification of emerging risks Quality Assurance of the MoR Pathway documents
Governance Board	Monthly	Review Risk Management compliance as part of SCCs Assurance Framework

**Committee Reports and Decision reports:** Report templates contain a section on 'Financial/Risk Implications' which officers are required to consider and complete when writing.

Significant risks identified by risk assessment should be noted here (i.e. those assessed as being 'high' when applying the Council's risk assessment criteria). High risks should also be referred to in the main body of the report, together with any further measures proposed to control the risk.

- When/if the decision is approved a formal risk assessment should be carried out and the results entered into JCAD for monitoring and review.

### 5.2. Strategic Risk Management Group (SRMG)

SRMG meet monthly, is chaired by a Corporate Director and has attendees from technical risk management functions from across the council, along with representatives from services. SRMG provide a quality assurance role for the MOR Pathway documents.

SRMG also have an assurance role in establishing compliance with strategy and provide a 'critical friend' role to services. Where necessary SRMG will escalate out of tolerance risks to SLT for recommended management action.

SRMG have the option of 'calling in' a risk owner to discuss any risk that has seen no or little improvement, or a risk that has escalated to be out of tolerance.

SRMG reports directly to SLT at their Business meetings. Reports also include any emerging risks suggested by Directors or services for SLT's consideration, the latest performance data compiled from JCAD Core and areas of concern SRMG may have.

### Risk Reporting timescales

Combined likelihood x impact score	Reporting timeframe
Very High (Red)	Monthly – record in JCAD
High (Orange)	Monthly – record in JCAD
Medium (Yellow)	Quarterly – record in JCAD
Low (Green)	These risks can be managed by the service area. You <b>do not</b> need to record in JCAD, but you should record them, and review at least annually, perhaps link to your service planning.

### Training and awareness

Member training has been targeted to Audit Committee, the Cabinet and as part of the Member Development Programme.

Training for Strategic Managers and Service Managers is provided to prepare them for risk assessment of their services and raise awareness of what is required of them in relation to risk management.

### Embedding risk management into organisational culture and business processes

#### Staff involvement

For the risk management process to become fully embedded, it is important that all staff across the organisation are engaged within it. This will be achieved through:

- Including risk management discussions during staff appraisals and supervision
- Involving staff in the process of identifying the risks from within their area of work / service.
- Targeted training and support opportunities for all staff
- E-learning module via the Learning Centre

#### Directors, strategic and service managers should;

- Play an integral part in the identification, assessment and management of the range of risks they are exposed to which, may threaten the successful delivery against identified objectives.
- Set feasible and affordable strategies and plans
- Evaluate and develop realistic programmes, projects and policy initiatives
- Prioritise and direct resources and the development of capabilities

- Identify and assess risks that can arise and impact the successful achievement of objectives
- Determine the nature and extent of the risks that the organisation is willing to take to achieve its objectives
- Design and operate internal controls in line with good practice
- Deliver innovation and incremental improvements.



# Management of Risk Process Pathway

2019

Senior Responsible Owner	P Flaherty, CEO	July 2019
Author	P Pursley, Strategic Risk Manager	June 2019
Quality Assurance	Strategic Risk Management Group Governance Board	August 2019 September 2019
Final copy signed-off	Senior Leadership Team	1 <sup>st</sup> October 2019
Adopted into the business	Cabinet	December 2019

# Management of Risk – Process Pathway

## Main Principles

The Management of Risk processes shall be structured to include:

- **Risk identification and assessment;** of risks to determine and prioritise how the risks should be managed;
- **Risk treatment;** the selection, design and implementation of options that support achievement of intended outcomes and manage risks to an acceptable level;
- **Risk monitoring;** the design and operation of integrated, insightful and informative
- **Risk reporting;** timely, accurate and useful to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.

## The Management of Risk process wheel



**Risk management** is the identification, evaluation, and prioritization of risk (defined in ISO3100:2018) as *the effect of uncertainty on objectives* followed by coordinated and economical application of resources to minimize, monitor, and control the Likelihood or impact of unfortunate events or to maximize the realization of opportunities.

## Risk Identification and Assessment

This process does not cover Hazard Management, for example, working alone away from your office can be a hazard. The risk of personal danger may be high. Electric cabling is a hazard. If it has snagged on a sharp object, the exposed wiring places it in a 'high-risk' category. Hazard management is covered under the SCC Health & Safety policy. All enquiries should be directed to the Central Health & Safety Team at County Hall. You do not record hazards in JCAD.

### Risk Identification:

Risk identification should produce an interconnected view of risks, they can be organised by categories or they can be genuine 'one-offs'. The aim is to identify and understand the council's risk profile, especially those that may potentially impact on one or more of our objectives. Risks can come from any of the following activities;

- Strategic Planning
- Service and Commissioning Plans
- Financial planning
- Contract management
- Procurement
- Performance monitoring
- Key and non-key decisions
- Partnership working
- Project and Change Management
- External factors beyond our control

Risks should be identified even where their sources are not under the organisation's direct control. Even seemingly insignificant risks on their own have the potential, as they interact with other events and conditions, to cause great damage or create significant opportunity.

**Talk with your team:** The best time to look at the uncertainties (risks) around successful delivery of your services annual objectives is to hold a risk identification session when you are writing your *Commissioning* or *Service* Plans. For projects and programmes, this is when you are at the start of your work, when you are developing your project or programme plans. The councils Risk Manager can help facilitate this.

There are many techniques you can use when identifying risks, examples include; Horizon Scanning; looking into the future of your service, Strength, Weakness, Opportunity and Threats (SWOT) analysis or scenario planning.

**Write the risk description, keep it concise.**

Start by writing the risk portion—the uncertain event or condition. When defining risks, think about what may or may not happen. Risks are uncertain events or conditions, not things that have already happened. (Threats that have occurred are called issues; opportunities that have occurred are benefits).

All risks need to be written following the format below

- **The uncertain event or condition** (description) .....
- **caused by** .....
- **resulting in** (consequence/impact) .....

Ask the following questions;

- Is this risk within our gift to control, is this something we can do anything about?
- Is the risk connected to a corporate or service objective?
- Does the risk description focus on uncertain events or conditions?
- Is the risk clearly defined and specific?
- Does the risk description drive clear response plans, i.e. do the new actions/controls really help to mitigate the risk, can you measure the results of the control?
- Does it matter? if not, is this really a risk?

This simple table could help with the identification process.

<b>Caused by ...</b>	<b>The uncertainty/condition</b>	<b>Resulting in (Consequence/Impact)..</b>
<b>New Controls</b> [what new actions are you going to put in place to mitigate it this risk]	?	<b>Existing Controls</b> [What plans do you have in place already to minimize the impact?]

**Assessment:**

Risk evaluation should involve comparing the results of the risk analysis with the nature and extent of risks that the organisation is willing to take to determine where and what additional action is required. Options may involve one or more of the following:

- **Terminate:** avoiding the risk, if feasible, by deciding not to start or continue with the activity that gives rise to the risk;

- **Tolerate:** retaining the risk by informed decision;
- **Treat:** changing the likelihood, where possible or changing the consequences, including planning contingency activities;
- **Transfer:** sharing the risk (e.g. through commercial contracts or partnership working).

The outcome of risk evaluation should be recorded in JCAD, communicated and then validated at appropriate levels of the organisation. It should be regularly reviewed and revised based on the dynamic nature and level of the risks faced.

Identify the **risk owner** – this must be an individual not a service name or Group, Board, Committee. The owner is usually from the service area effected by the risk, if the named owner changes role then a new owner must be identified. This is not always the case where a Director is the risk owner.

There are three levels of risk score required, the **risk owner** will need to use the Councils RAG Assessment Matrix to identify;

**Inherent Risk Score:** This is the **uncontrolled worst-case scenario** based on the pure risk without identified controls/mitigation. This will be the highest RAG score. See fig 1.

	Uncontrolled Worst Case Score	Current Risk Score	Controlled Risk Score by March 2020
Impact Cost:	£0.00	£0.00	£0.00
Likelihood:	5 - Very Likely	4 - Likely	4 - Likely
Impact:	5 - Critical	4 - Major	4 - Major
Profile:	Red - V. High Risk (25)	Red - V. High Risk (16)	Red - V. High Risk (16)

Fig 1.

**Current Risk Score:** Use the RAG scoring matrix again to now assess the level of risk This should be better than the inherent score if you were able to identify proactive (existing) controls, but, if this is a completely new initiative there may not be any proactive controls in place, in which case the current score would be the same as the inherent score. Fig 1.

The **risk owner** is required to:

- consider the current score and adjust, if necessary, at each review.

Action/Mitigation Owner:	Lizzie Watkin	Status:	Existing
Target Date for completion:		Estimated Cost:	
% Complete:	100	Cost to Date:	

Fig 2.

**Controlled Risk Score by March 2020 (example):** Use the RAG scoring matrix, available at the end of this document or from the "My Summary screen" in JCAD, to plot the likelihood and Impact of the risk using the information you have gathered above. This score should

reflect the level of risk the service is able to accept/tolerate in the forthcoming financial year. Fig 1.

**JCAD:** Risks need to be entered in JCAD following the guidance below;

### Current risk score:

- If your **current score** is 'Low' (**green**) – the use of JCAD to record and monitor these risks is voluntary, but, this does not mean you can ignore them, you still need to monitor them as any risk has the potential to change over time. The Commissioning or Service Plan template is the idea place to record these risks so that they are still a living document, but the review is less formal.
- If the current score is 'medium' (**yellow**) – you must record and monitor using JCAD. The requirement to review this level of risk is quarterly.
- If the current score is 'high' (**orange**) – you must record and monitor using JCAD. The required review period is monthly.
- If the current score is 'very high' (**red**) – you must record and monitor using JCAD. The required review period is monthly, but you can set the review for anything from 1 to 30 days if there is real concern the risk may occur imminently.

**The Risk Assessment Grid and guidance are available from the 'Document Store' on the "My Summary" screen in JCAD or at the end of this document.**

The screenshot displays the JCAD CORE user interface. At the top, the 'JCAD CORE' logo is visible on the left, and 'Risk Register' is shown in the top right corner. The user is logged in as 'PPursley Group : Administrator'. The main content area is titled 'Welcome Pam Pursley' and includes a filter set to 'My Records'. It features three expandable sections: 'Risk Overview' (0 reviews assigned, 0 due/overdue, 0 due within 14 days), 'Description of the Action/control Overview' (7 reviews assigned, 0 due/overdue, 0 due within 7 days), and 'Diary Event Overview'. The right-hand sidebar contains a 'What would you like to do?' section with links for 'Add a New Risk', 'Add a New Project Risk', and 'Add a New Issue', along with a 'Go To Risk' button. Below this is a 'Document Store' section with links to various documents like 'RM PolicyStrategy-June2016-v9-19102016-Approved' and 'RiskOnAPage-March2018'.

## Risk Treatment

Selecting the most appropriate risk treatment option(s) involves balancing the potential benefits derived in relation to the achievement of the objectives against the costs, effort or disadvantages of implementation. Justification for the design of risk treatments and the operation of *internal control* is broader than solely economic considerations and should consider all the organisation's obligations, commitments and stakeholder views.

**Proactive controls – what you already have** e.g. policy, regulation, governance, insurance etc

**Reactive controls - what you need to do:** e.g. new / updated policy, business redesign, purchase insurance etc

When selecting reactive controls, you need to know the expected benefit to be gained, your goal is to reduce the risk to an acceptable level.

The 4 'T's' - Description of types of controls	
Terminate	Remove the cause of the threat, cease activity. These controls are designed to limit the possibility of an undesirable outcome being realized. The more important it is to stop an undesirable outcome, the more important it is to implement appropriate and proportionate preventive controls
Treat	Put in place mitigation to make it less likely to have a severe impact on the Council. Designed to limit the scope for loss and reduce undesirable outcomes that have been realized. They could also achieve some recovery against loss or damage
Transfer	Pass the whole risk to a third party. Designed to ensure an outcome is achieved. Transfer could be to another service area or an external contractor, you need to assure yourself that safe systems of work are followed by all concerned.
Tolerate	The Council accepts that the risk may occur. You may decide to 'tolerate' a risk because there is nothing more you can do to reduce the effect (impact) if the risk were to materialise. You may also tolerate a risk if the uncertain event has indeed happened in which case Issue management* needs to be put in place. You must get authorization from a Strategic Manager or above to tolerate a risk.



\* Issue Management is not covered in the suite of Pathway documents. If a risk does indeed materialise then immediate management action needs to be taken to resolve any escalation in additional risk or undesirable impact on the Council.

Where appropriate, contingency, containment, crisis, incident and continuity management arrangements should be developed and communicated to support resilience and recovery if risks crystallise. Contact the Civil Contingencies Unit for advice and assistance with Business Continuity Planning.

The **risk owner** is responsible for the identification of;

- **proactive** controls and for ensuring they are record in JCAD as "100%" complete and status of "existing". Fig 2

Fig 2.

- **reactive controls** – these are the additional pieces of work (actions) required to mitigate/control the identified risk (bottom right wing). Fig 2
- identification of the **control (action) owner**, this must be an individual not a post name or service area.

Completion of the 'Control Details Panel' will set the diary in JCAD that then generates the review emails to the action owner. Fig 3

Fig 3.



## Risk Monitoring

Monitoring should play a role before, during and after implementation of risk treatment. Ongoing and continuous monitoring should support understanding of whether and how the risk profile is changing and the extent to which internal controls are operating as intended to provide reasonable assurance over the management of risks to an acceptable level in the achievement of organisational objectives.

The results of monitoring and review should be incorporated throughout the organisation's wider performance management, measurement and reporting activities.

Recording and reporting aims to:

- transparently communicate risk management activities and outcomes across the organisation;
- provide information for decision-making;

When a risk has been entered into JCAD, the systems internal diary will be activated with the monitoring period set depending on the **current risk score**:

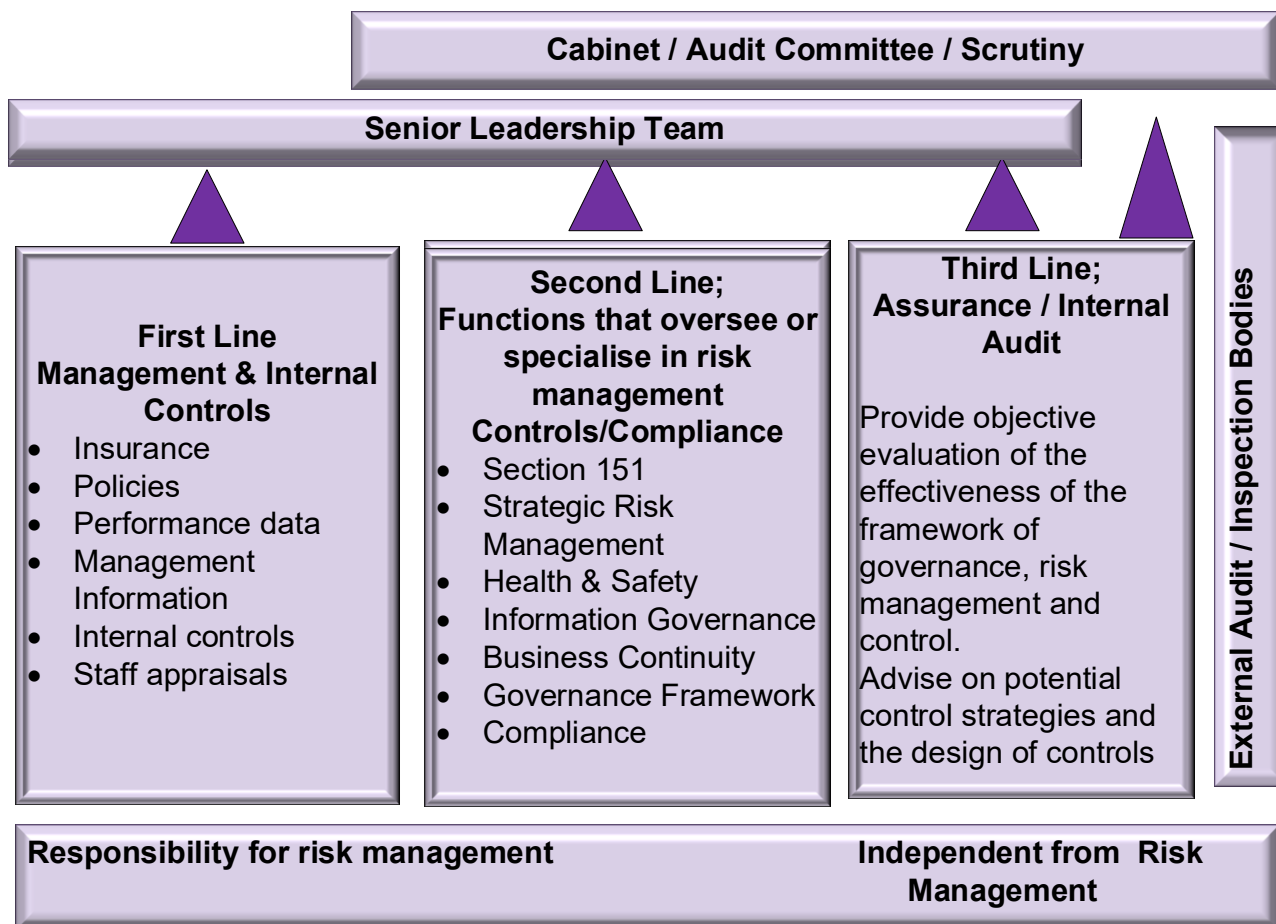
- Very High / High, Red or orange – Monthly review
- Medium, yellow – quarterly review
- Low / very low, green – at least once a year. The use of JCAD for this level of risks is optional, but a record of the risk must still be kept and monitored.

An email is sent to the Risk Owner and Action Owner when the review is due.

- The Action Owner is responsible for the review of the action assigned to them, they should provide a written statement on the current position, update the % complete and accept the next review date.
- The Risk Owner must assure themselves that the action owners are completing their reviews and update the current score by re-assessing the Likelihood and Impact scores. The risk owner is responsible for providing the review statement that reflects any changes/improvements.

The "three lines of defence" model, see below, sets out how these aspects should operate in an integrated way to manage risks, design and implement internal control and provide *assurance* through ongoing, regular, periodic and ad-hoc monitoring and review. When an organisation has properly structured the "lines of defence", and they operate effectively, it should understand how each of the lines contributes to the overall level of assurance required and how these can best be integrated and mutually supportive.

There should be no gaps in coverage and no unnecessary duplication of effort. Importantly, the accounting officer and the board should receive unbiased information about the organisation’s principal risks and how management is responding to those risks.



All members of staff within the Council has some responsibility for risk management and assurance can come from many sources. A concept for helping to identify and understand the different contributions the various sources can provide is the Three Lines of Defence model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive. For example, management assurances could be harnessed to provide coverage of routine operations, with internal audit activity target at riskier or more complex areas.

The **Management of Risk - Policy Pathway** explains the escalation process for the management, review and reporting of all levels of business risks across the Council. There are separate arrangements for Health & Safety risks and the daily safeguarding risks that arise in the Social care services.

<b>Escalation of Risks</b>						
	Service Manager	Strategic Manager	Service Director	Senior Leadership Team	Audit and or Scrutiny Committee	Cabinet
Service Level	✓	✓	✓			
Directorate Level	✓	✓	✓	✓		
Strategic Level			✓	✓	✓	✓
<b>Programme &amp; Project Risks</b>						
	Project & Change officers	Project & Change Managers	Project Board	Programme Manager	Programme Board	
	✓	✓	✓	✓	✓	

## Risk Reporting

<b>Strategic Risk Management Group</b>	<b>Governance Board</b>	<b>SLT</b>	<b>Audit Committee</b>
Monthly reporting	Monthly by exception	Strategic Risks - Monthly. SWAP - Monthly	Strategic Risk - quarterly SWAP Partial Audits – twice yearly

The Senior Leadership Team, supported by the Audit Committee, should specify the nature, source, format and frequency of the information that it requires. It should ensure that the assumptions and models underlying this information are clear so that they can be understood and, if necessary, challenged.

Factors to consider for reporting include, but are not limited to:

- differing stakeholders and their specific information needs and requirements
- cost, frequency and timeliness of reporting
- method of reporting; and
- relevance of information to organisational objectives and decision-making.

The information should support SLT to assess whether to review the adequacy and effectiveness of internal controls, and to decide whether any changes are required to re-assess strategy and objectives, revisit or change policies, reprioritise resources and improve controls.

Clear, informative and useful reports or dashboards should promote key information for each strategic risk to provide visibility over the risk, assess the effectiveness of key management actions and summarise the assurance information available.

SLT should have a standard agenda item at least monthly to discuss the current Strategic Risks profile. The Strategic risks should be subject to "deep dive" reviews by SLT at least annually or an appropriate frequency, set by SLT, depending on the nature of the risk(s) and the performance reported.

Strategic Risks are reported to Audit Committee twice a year, with the Partial Internal Audits being reported quarterly. The Committee Chair may request that an officer attend a subsequent committee meeting to explain the progress of an individual risk or risks for the service area.

Each month a Risk Awareness Report (RAR) is sent to each Director for the risks across their services. These reports should be used at management team meeting's so assurance can be gained that those risks / actions that need attention are highlighted and the appropriate action is taken.

The Strategic Risk Management Group (SRMG) meets monthly and will look at various reports drawn from JCAD to assure themselves that the management of risk is taking place. SRMG also reports to Governance Board by exception and on a regular basis to SLT highlighting any concerns or suggestions of emerging risks.

JCAD has a few pre-defined report templates, the standard report template is called "Risk Register Business Unit Display" and is available from the Report Explorer tab.

Programme and project risk reports are available from the Report Explorer using the "Risk Register Project Display" option. See Fig 4 below.

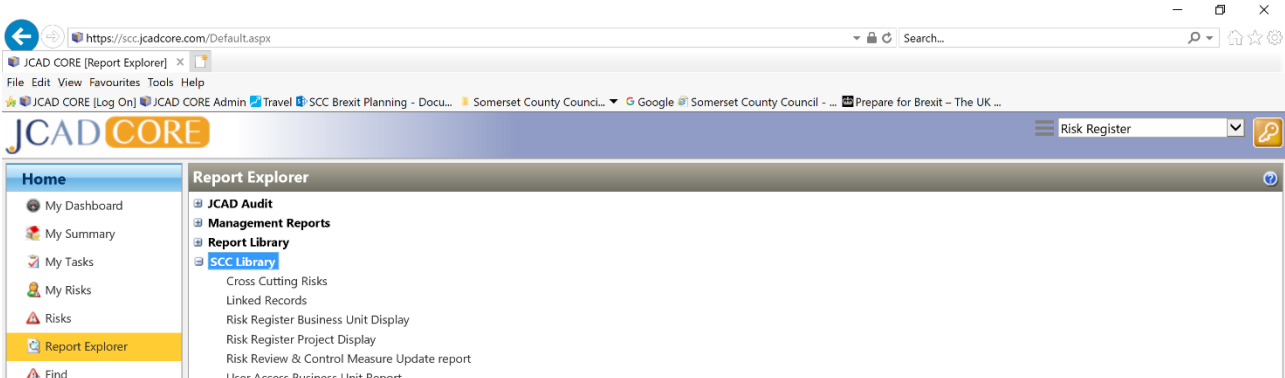


Fig 4.

The report launcher allows the user to select various options from the drop-down lists provided which, returns the standard risk report.

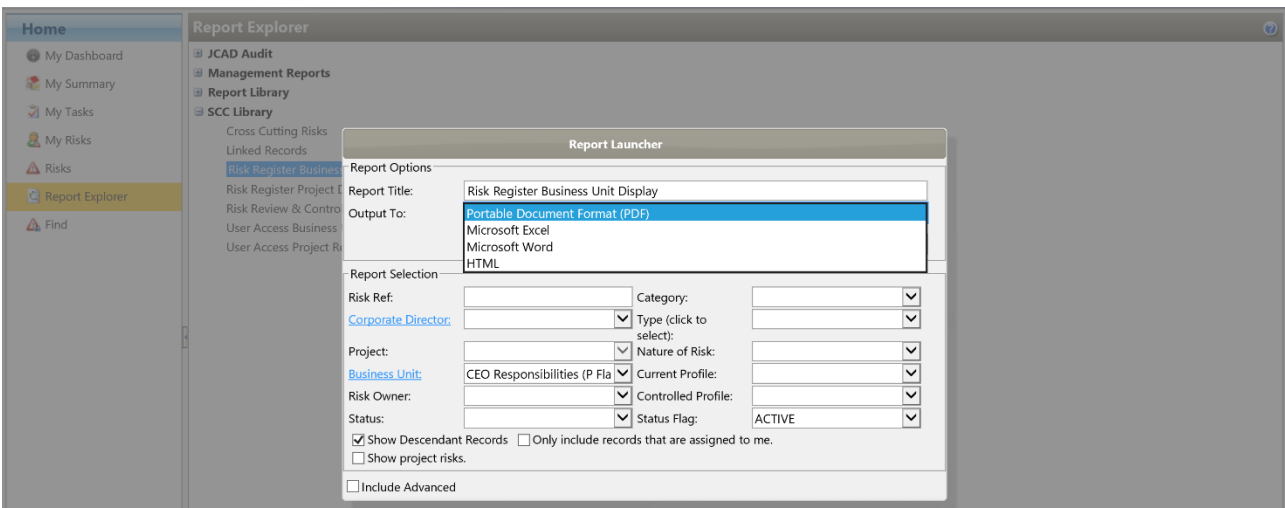


Fig5.

Users need to be aware that any risk report that is generated and saved has a retention period of 6 years from the date on the report.

Users need to note that as JCAD is a real-time system, any changes made to a record will instantly become the current iteration of that record, therefore risk reports are only valid on the **day** they are produced.

Risk Report

Somerset County Council  
08 September 2019

Risk Report - CEO Responsibilities (P Flaherty)

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
- CEO Responsibilities (P Flaherty) - ICT Training Team	ICTT0001	<b>Risk Description:</b> Risk of data breach of personal data. <b>Risk Owner:</b> Christian Surname <b>Cause:</b> Lack of staff awareness of data protection. <b>Next Risk Review Date:</b> 10/09/2019 <b>Consequence:</b> Loss of personal data.	Likelihood: 4 Impact: 3 12 Yellow - Medium Risk			Likelihood: 4 Impact: 3 12 Yellow - Medium Risk	Likelihood: 4 Impact: 3 12 Yellow - Medium Risk	10/06/2019 As per previous updates. Ongoing

Fig 6.

## Training & workshop facilitation contact:

Pam Pursley, Strategic Risk Manager

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E: [ppursley@somerset.gov.uk](mailto:ppursley@somerset.gov.uk)

The councils risk management process complies with the principles of the following National & International policies and strategies:

- ISO 31000:2009/2018 Risk Management – Principles and Guidelines
- 'A Structured Approach to Enterprise Risk Management', The Institute of Risk Management (IRM)
- Fundamentals of Risk Management, 5<sup>th</sup> Edition, IRM
- The Orange Book 2019, HM Treasury
- Management of Risk (M\_O\_R), OGC
- Guidance & Toolkit, ALARM, The **Public Risk** Management Association.

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## Strategic Risk Review – September 2020

## Appendix D

<b>Table 1: Existing Strategic Risks. To continue</b>	<b>Current Score</b>	<b>Revised / New Score</b>	<b>Action</b>
ORG0043 – Balanced Budget	4x4 (16)	-	- no change to current score. Description updated
ORG0009 – Safeguarding Children	3x5 (15)	-	- no change to current score. No change to description
ORG0002 – Commissioning	3x4 (12)	<b>4x3(12)</b>	- increase in Likelihood. Description updated
ORG0024 – Market Management	3x4 (12)	<b>3x3(9)</b>	- decrease in impact. No change to description
ORG0052 – EU Exit	2x3 (6)	<b>4x3(12)</b>	- increase in likelihood. No change to description

<b>Table 2: Existing Strategic Risks to be closed</b>	<b>Current Score</b>	<b>Action</b>	<b>New Risk Ref</b>
ORG0001 – Civil Emergencies	4x4 (16)	Close – move all actions to new Organisational Resilience risk	ORG0053
ORG0011 – Health & Safety	3x5 15)	Close – move all actions to new Organisational Resilience risk	ORG0053
ORG0007 – Business Continuity	3x4 12)	Close – move all actions to new Organisational Resilience risk	ORG0053
ORG0022 – ICT	3x4(12)	Close – move all actions to new Organisational Resilience risk	ORG0053
ORG0042 – HR	3x3 (9)	Close – move all actions to new Organisational Resilience risk	ORG0053
ORG0032 – Information Governance	3x4 (12)	Close – move all actions to new Organisational Resilience risk	ORG0053

<b>Table 3: New Strategic Risks</b>	<b>Action</b>
ORG0054 – Climate Change	Current score 5x5 (25) – risk owner Michele Cusack
ORG0058 – Local Government Reorganisation	Current score 5x5 (25) – risk owner Carlton Brand
ORG0053 - Organisational Resilience	Current score 4x5 (20) – actions moved from closed risks above ( <b>table 2</b> )– risk owner CEO
ORG0056 – Covid19 Effect on suppliers	Current score 4x4 (16) - risk owner Paula Hewitt
ORG0057 – Sustainable MTFP	Current score 4x4 (16) – risk owner Jason Vaughan
ORG0055 – Partnership Working	Current score 3x3 (9) - risk owner CEO

Total strategic risks - 11

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**Audit Committee Work Programme**

<b>Future Agenda Items</b>	<b>Notes</b>
<b>19 November 2020</b>	
External Audit Plan and Sector Update	To receive an update on the external audit timetable and audit work undertaken, and any initial findings
Internal Audit Update report	SWAP overview and general update of the progress made against the Audit Plan.
Risk Management update	To review the Strategic Risk Register
<b>28 January 2021</b>	
External Audit Plan and Sector Update	To receive an update on the external audit timetable and audit work undertaken, and any initial findings
Internal Audit Update report	SWAP overview and general update of the progress made against the Audit Plan.
Debtor Management update report	To report on the performance in terms of collecting monies owed to the County Council.
Risk Management Update	To Review the Strategic Risk Register
Annual Report to Council	To approve the Committee's Annual report to the Full Council meeting in February
<b>11 March 2021</b>	
Risk Management update	To review the Strategic Risk Register
Debtor Management update report	To report on the performance in terms of collecting monies owed to the County Council
External Audit Plan and Sector Update	To receive an update on the external audit timetable and audit work undertaken, and any initial findings
Internal Audit Update report	SWAP overview and general update of the progress made against the Audit Plan.

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