

Audit Committee

Thursday 22 July 2021
10.00 am Luttrell Room - County Hall,
Taunton



To: The Members of the Audit Committee

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

Issued By Scott Wooldridge, Strategic Manager - Governance and Risk - 14 July 2021

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

Guidance about procedures at the meeting follows the printed agenda.

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

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

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AGENDA

Item Audit Committee - 10.00 am Thursday 22 July 2021

*** 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 last meeting** (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 **Annual Governance Statement 2020-2021** (Pages 17 - 72)

To consider this report.

6 **Annual Audit Opinion** (Pages 73 - 92)

To consider this report.

7 **Internal Audit Update** (Pages 93 - 112)

To consider this report.

8 **External Audit Update** (Pages 113 - 132)

To consider this report.

9 **Informing the audit risk assessment for Somerset County Council and the**

Item Audit Committee - 10.00 am Thursday 22 July 2021

Somerset Pension Fund Audit Plans 2020/21 (Pages 133 - 164)

10 **Somerset County Council Audit Plan and the Somerset Pension Fund Audit Plan** (Pages 165 - 208)

11 **Anti-Fraud and Corruption Review** (Pages 209 - 254)

To consider this report.

12 **Committee Future Workplan** (Pages 255 - 256)

To consider the work plan and agree agenda items for future meetings.

13 **Any other urgent items of business**

The Chairman may raise any items of urgent business.

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Guidance notes for the meeting

1. Inspection of Papers

Any person wishing to inspect Minutes, reports, or the background papers for any item on the Agenda should contact the Committee Administrator for the meeting via Telephone (01823) 359045 or 357628; or Email: democraticservices@somerset.gov.uk

They can also be found here: 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 will 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.

AUDIT COMMITTEE

Minutes of a Meeting of the Audit Committee held in the Virtual meeting, on Thursday 11 March 2021 at 10.00 am

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

Other Members present: Cllr M Chilcott, Cllr T Munt.

Apologies for absence:

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

There were no declarations made.

226 **Minutes from the last Committee meeting** - Agenda Item 3

The minutes of the last meeting were accepted as accurate.

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

The Chair of the Committee confirmed that no questions had been received or statements/petitions presented.

228 **Risk Management Update** - Agenda Item 5

The Committee considered this report introduced by the Strategic Manager, Finance Systems and Governance and he began by drawing Members attention to Appendix A of the report which contained the Strategic Risk Register (SRR). He noted that the report contained the latest information strategic risk information obtained from the Council's risk management system (JCAD) and he provided an overview of those with the highest scores.

Referring to Appendix A it was noted that any date in red font meant that it was overdue. He noted there had been a single change to the SRR, that being ORG43 relating to a sustainable budget. This risk had been judged to still be likely and he explained that although progress had been made in improving the Council's financial position this work was part of an on-going process and remained a key focus and Officers wanted to see improvements continue and further savings be achieved before further lessening the likelihood of the risk.

The Chair invited questions and there was a brief discussion about the on-going need to mitigate risks in relation to the UK's departure from the

European Union and in respect of problems associated with climate change, and the importance of collaborative work with other agencies and partners.

The Committee accepted the report and noted progress was monitored closely and importance to the Council for Officers to keep JCAD updated.

229 **External Audit Plan and Sector Update** - Agenda Item 6

The Chair invited the external auditors to introduce their report and Mr Morris, key audit partner from Grant Thornton, began by noting the report provided an update on the audit findings submitted last September and the on-going work regarding some property valuations. He referred to page 40 of the agenda pack and noted that much of the additional work had been completed and most of the required testing work had also been completed.

He also noted on, page 41, that assurances had been received regarding the Pension Fund audit and on page 43 he highlighted the work completed regarding key estimates and judgements and on page 45 he highlighted the assumptions of external valuations.

Members attention was drawn to the high priority recommendation on page 57 that concerned the requirement for appropriate indices to be in place when the Council undertook the valuation of its land and buildings. It was also noted that the figures on page 60 for unadjusted misstatements regarding the property valuation stood at £3.598m (not £3.958m) and the overall impact figure should read £1.962m (not £1.602m). An update was provided on the cost of the additional audit work for the accounts and pension fund.

The Chair invited questions from the Committee and during the consideration of the report, issues/concerns were raised, questions asked/answered and further information was provided on:

There was a question on the status of the Council's statement of accounts and in response it was noted that the financial statements could not be published until the audit opinion had been provided and this was imminent;
It was thought the work completed on property valuations although challenging had provided several valuable lessons, and those could be used for future years;

It was asked if there had been a management response to the high priority recommendation on page 57 regarding property valuations, and it was noted this finding had been accepted and was not regarded as a 'one-off job' so that the necessary work would be embedded for future years;

There was a question about adults and children's services and the comparison regarding value for money between the increase costs at the same time as an apparent reduction in the number of people being served and it was noted that

as adults and children's services were largely demand led it was difficult to predict budgets;

On the matter of the increased cost of the audit (due to the pandemic) it was asked if the additional costs could be reclaimed from the government and it was noted that this might be possible, and the auditors were mindful of it; Regarding the use of contingency funds being used for adults and children's services it was asked if the external auditors thought those services were adequately budgeted for and if the respective transformation and savings plans were realistic. In response it was noted the audit would take a backward look and that would help regarding sufficiency judgements for 2019-2020 and these would help inform the 2021-2022 audit and the auditors were satisfied the Council had appropriate management in place to manage the peaks and troughs of work and the budgeting process and savings plans appeared realistic;

There was then a brief discussion about what the word realistic meant (given that both adults and children's services overspent each year) and it was noted that the auditors had been reassured the Council's plans were adequate having reviewed the budget processes in place but that reassurance could not be absolute, given the many variables such as the demand on services and the potential unexpected high costs that might arise from only a few cases; It was asked that as the adults social care budget was overspent each year if this should be included on the Council's Strategic Risk Register and if in light of the effects of the pandemic if the Strategic Risk Register should be amended to include sufficiency of places within private Care Homes in Somerset and the Strategic Manager, Finance Systems and Governance undertook to consider those suggestions;

Regarding the audit of Brunel Pension Partnership (that managed the Council's Pension Fund) and the letter issued by the external auditors Grant Thornton, it was explained that the letter of assurance was sent to all the admitted bodies within the Somerset Fund and letters of assurance were also provided to other pension funds in the Brunel Pension Partnership. It was requested that a written answer be provided to set out the other bodies within the Brunel Partnership represented by Grant Thornton.

The Chair then drew the Committee's attention to the supplement to the agenda that had been published regarding the approval of accounts for 2019/20. Members were reminded that at its meeting last September the Committee agreed to approve the audited statement of accounts for 2019/20, the letter of representation for 2019/20 and the updated annual governance statement. That approval had been subject to the external auditors completing and then issuing their final audit report and audit certificate which had now been received.

The Strategic Manager, Finance Systems and Governance noted that the Council would ensure lessons were learnt from the work undertaken to value

some of the Council's assets. He provided a presentation that highlighted that no amendments were required to the statement of accounts and some minor amendments were required to the approved letter of representation and statement of unadjusted misstatements. Additional text, to be added to the letter of representation considered last September, was highlighted and explained and a table (page 60 of the agenda) was shown to confirm the correct figures regarding the non-material unadjusted misstatements.

The Chair invited questions from the Committee and during the consideration of the supplementary report, issues/concerns were raised, questions asked/answered and further information was provided on:

It was asked which date would be included in the annual governance statement and statement of accounts and it was confirmed that it would be the date of Committee meeting (11 March 2021).

There was a question about the process of signing a document which might subsequently be changed, even if those changes were only minor. In response the external auditor explained that if any issues were identified that wouldn't require adjustments in the financial statements the letter of representation could be signed today, and appropriate assurances could be provided by officers. If, however there were any issues identified that did require amendments to the statement of accounts then the accounts would be submitted to the Committee for reapproval. The external auditor explained provided there were no other changes to the statement of accounts it would be appropriate to proceed on the basis set out in the supplementary report.

The Committee agreed unanimously:

To approve the amended Letters of Representation for 2019/20 (and accompanying Audit adjustments - Unadjusted Misstatements Summary);

To confirm that as no adjustments had been made to the accounts approved on 24 September 2020, it was satisfied with this approach and no further amendments are required;

To note the dates in the Statement of Accounts for 2019/20 and the Annual Governance Statements would be updated to reflect the audit opinion had been considered.

230 **Internal Audit Update Report** - Agenda Item 7

The Chair invited the Internal Auditor to introduce her report that provided details on the progress of the 2019/2020 audit plan. It was reported that overall good progress could be demonstrated, and steady progress continued to be

made and the auditors were on track to deliver the internal audit plan, although it would look different to the one agreed.

In the progress report 2 areas were highlighted, first the limited assurance opinion, page 72, regarding management of the community learning partnership funds and an overview of the audit findings were listed and the leadership team were considering the outcomes of audit. Secondly the update on SWAP performance, on pages 73 and 74, was noted and the delays to complete the audits in adults and children's services had resulted in those audits being rolled forward.

The Chair noted that the discussion at the last meeting, concerning advisory audit reports, had highlighted that it was not current practice to circulate the reports with the highest priority recommendations to the Committee as a matter of course. By doing so for future opinion based and advisory reports he believed the Committee would be better equipped to fulfil its responsibility in focusing on the main issues, particularly risks, arising from internal audit reviews. As Chair he had requested that the Committee receive the follow up audit report, following each highest priority finding, so this mirrored the current practice in place for partial opinion audits. This would mean the Committee would receive a follow up report, once it has been completed, into the advisory report considered at the last meeting.

The Chair invited Cllr Leyshon to make a proposal. Cllr Leyshon proposed that all internal audit opinion based and advisory audit reports with one or more highest priority recommendations be reported to the Committee. The Chair seconded the proposal.

Cllr Davies sought reassurance that any additional reports would not incur an extra cost to the Council and the Internal Auditor explained that it would simply provide additional information to the Committee in areas where the most significant risks had been identified. The Committee unanimously accepted Cllr Leyshon's proposal.

Cllr Rigby made a proposal on how the confidential status of reports would be determined and he proposed that the confidentiality of the audit report will be determined by the Section 151 Officer in consultation with the Monitoring Officer and Head of Service being audited. Cllr Davies seconded the proposal. The Committee unanimously accepted Cllr Rigby's proposal.

The Committee accepted the internal audit update report.

231 **Internal Audit Plan and Charter 2021-2022** - Agenda Item 8

The Chair invited the Internal Auditor to introduce the report and she explained it was a risk based plan to cover the key risk areas for the Council, noting how the risks had been identified and how they would inform the next audit plan.

It was noted that the plan would be flexible to so that it could focus on new requests as risks changed and it was likely the impact of the pandemic would continue in to 2021. The plan would be reviewed in detail next September to ensure the second half of the plan fitted the risks at that time, such as possible local government reorganisation in Somerset.

It would be a rolling plan so as new risks and audits emerged the plan would be changed to accommodate those, much in the same way as the current plan had evolved. Attention was drawn to Appendix A that detailed the audits in the plan and when they would be carried out. Detail was also included about the 'follow up' audit programme and these were listed in the rolling plan in Appendix B. The Audit Charter, attached as Appendix C, was unchanged.

The Chair invited questions on the proposed audit plan, and it was asked if some of the audits (such as regarding Highways) could be brought forward and the Internal Auditor said she could ask if this was feasible. It was asked if an improvement plan regarding Highways Development Management could be shared and the Internal Auditor said she could ask if this was possible. It was also noted there was a reduction in the number of audits (approx. 6% reduction on last year).

There was a question and an overview was provided by the Council's Monitoring Officer about audit activity during the period of local government reorganisation including the establishment of a Shadow Authority and a structural change order (setting out how the transition would work) and Members were reassured that audit activity would continue during that period.

The Committee accepted the report and the 2021/2022 Audit Plan, and the Internal Audit Charter were agreed.

232 **Committee Work Programme** - Agenda Item 9

Members considered the work programme and it was confirmed that the next meeting of the Committee would include the Annual Governance Statement, the Anti-Fraud and Corruption report and audit update reports. It was also noted that the Annual Audit Opinion report from the Internal Auditors would be included.

There was a discussion about the planning of agenda items (number of reports for each meeting) and the Chair asked Officers to consider this so the Committee's workload was evenly divided between meetings.

233 **Any other urgent items of business** - Agenda Item 10

The Chair, after checking there were no other items of business, thanked all those present for attending and closed the meeting at 11.52am.

(The meeting ended at 11.52 am)

CHAIRMAN

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Somerset County Council
Audit Committee – 22 July 2021

Annual Governance Statement 2020/21

Lead Officer: Scott Wooldridge, Monitoring Officer

Author: Scott Wooldridge, Monitoring Officer

Contact Details: e-mail: swooldridge@somerset.gov.uk

Cabinet Member: Cllr M Chilcott, Cabinet Member for Resources

Division and Local Member: All

1. Summary/link to the County Plan

- 1.1.** This report invites members of the Audit Committee to consider the attached Annual Governance Statement (AGS) 2020/21 for the County Council.

Subject to members' comments, this will then be signed by the Leader of the Council and the Chief Executive, and the Statement will form part of the final 2020/21 Statement of Accounts.

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

2. Issues for consideration

- 2.1.** Members of the Audit Committee are asked to receive and comment on the Annual Governance Statement for 2020/21 (Appendix A) and the supporting evidence set out in the new Corporate Governance Code (Appendix 1).

Note - any relevant changes will be reflected by the Monitoring Officer in the final version before sign-off by the Leader of the Council and the Chief Executive.

3. Background

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

The production of an Annual Governance Statement is therefore a mandatory requirement.

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

As noted within the Annual Governance Statement itself, this review was informed by a wide range of internal and external sources. The review sought to consider whether there were any serious governance weaknesses and what actions would be needed to deal with them.

Members are reminded that both the format and the review process are heavily prescribed for us. To ensure that all local authorities carry out this process in the same way and to the same standards, there has been specific guidance since 2016 from CIPFA / SOLACE in "**Delivering Good Governance in Local Government**" and through extensive guidance notes.

The circular diagram included in the new Corporate Governance Code (Appendix 1) shows the 7 key principles of governance that authorities are obliged to consider. Beneath each of these principles are a number of sub-principles and beneath the sub-principles are behaviours and actions that would demonstrate evidence of having a suitable governance framework in place. There are also examples of what could be used to demonstrate compliance with CIPFA / SOLACE.

The Annual Governance Statement has been built upon the Corporate Governance Code evidence. Officers have either confirmed that the governance arrangements are adequate or where action is required.

- 3.3. Despite the exceptional year with many challenges for public services, our internal auditors have confirmed continued improvement and assurance with our governance framework and systems. This is a significant achievement by the Council for a challenging year and it is a testament to the good governance framework it has in place.

Throughout the majority of 2020/21, the Senior Leadership Team met twice weekly to manage the council's emergency response, maintain delivery of core services and prioritise resources accordingly. Regular position statements and updates were provided to elected members and reported to Cabinet meetings and other committees, including the formation of a new Member Engagement Board with partner representatives. Assessment of financial impacts of coronavirus Coronavirus related costs have been regularly undertaken by the Section 151 Officer and reported to SLT and Cabinet meetings.

Over the last twelve months the Council has also developed the One Somerset business case for a single unitary council to replace the current county council and four district councils.

There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These have reviewed and assessed against the new CIPFA Financial Management Code with improvements forming part of an action plan. The continued improvements in our Financial Management arrangements have been recognised by SWAP Ltd as part of their review of the Healthy Organisation with an improved rating from Amber to Green.

The Head of Internal Audit's annual opinion as to the effectiveness of the Council's internal control environment for 2020-21 was:

“On the balance of our 2020/21 audit work for Somerset County Council I am able to offer a Reasonable Assurance opinion in respect of the areas reviewed during the year.”

The Healthy Organisation review was a key source of assurance with an overall Medium rating given. This report states that there was no evidence of any significant adverse impact of the pandemic on the overarching control framework.

- 3.4.** Throughout 2020/21, the Governance Board has been tracking actions against a Healthy Organisation Governance Scorecard. A summary of significant issues that the Board has overseen is set out on page 23 of the Annual
- Governance Statement and these relate to:
 - The Council's financial position
 - Local Government Reorganisation
 - Healthy Organisation audit actions
 - Covid 19 response
- 3.5.** In accordance with the CIPFA “disclosure requirements”, following formal approval of the Annual Governance Statement, the Governance Board will develop an Action Plan for 2021/22 aimed at further strengthening the Council's governance. Many of these will already be known and on-going actions, such as the continual review of the Constitution and key financial and organisational policies, especially in the light of Local Government Reorganisation proposals.
- 3.6.** The main purpose of the Annual Governance Statement is to provide the necessary assurance that a reliable framework was in place for the financial year that aligns to the Statement of Accounts.

However, best practice suggests that the Annual Governance Statement should also reflect the unique features and challenges of the County Council, and that it should therefore anticipate known and potential governance challenges ahead. This year's Statement includes the following significant challenges ahead for 2021/22:

- Sustainable financial position
- Local Governance Reorganisation
- Covid 19 emergency response
- Integrated Care System
- SEND Improvement Plan

By doing so, it highlights these areas which could present significant corporate risks during 2021/22 and future financial years. The Committee can be reassured that mitigations and management actions are already underway on these matters.

4. Consultations undertaken

- 4.1. The Monitoring Officer and the S151 Officer have both been fully involved in the preparation of the Annual Governance Statement. Also, members of Governance Board have been proactively involved in the preparation of the Annual Governance Statement and new Corporate Governance Code given that this reflects the agendas and work of this Board.

The Senior Leadership Team and Cabinet have been consulted on the draft Annual Governance Statement.

5. Implications

- 5.1. All included above.

6. Background papers

- 6.1.
- Delivering Good Governance in Local Government: a framework (CIPFA/SOLACE)
 - The Role of the Chief Financial Officer in Local Government (CIPFA)
 - Healthy Organisation Internal Audit report 2018/19 - SWAP
 - 2019/20 Annual Governance Statement
 - Healthy Organisation Internal Audit report 2020/21 – SWAP
 - CIPFA FM Code
 - Council's Constitution & Scheme of Delegation

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

Annual Governance Statement

for year ended 31 March 2021



Foreword

“To ensure that Somerset and its people are supported and enabled to fulfil their potential, prosper and achieve a high standard of well-being”.

This is the Council’s stated purpose as contained in the Council Plan for 2018-22. The Plan sets out what we will do to achieve this, continuing to look for ways to improve services and, as far as possible, prioritising frontline services against a background of shrinking public sector finances while at the same time, planning for a sustainable future.

Effective corporate governance is essential to support the Council in meeting these challenges.

All who use our services and all who pay for them, together with our suppliers and partners, must be able to have confidence in our governance arrangements - that our ways of working enable us to provide the right services effectively and efficiently and on a consistent basis, and that we take informed, transparent and lawful decisions. They must also be assured that we properly account for the money we receive and spend.

While our corporate governance arrangements have been effective in supporting the Council through the exceptional last year globally, nationally and locally together with the significant opportunities for Somerset through Local Government Reorganisation, we will ensure our arrangements remain effective in 2021-22 and into future years as we continue to meet our challenges.

As always, there are some opportunities for improvement which have been identified as a result of our monitoring and review arrangements. We will ensure that the necessary action is taken to address these.



**Pat Flaherty,
Chief Executive**



**Councillor David Fothergill,
Leader**



What is Corporate Governance?

Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account. It is also about culture and values - the way that councillors and employees think and act.

The Council's corporate governance arrangements aim to ensure that it does the right things in the right way for the right people in a way that is timely, inclusive, open, honest and accountable.

What this Statement tells you

This Statement describes the extent to which the Council has, for the year ended 31 March 2021, complied with its Governance Code and the requirements of the Accounts and Audit (England) Regulations 2015. It also describes how the effectiveness of the governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2021-22 period.

The Statement has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

The Council's Governance Responsibilities

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

To meet these responsibilities, the Council acknowledges that it has a duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control¹, and for reviewing the effectiveness of those arrangements.

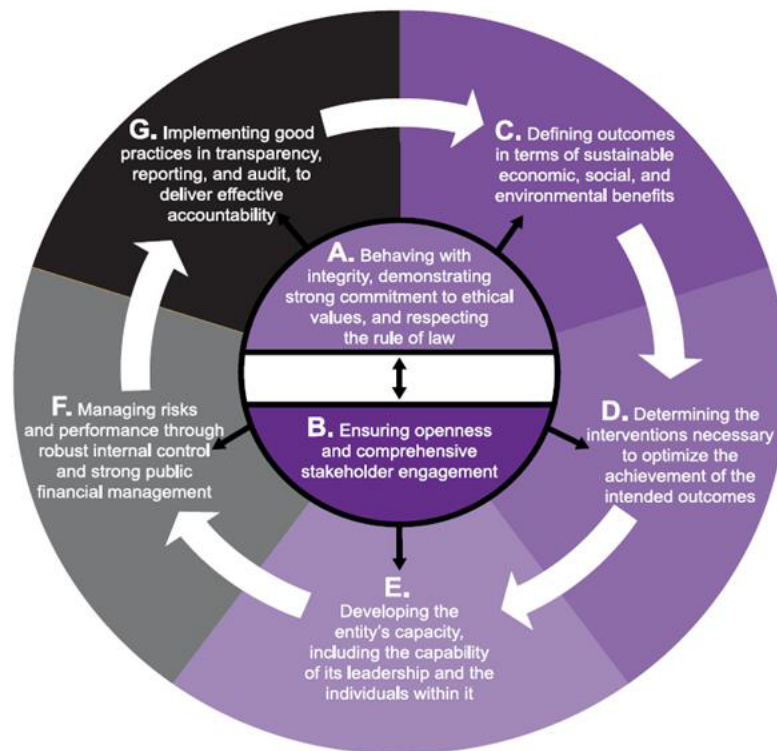
The Council's Governance Code, which was developed in accordance with the governance guidance produced by CIPFA and SOLACE, states the importance to the Council of good corporate governance and sets out its commitment to the principles involved. The Code is on our website, or can be obtained from the Monitoring Officer or Director of Finance.

Somerset County Council Governance Code (2017)

Our commitment to good governance is made across the following core principles:

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

¹A process to ensure that objectives will be achieved



The Governance Framework

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

It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services. The Framework is summarised in the diagram overleaf.

As the Council improves the way it provides services, it is important that the governance arrangements remain robust but also flexible and proportionate.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Senior Leadership Team, the Audit Committee, Constitution & Standards Committee, Scrutiny Committees, the Cabinet or Council as appropriate.

The Healthy Organisation review by our internal auditors accredited the council in 2018/19 with high assurance / low risk in terms of its Corporate Governance. Despite the exceptional year with many challenges for public services, our internal auditors have confirmed continued improvement and assurance with our governance framework and systems. The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Senior Leadership Team is the Senior Officers body which brings together Directors responsible for commissioning, resources, support and customer services and service delivery.

Some of the key elements of the governance framework are highlighted on the next pages.

Purpose: 'To ensure that Somerset and its people are supported and enabled to fulfil their potential, prosper and achieve a high standard of well-being'

Sources of Assurance

Assurance Required on:

- Delivery of Council Plan
- Communication of performance
- Financial management
- Service quality and best use of resources
- Any failures in service delivery addressed effectively
- Councillors and Officers working together effectively
- Compliance with laws and regulations, policies and procedures
- High standards of conduct and behaviour
- Informed and transparent decision making
- Management of risk and effective internal controls
- Developing the capacity and capability of members and employees
- Democratic engagement and robust public accountability

- Planning principles for services and Somerset Way of Working
- Constitution
- Strategic Leadership and Senior Management structures
- Medium Term Financial Strategy
- Financial Regs and Procedure Rules
- Contract Procedure Rules
- Commissioning Plans and Procurement Strategy
- Consultation Strategy
- Communications Plans
- Equality Plan
- Organisational Development and Workforce Policies and Plans
- Corporate Performance
- CIPFA FM Code
- Information Management policies
- ICT & Digital Strategy
- Health and Safety Policy
- Risk Management Policy
- Partnership Working
- Internal & External Audit and inspection
- Anti-Fraud and Corruption Policy and procedures
- Audit, Scrutiny and Constitution & Standards committees
- Codes of Conduct (Employees and Members)
- Whistleblowing Policy
- Performance Review and Development
- Complaints system

Assurances Received

- Statement of Accounts
- 'Focused on Our Performance' self-evaluation of progress against Council Plan
- External Audit and Inspection reporting
- Internal Audit reporting
- Risk and Control Registers and Risk Management Reporting
- Directors and Strategic Manager's internal control assurance
- Anti-fraud and corruption annual report
- Scrutiny Reviews
- Reviews commissioned by management
- Annual review of Constitution, Schemes of Delegation & Contract Procedures
- Peer Reviews
- Ongoing review by Governance Board of Corporate Governance and areas for improvement
- Governance Code and Framework review

Opportunities for Improvement

- Health & Safety
- Sustaining robust ICT infrastructure

Governance Review & Assurance

Annual Governance Statement

GOVERNANCE FRAMEWORK



The Council Plan

The Council Plan for 2018-22 sets out our overall purpose - 'to ensure that Somerset and its people are supported and enabled to fulfil their potential, prosper and achieve a high standard of well-being'. It helps us to focus our resources and drive improvement, and sets out where we will focus our energies and our increasingly limited resources and how we will judge our performance.

The Plan sets out seven principles which we consider in the planning and delivery of services (see next page).

The Plan is the means by which the Council sets out how objectives will contribute to the wellbeing goals for Somerset and how they will be achieved. Objectives and target outcomes are set within three strategic themes – Economy, People and Place – and the corporate theme of Organisation. Limited resources mean there is a need to be realistic about how much can be done. This means making difficult choices on where to focus resources so more can be done with less, and we can work with together with partners to do more. Key to this are robust financial, commissioning and decision-making processes, good quality data, good governance, performance management, effective technology and a willingness to do things differently.



Evaluating Performance

The Council's Business Plan was originally approved by Cabinet in June 2018 (updated at Full Council in May 2019) and is scheduled for refresh in summer 2021. The Business Plan outlines how we will work with partners and communities to deliver the County Council's 'Vision for Somerset' in the most efficient way possible for Somerset's taxpayers. The Business Plan contains the strategic outcomes that show what the Council will focus on to deliver its Vision and improve lives. Beneath each strategic outcome sits the key priorities to deliver those outcomes and a range of associated activities. By lining up these activities, priorities and strategic outcomes with the Vision the authority can plan ahead and monitor progress.

Performance is regularly reviewed by Directors and the Senior Leadership Team. Regular performance reports are presented to the Cabinet and available for review by scrutiny committees. An annual performance outturn report is reported to Cabinet.

Both our external and internal auditors assess the Council's arrangements for delivering continuous improvement and subsequent performance.

The Council's schools, education and training services are assessed by Ofsted on an ongoing schedule, and our social services are subject to ongoing review by the Care Quality Commission.

Social Media-Join The Conversation!

Join the conversation on all aspects of Somerset Council services and activities.

The Council provides its customers access to our services and information in the most appropriate Social Media channels.



Covid 19 - governance

The impact of the coronavirus pandemic has been felt by all organisations in the UK and the Council is no exception, being a significant employer, service provider and community leader in the county. This section summarises the impacts on key areas of the Council's functions. It should be noted that while the Council has experienced significant disruption to its day to day operations, the review has highlighted the effectiveness of its governance arrangements in providing a robust foundation for its response to the pandemic and this continues. The Council maintains a strong focus on business continuity and emergency planning, including learning from experience of managing major incidents and participating in national and local planning exercises. The Council reviewed its business continuity arrangements as part of the ongoing uncertainty up to and following the UK's exit from the European Union.

There has been significant impact on pre-coronavirus ways of working and service delivery. This has included a move from office-based working to home working where possible, closure of public buildings and facilities such as libraries and recycling centres, temporary closure of services such as day care and re-enablement services. The Council moved rapidly to staff working at home where possible and refocused people management activity to address the challenges of new ways of working. ICT security requirements were strengthened as staff working at home moved to VPN infrastructure. Policies and procedures have been adapted to respond to changing needs. Some planned work has not progressed, including some planned internal audit work.

In terms of democratic arrangements, our meetings began to be cancelled from late March 2020. On 28 March 2020 the Leader of the Council and the Chief Executive made a decision to put in place emergency decision making arrangements and to postpone and call no further member meetings up to mid May 2020 to protect the health of members, officers and the public. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings)(England and Wales) Regulations were laid before Parliament in early April, following which the Council held its first virtual committee meetings from 13 May 2020. 'Virtual' internet-based meetings were established for all committees and school admission appeals and these continued throughout 2020/21.

The Council is a Category 1 responder under the Civil Contingencies Act 2004 and has been an active and standing participant in the county's multi-agency response partnership (chaired by Avon & Somerset Police). A Multi-Agency tactical group chaired by the Council and with members drawn from all district councils, CCG and NHS, Fire, Police, Waste Board and specific services including representatives from Children's services was held throughout the pandemic to coordinate the response across Somerset. Various "cells" were set up to ensure appropriate response was in place with the Council chairing a number of these including the Vulnerable People and Communities Cell that coordinated food, medical support and other help was on hand for those who needed it. The Council's contact centre took a role in pulling together a single point of contact for Somerset resident's with the Coronavirus helpline that has taken a total of 13,000 calls. The Council was also represented on the Somerset Foundation Trust operated Somerset Vaccination Board. More than 1000 council staff volunteered to be part of the redeployment effort to support our communities and strategic partners. Around 500 staff were used in the end, running contact track and tracing operations, setting up vaccination hubs, running test sites, and working alongside community volunteers to ensure those shielding were fully supported.

Throughout the majority of 2020/21, the Senior Leadership Team met twice weekly to manage the council's emergency response, maintain delivery of core services and prioritise resources accordingly. Regular position statements and updates were provided to elected members and reported to Cabinet meetings and other committees, including the formation of a new Member Engagement Board with partner representatives.

The Council reviewed and improved arrangements for officer decision making in 2019 and these have stood the Council in good stead in the response and early recovery periods of the coronavirus major incident. There is provision in the Constitution for the Chief Executive to take urgent decisions and for the Leader of the Council to take decisions that would otherwise have been taken by Cabinet or Cabinet Members.

Assessment of financial impacts of coronavirus Coronavirus related costs have been regularly undertaken by the Section 151 Officer and reported to SLT and Cabinet meetings. Arrangements have been put in place to identify increased costs and lost income as a result of the coronavirus. The Council has received over £75 million through 15 different funding streams from various Government Departments to help fund the Council's coronavirus response and new responsibilities. There is robust monitoring arrangements in place with monthly reporting to MHCLG on the financial impact of the coronavirus. The Finance team has been working closely with Senior Managers in preparing the forecasts for MHCLG. The Director of Finance continues to closely monitor the impact of the pandemic on the Council's budget both in the current year and upon the Medium Term Financial Plan. There is recognition that the impact of the coronavirus can mean an ever changing situation and the monthly financial reporting to Scrutiny and Cabinet have been effective in supporting the council through an exceptional year.

Assessment of the longer term disruption and consequences arising from the coronavirus pandemic have been assessed as part of the Council's response and this will inform planning during the recovery phase. The Council established a Recovery Board during 2020 to drive it's recovery response. This has included consideration of impacts relating to:

- Service delivery
- Finances
- Staff resourcing and capacity
- Staff well being
- Relationships with other bodies and partnerships

A Somerset Economic Recovery plan was developed with partners and agreed by all five local councils. Multi agency arrangements to manage the recovery phase are in progress. A new coronavirus Corporate Risk has been added to the Corporate Risk Register and it is anticipated that this risk will remain on the corporate register for sometime, in the context of the prolonged nature of this incident and anticipated longer term disruption. Directors are updating service risk assessments as part of recovery work whilst also recognising that some services are still in the response phase. There were additional health and safety and ICT requirements which required ongoing reflection and review to ensure appropriate controls and measures were in place. Our focus as part of the recovery work is to ensure commissioned services remain fit for purpose; that markets are developed and procurement is refocused in alignment with the Council's future needs. This includes the likelihood of a long term need for significant procurement activity in relation to PPE in order the safeguard the Council's social care services and workforce.

Supporting Somerset's economy

Covid 19 and the associated public health restrictions placed upon social and economic activities have had a significant impact on the Somerset economy in the last year. Overall, Somerset's economy is likely to have shrunk by more than 10% during 2020 and is unlikely to return to pre-Covid levels until at least 2022. The number of individuals claiming out of work benefits has risen by over 100% in the last year, and more than 100,000 people in Somerset have had to rely on support from either the coronavirus job retention scheme (commonly known as the furlough programme) or the self-employment income support scheme. Correspondingly, businesses have been hit hard, especially those in the most vulnerable sectors such as retail, hospitality, wholesale and manufacturing. Covid 19 has accelerated economic changes, including precipitating company closures with impacts on particular localities and widened existing inequalities. In April of 2021, early results from 2021 Somerset Business Survey revealed that 72.4% of businesses achieved 50% or less of their normal turnover in the last 12 months, whilst 80.2% achieved 50% or less of their normal profitability.

Somerset County Council has played a leadership role in addressing these unprecedented challenges, while also working closely with a wide range of partners to support businesses, individuals and communities. As an anchor institution in the local economy, SCC has recognised the importance of acting responsively with our many contractors and suppliers. During the past year we have adopted a flexible approach to their contractual requirements, supporting their resilience in the face of operating restrictions and financial difficulties. Working with the Somerset Chamber and the Federation of Small Businesses (FSB) SCC has also taken steps to maximise opportunities for local contractors to compete for minor work schemes in our capital programme and thereby mitigate the impacts of the construction downturn resulting from Covid 19. As we emerge from the pandemic we are building on these relationships, including through a recent webinar hosted by the Chamber and FSB about doing business with SCC which attracted 100+ attendees. Similarly, as an anchor employer, to support young people whose employment prospects have been hard hit in the past year we are providing a significant range of work placements under the Government's Youth Kickstart programme and extending our own graduate recruitment programme.

From the first Covid 19 lockdown in March 2020 we convened, as part of our multi agency response mechanisms, a business response cell comprising senior representatives from all five Somerset local authorities, the Heart of the South West Local Enterprise Partnership and Growth Hub and business representative organisations. The cell's work has included ensuring joined up communications to businesses about support available, including during the roll-out of the Government's financial support packages, building and sharing intelligence about local economic impacts, including conducting a business survey in Autumn 2020 and refreshed in Spring 2021 (1,000+ businesses in both stages), ensuring that Covid responsible operating messages are widely accessible to local businesses and collaborative planning for high streets reopening and receiving visitors as restrictions have been lifted. In addition the cell has overseen decisions about repurposing of funds from the Somerset local authorities business rates retention pilots to resource support for response measures in the Somerset visitor economy and labour market.

In the past year there has been a sequence of significant redundancy announcements by Somerset businesses, with the economic consequences of Covid 19 a factor in a number of cases. Somerset County Council co-ordinated the development of a multi-agency response protocol ensuring that an effective response to major redundancies, with clearly defined roles across organisations so that we can best work with and support the business undergoing change and the consequent impacts for its workforce and the wider community. Examples have included the response to the closure of Oscar Meyer (with the loss of circa 800 jobs and of the two main employers in the Somerset market town of Chard) and the response to the impacts for Taunton of the demise of Debenhams (where in addition to the store this includes the closure of its national financial administration centre).

In addition to responding to the immediate economic impacts of Covid 19 we have recognised the imperative of developing a plan for ultimate recovery in the county post Covid 19. The Somerset recovery and growth plan was adopted by Somerset County Council (and Somerset's District Councils) in January 2021 and has been highlighted by the Local Government Association as a case study of good practice. [Local economic recovery planning in Somerset County Council | Local Government Association](#). The County Council has successfully secured resources in the past year to progress actions identified in the plan from a range of sources including the Government's Getting Building Fund, European Structural Funds, DWP and from private sector sources including EDF Energy.

Alongside recovery from the impacts of Covid 19 on Somerset's economy Somerset County Council has continued to focus in the past year on the longer term issues and opportunities for the Somerset economy that pre-dated the pandemic. These include raising the productivity of the local economy, transition to a zero carbon economy and changing workforce and skills requirements. We have completed the construction of the Somerset Energy Innovation Centre campus in Bridgwater and the iAero Centre in Yeovil – developments funded by the County Council and Growth Deal funds. We have also secured Getting Building Fund investment in a Digital Innovation Centre in Taunton and for light industrial units at Bruton Enterprise Centre. Working with the LEP, Bristol University, Nuclear South West and Somerset District Councils we jointly prepared and submitted an expression of interest in March 2021 to the UKAEA for the UK's fusion demonstrator plant to be located at the Hinkley Point site in Somerset. If we succeed in securing the site for this national demonstrator this will further strengthen our long term positioning as a leading area in the UK's clean energy sector.

Safeguarding vulnerable adults and children

Safeguarding Adults

Safeguarding means protecting an adult's right to live in safety, free from abuse and neglect. It is about people and organisations working together to prevent and stop both the risks and experience of abuse or neglect, whilst at the same time making sure that the adult's wellbeing is promoted.

The aims of adult safeguarding are to:

- Prevent harm and reduce the risk of abuse or neglect to adults with care and support needs
- Stop abuse or neglect wherever possible
- Safeguard adults in a way that supports them in making choices and having control about how they want to live

The Somerset Safeguarding Adults Board (SSAB) is a multi-agency partnership, independently chaired, which became statutory under the Care Act 2014 from 1st April 2015. The role of the Board is to assure itself that local safeguarding arrangements and partner organisations act to help and protect adults in its area.

The Boards' main objective is to assure itself that local safeguarding arrangements and partner organisations act to help and protect people aged 18 and over in the area who:

- have needs for care and support; and
- are experiencing, or at risk of, abuse or neglect; and
- as a result of their care and support needs) are unable to protect themselves from either the risk of, or experience of, abuse or neglect.

The Board has a strategic role that is greater than the sum of the operational duties of the core partners, overseeing and leading adult safeguarding across the county and interested in a range of matters contributing to the prevention of abuse and neglect. The Board does not work in isolation, nor is it solely responsible for all safeguarding arrangements. The Board's website promotes local adult safeguarding policy, practice and resources: <https://ssab.safeguardingsomerset.org.uk/>

Somerset County Council has the lead role for adult safeguarding in Somerset, which it primarily discharges through its dedicated Adult Safeguarding Service. The number of safeguarding concerns raised with SCC in 2020/21 was 2,776. Of these concerns, 878 progressed to a Statutory Section 42 Safeguarding Enquiry whilst the remaining contacts would have received a different outcome - this could have been a quality assurance response, an assessment of needs or a review, for example. In 2020/21, where a risk was identified, in 97% of cases the risk was reduced or removed. When an individual was asked and expressed a desired outcome from the safeguarding intervention, 99.6% of outcomes were either fully or partially achieved and 0.4% were not achieved, this being an improvement in practice and recording compared to 2019/20. Each year, the Local Authority submits an statutory return as part of the Safeguarding Adults Collection (SAC) which records details about safeguarding activity for adults aged 18 and over in England, reported to, or identified by, Councils with Adult Social Services Responsibilities; the collection includes demographic information about the adults at risk and details of the incidents that have been alleged

To provide governance and oversight of the standard of practice in the Service, quality assurance audits are undertaken both internally and as part of the SSAB's Quality Assurance subgroup. The Adult Social Care service introduced system wide quality audits from September 2019, with Safeguarding Triage and Enquires being discrete areas for audit. The feedback from these audits has been positive, as has the learning, to develop and further enhance the service delivered. The Somerset Safeguarding Adults Board has 'Listening and Learning' as a key overarching Strategic Plan priority, and places specific emphasis on the need to encourage and actively seek feedback from people who experience adult safeguarding and their carers. Consequently, the Council's Adult Safeguarding Service have been working with Healthwatch to devise a way to capture service user feedback and launched 3 x feedback forms (directed at anyone who has recently received support from the Adult Safeguarding Service) in May 2021.

Safeguarding Children

Somerset Safeguarding Children's Partnership (SSCP)

The new safeguarding arrangements for children set out in 'Working Together to Safeguard Children (2018)' took effect in September 2019. The safeguarding lead responsibility is now shared between the three statutory partners: Somerset County Council, Avon and Somerset Constabulary, and Somerset Clinical Commissioning Group with a strong commitment to shared and equitable leadership of the new arrangements. A Youth Forum has also been established to enable young people to hold the three statutory partners to account during an annual conversation. This year there has been a continued focus on the four priorities of early help, multi-agency safeguarding, neglect as well as child exploitation. The SSCP is consolidating what is working well, and addressing areas needing further improvement to ensure that the partnership is effective as possible in safeguarding children. There has been a national and local focus on the identification of vulnerabilities in the pre-birth and post-natal period, as well as a focus on adolescents with complex circumstances and needs. [Out of routine: A review of sudden unexpected death in infancy (SUDI)'] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901091/DfE_Death_in_infancy_review.pdf

The Somerset Safeguarding Children Partnership has also been pleased to confirm the appointment of an Independent Scrutineer, effective as of January 2020, who has supported the partnership's activities over the last year, particularly during the challenging lockdown periods.

There is regional activity across the Avon and Somerset Constabulary area to support provision of wider independent scrutiny. It is planned to develop a pool of scrutineers across the region and develop regional approaches to common concerns such as County Lines activity.

Multi agency audits have continued across the partnership where areas that need to be tested arise. In addition, the partnership has invested in a post to support data collection and analysis to support the scrutiny and assurance function of the partnership. The statutory Section 11 audit of the efficacy of safeguarding arrangements within partner agencies was completed at the end of 2020 with no significant concerns. The findings will be tested during 2021-2022.

The Somerset Safeguarding Children Partnership has commissioned two local Child Safeguarding Practice Reviews in response to serious incident notifications. The changes required following the learning from these reviews have already been implemented, and the reviews will be published in 2021.

Link to SSCP Structure chart: [SSCP Structure chart](#)

Corporate Parenting Board

In order to thrive, children and young people have certain key needs that good parents generally meet. The corporate parenting principles set out Seven Principles (identified in section 1 of the Children and Social Work Act 2017) that local authorities must have regard to when exercising their functions in relation to looked after children and young people.

The role of the Somerset Corporate Parenting Board is to ensure that Somerset County Council, together with the four District Councils, fulfil their duties towards children looked after (CLA), corporately and in partnership with other statutory agencies, including the NHS and Police. The existing Corporate Parenting Strategy and Terms of Reference (TOR), including membership, of the Corporate Parenting Board were agreed by Council in 2017.

The focus of the Corporate Parenting Board is on the delivery of five priorities covering placement sufficiency and stability, education, health, voice of the child and leaving care through well-established sub-groups with good cross agency working, led by a senior officer, and supported by a Councillor from the Board. Additionally, the key area of foster carer development is led by the council's fostering service. Action owners on the groups take responsibility for issues to deliver solutions within deadlines.

These priorities are monitored through the Corporate Parenting Board annual action plan and reported on quarterly. The Annual Report is received at Full Council. Highlights of improvements and progress for 2020/21 as follows:

- Improved performance through the new Health dashboard
- Improved communications around quality and timeliness of Initial Health Assessments (IHAs)
- Increased area provision for IHAs and Adoption Medical Reviews

Special Educational Needs and Disabilities (SEND)

The Written Statement of Action (WSOA) for SEND was approved for publication by Inspectors on 30th November 2020 and was published on 1st December. The full [WSOA](#) is available on the [Local Offer website](#). It is highly ambitious but must be in order to address the shortcomings in the system and to improve the offer for children and young people with SEND, and their families. Somerset County Council shares responsibility for delivering the Written Statement of Action with NHS Somerset CCG.

The WSOA is monitored monthly through the SEND Improvement Board (SIB) comprising members from across the local area. The SIB was refreshed in July 2020, both in terms of its membership and

work, to be certain we focused on improvement against the priority areas. We did this to gather regular feedback from young people and families and to ensure effective challenge and collective responsibilities by all members. In addition, the local area has implemented a Children's Executive Group (CEG) to allow speedy joint resource allocation, decision-making and issue resolution to facilitate delivery of WSoA. Terms of reference and monitoring reports presented to the SIB are published on the Local Offer website.

The WSoA contains nine Improvement Priority (IP) areas linked to the nine areas of weakness identified. Each IP area has a responsible lead from different parts of the system who reports on the progress of their area and any linked work cutting across the WSoA.

Both CEG and SIB receive a monthly report on progress against the Written Statement of Action. An annual report on SEND is provided to the Health and Wellbeing Board. There are also regular updates to the Early Help Board.

There have been eleven SIB meetings since the inspection. The Board continues to reflect on the lived experience of young people and families and provide challenge to the Programme in ensuring this is used to inform planning for improvement. The Board also receives regular reports from member providers who share their perspective on improvement progress and current challenges – latest reports reflect better communications across the partners and early signs that services are beginning to work together better as a system.

The Children's Executive Group continues to meet regularly to provide direction, support and challenge to priority leads, acting as the point of escalation for resolving partnership delivery challenges, and is supporting better joint commissioning for the local area.

The local area has recently commissioned an independent audit to assess the progress made by the CCG and partners to develop its governance structures for partnership working and joint commissioning. It will also assess the progress made to address the actions required to improve the provision to support children with Special Education Needs and Disability (SEND), following the Statement of Action and funding in place.

This will identify areas of good practice in partnership working, so that learning is incorporated into other joint working arrangements.

Link to SEND Governance Structure: [Governance Structure - SEND](#)

Local Government Reorganisation

Over the last twelve months the Council has developed the One Somerset business case for a single unitary council to replace the current county council and four district councils. This case sets out how the proposal will meet the three tests set by the Secretary of State:

1. To improve local government in the county
2. To have a credible geography of between 300,000 and 600,000 population
3. To command a good deal of local support 'in the round'

The proposal includes detailed financial modelling demonstrating implementation costs and revenue savings to be delivered as well as engagement, research and consultation with residents and businesses throughout the county. It sets out innovative proposals to place communities at the heart of the new arrangements, including devolution to town and parish councils whom have been engaged closely throughout the last year.

The proposals were formally consulted upon February to April 2021 and the Secretary of State is expected to make his decision in mid-July 2021. Detailed implementation, resource and governance plans have been developed to ensure a fast start should One Somerset be selected.

Managing Risk

The management of risk is vital for the Council to achieve the objectives set out in the Council Plan. Risk management is an integral part of good governance which the Council is committed to. The management of a risk pathway policy document provides a systematic approach that enables the Council to manage uncertainties within in a framework that is uniformed, guided and supportive.

It involves an ongoing process to identify risks, assign ownership and the identification of controls to manage risks to an acceptable level.

The Council's strategic risks are identified by senior management with the support of the risk manager. These, together with the significant risks to planning and delivering services, are recorded in the Council's risk management system.

The strategic risks are regularly reviewed by the risk manager, senior management and by Audit Committee who seek assurance that, as far as reasonably practical, the controls mitigate the risks efficiently, effectively, and economically. Strategic Risk Management Group also review the Strategic risks at least once a year to support the risk owner and escalate if required.

Risk implications in decision making are the responsibility of those requesting change and those approving the decisions. Considerations and mitigations of the risks are required to be acknowledged in the relevant documents to ensure that the Council's financial, legal and moral commitments are met.

The Covid-19 pandemic of 2020, which is on-going, saw additional risks identified across the whole of the Council. The recovery phase of the emergency was activated in autumn 2020, this phase highlighted additional risks to the recovery of the Council and Somerset as a County.

Strategic Risks 2020-21

- Safe-guarding Children - The Council fails to deliver its statutory service delivery duties and legal obligations in relation to vulnerable children.
- Organisational Resilience - Without the minimum level of capacity and resource, the resilience of the organisation is compromised.
- External influences - Impact on commissioning and results in the Council not achieving the outcomes it seeks.
- Partnership working - Strategic programmes which provide both opportunities and challenges for current and future partnership working.
- Managing and monitoring of supply chains - Markets do not provide optimum value for money and income generation.
- Covid-19 Pandemic effect on supplier - Supplier disruption across all services in demand and sustainability of supplier financial standing.
- Sustainable Medium Term Financial Plan- The ability to set future balanced budgets and build resilience through reserves to be able to deliver the Councils priorities.
- Maintain a balanced budget in 2020/21- The Council is unable to manage within the financial resources available during the year.
- Climate change - The Council fails to take action to mitigate and adapt to Climate Change.
- Uncertainty around Local Government Reorganisation.

Decision Making and Responsibilities

The Council consists of 55 elected Members, with a Cabinet of Lead Members who are supported and held to account by three Scrutiny Committees and the Audit Committee.

Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate.

It is updated annually to take account of changing circumstances, legislative changes and business needs.

The Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' (Strategic Manager – Governance) and 'Section 151 Officer' (Director of Finance) and explains the role of these officers in ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

Equality

The Council is committed to delivering equality and improving the quality of life for the people of Somerset County. Our Equalities Plan helps us to ensure that we prioritise those who may be vulnerable to discrimination.

Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision making processes.

Open Policy and Decision-making

Whilst regulations permitted, all Council meetings could be viewed live as part of the Council's virtual meetings. Work is being undertaken during summer 2021 to provide a hybrid meeting solution and webcasting.

Meetings of the Council are open to the public except where exempt or confidential matters are being discussed, and all reports considered and the minutes of decisions taken are, unless confidential, made available on the Council's website.

The Council's Forward Work Programmes contain information about all matters that are likely to be the subject of a decision taken by the full Council or the Cabinet during the forthcoming four month period. Proposed key decisions for Cabinet Members and Officers are also publicised in advance and when they are taken. We publish information about matters to be considered by Scrutiny Committees.



Financial Management

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

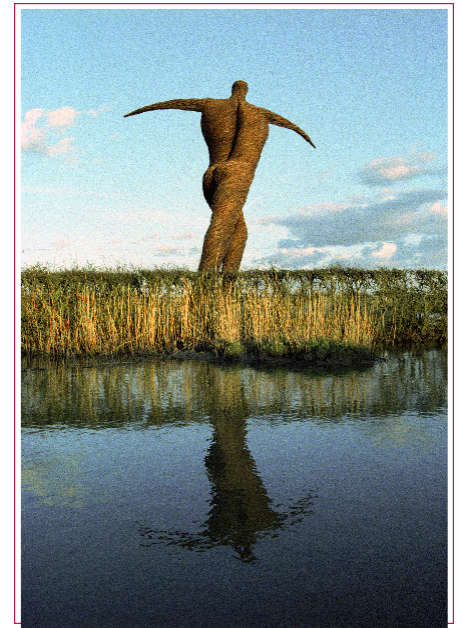
There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These have reviewed and assessed against the new CIPFA Financial Management Code with improvements forming part of an action plan. The continued improvements in our Financial Management arrangements have been recognised by SWAP Ltd as part of their review of the Healthy Organisation with an improved rating from Amber to Green.

Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review and are reported to Audit Committee, Cabinet and the Council.

The Medium Term Financial Plan sets out the Council's strategic approach to the management of its finances and outlines some of the financial issues that we will face over the next three years. This Plan is subject to review by the Scrutiny Committees and Cabinet ahead of approval by the Council every February.

The Reserves Strategy enables the Council to meet its statutory requirements and sets out the different types of reserve, how they may be used and the monitoring arrangements.

Despite our established success in balancing budgets and maintaining tight financial control to avoid overspending, like many councils, the Council faces the challenge of designing a sustainable budget for the future. This is in the main caused by increasing demand for services combined with reductions to local government funding. In February 2021, we set a balanced budget for 2021/22 and forecasted a funding shortfall of £12.4m for 2022/23 and £5.6m for the following year. We are focusing a large part of our Transformation Programme on Local Government Reorganisation given its impact on services and finances. We are continuing our Transformation work to improve efficiency and reshape our people services whilst maintaining our commitment to the most vulnerable.



There is robust monthly budget monitoring process, which is reported to SLT, Scrutiny Place and Cabinet. With the outturn forming part of the Statement of Accounts which is report to the Audit Committee. The monthly budget monitoring reports have included updates on the various Covid funding streams from Government and allocations of the Covid 19 Emergency Fund during the year.

Commissioning and Procurement of Goods and Services

The Council is a commissioning organisation, and its senior officer structure clearly reflects that approach with Lead Commissioners. An officer Strategic Commissioning Group (SCG) is in place to oversee commissioning activity, the group is attended by key commissioning specialists and key officers from business partner services. The SCG reviews all proposals for new strategic projects, including new contracts, scrutinising and managing Commissioning Gateway activity with a strong focus on financial savings, accountability, evidence led commissioning and delivery outcomes.

The Council values collaboration with service users, communities, businesses and key public sector partners in order to understand the needs and outcomes required through the commissioning process.

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

Our Commissioning Plans and Procurement Strategy set out the vision and direction for commissioning, procurement and contract management across the Council.

Operational procedures for tendering, contract letting, contract management and the use of consultants are included in the Contract Procedure Rules which form part of the Council's Constitution.

Managing Information

In order to set a direction for the effective governance, efficient management and use of information and data under its control, the Council's Information Management Strategy explains how we will deal with the creation, storage, access, protection and lifecycle of information and data.

Information is central to the Council and its decision making processes and it therefore needs to be accurate and accessible to those who need it at the time and place that is required. The Council also recognises that it has a responsibility to safeguard the information it holds and to manage it with care and accountability.

We have systems and assurance in place to ensure we meet our requirements in terms of Freedom of Information and the General Data Protection Regulations.

Freedom of Information

Details of how to access information held by the Council and its Freedom of Information Policy are available on the [Council's website](#)

Audit and Audit Assurances

The Council is externally audited by its External Auditors. Their annual audit includes examining and certifying whether the financial statements are 'true and fair', and assessing our arrangements for securing economy, efficiency and effectiveness in the use of resources. Our external auditors provide regular updates to the Audit Committee. In 2021 the External Auditor gave an unqualified audit opinion on the Council's Statement of Accounts.

The Internal Audit Service is a key means of assurance. It provides an independent and objective opinion on the Council's governance, risk management and internal control environment by evaluating its effectiveness. Work is managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

Each year a risk-assessed work plan is produced and updated as the year progresses to ensure appropriate coverage of the Authority's key corporate objectives and risks. The Audit Committee approve the Internal Audit Plan and accompanying Charter which outlines the role and scope of internal audit. Our internal auditors provide regular updates to the Audit Committee.

The Head of Internal Audit's annual opinion as to the effectiveness of the Council's internal control environment for 2020-21 was:

"On the balance of our 2020/21 audit work for Somerset County Council I am able to offer a Reasonable Assurance opinion in respect of the areas reviewed during the year."

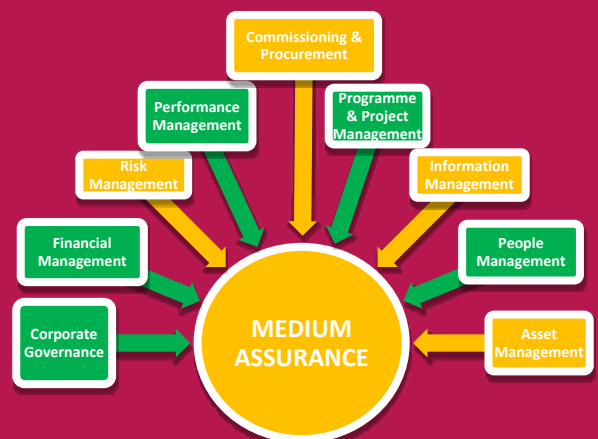
The Healthy Organisation review was a key source of assurance with an overall Medium rating given. This report states that there was no evidence of any significant adverse impact of the pandemic on the overarching control framework, with an improvement seen in Financial Management which moved from 'amber' to 'green'.

The **Audit Committee** provides independent assurance on the Council's internal control environment. It is a statutory requirement and consists of 8 Councillors appointed annually on a politically balanced basis by the Council.

Its main functions include:

- Agreeing the Annual Governance Statement and the Annual Statement of Accounts,
- Overseeing Internal Audit's independence, objectivity, performance and professionalism and supporting the effectiveness of Internal Audit
- Considering Internal Audit partial assurance reports and management responses
- Considering the effectiveness of Risk Management, including the risks of bribery, fraud and corruption
- Monitor the effectiveness of value for money arrangements
- Considering the reports of External Auditors and Inspectors.

The Audit Committee reports annually to the Council as part of its assurance.



Conduct

Our [Codes of Conduct for Members](#) and for Employees set out the standards of conduct and behaviour that are required. They are regularly reviewed and updated as necessary and both groups are regularly reminded of the requirements. Both Codes are published on the Council's website for transparency and accountability. Our website tells you how you can report a conduct complaint.

These include the need for Members and Officers to register personal interests and the requirements for registering offers or acceptance of gifts and hospitality, outside commitments and personal interests.

Whistleblowing

People who work for or with the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation.

The Council has a Whistleblowing Policy that advises staff and others who work for the Council how to raise concerns about activities in the workplace. Full details are provided on the Council's website.

Anti-Fraud and Corruption

We recognise that as well as causing financial loss, fraud and corruption also detrimentally impact service provision and morale, and undermine confidence in the Council's governance and that of public bodies generally.

There is little evidence that the *incidence* of fraud is currently a major issue for the Council, but the *risk* is increasing nationally. We therefore regularly assess how vulnerable our services are to fraud and corruption risks and we update our counter fraud arrangements accordingly.

The Council reviews its Anti Fraud and Corruption Policy on an annual basis and has adopted a 'zero tolerance' in relation to fraud and corruption. Our policy sets out what we will do to maintain this commitment in light of the risk

The results of our risk-based Anti Fraud approach are reported annually to the Audit Committee, and the resources available for investigation are subject to ongoing review to ensure that they remain appropriate to the risk of fraud.

Our website tells you how you can report suspected fraud against the Council.

The Nolan Principles for conduct and behaviour:

- **Selflessness**
- **Integrity**
- **Objectivity**
- **Accountability**
- **Openness**
- **Honesty**
- **Leadership**

'zero tolerance'

Whenever the Council identifies instances of fraud, bribery or corruption against it, it will always take legal and / or disciplinary action against the perpetrator and seek recovery and redress.

Improving Governance

The progress made during 2020- 21 on the significant issues identified in our 2019-20 Annual Governance Statement is shown below:

1.	<p>The Council's Financial Position – the Council has continued to make strides in improving its financial position. There is more to be done to secure financial sustainability.</p> <p>Ongoing review and management actions to address the recommendations from the Value for Money external audit opinion</p>	<p>The Council set a balanced budget for 2021/22 and agreed a Medium Term Financial Plan that included a budget gap over a three year period. There is a strategy to further build resilience in reserves.</p> <p>VfM tracker regular reviewed and actions progressed to deliver recommendations. Progress monitored by Audit Committee.</p>
2.	<p>Local Government Reorganisation Development and potential submission of Business Case for unitary local government for Somerset.</p>	<p>The Council put in place programme management arrangements along with completing it development and submission of a final business case by Government deadline in December 2020. The Council developed and responded to the Government's formal consultation on Local Government Reorganisation that commenced in February 2021.</p>
3.	<p>Healthy Organisation Recognition of the improvements required to improve upon medium level of assurance from Internal Auditors.</p>	<p>Governance Board maintaining oversight and review with Internal Audit support regarding the necessary improvements and actions required. Healthy Organisation Audit recognised improvements made even with the exceptional year of the pandemic emergency response.</p>
4.	<p>Covid 19</p> <p>Working with national and local agencies such as the Government, Police, NHS, district councils, voluntary organisations and service providers to ensure essential services continue to be delivered to support vulnerable children and adults, local communities and businesses throughout the Covid 19 emergency.</p>	<p>Avon and Somerset Local Resilience Forum and Somerset Tactical Group regularly reviewed and managed emergency response and service delivery by agencies.</p> <p>Emergency arrangements and management actions regularly reviewed by the Senior Leadership Team, Cabinet and Scrutiny Place throughout the pandemic response. Economic Recovery Plan developed and agreed by all five councils.</p>

Based on our review of the governance framework, the following significant issues will be addressed in 2021-22:

<p>1. Financial Position (See previous page)</p>	<p>Development of a sustainable Medium Term Financial Plan for consideration by Council in February 2022.</p> <p>Recognise and plan for the financial implications of local government reform in Somerset.</p>
<p>2. Local Government Reorganisation</p> <p>Support the transition to unitary form of local government for unitary local government for Somerset.</p>	<p>Subject to Secretary of State’s decision during 2021, put in place the necessary resources, programme management, partnership and democratic arrangements to support the transition to unitary form of local government in partnership with district councils and other public sector partners including the 278 town and parish councils. Plan and prepare for the first unitary council elections currently scheduled for May 2022.</p>
<p>3. Covid 19</p> <p>Working with national and local agencies such as the Government, Police, NHS, district councils, voluntary organisations and service providers to ensure essential services continue to be delivered to support vulnerable children and adults, local communities and businesses throughout the Covid 19 emergency.</p> <p>Support the delivery of the Economic Recovery Plans.</p>	<p>As Coronavirus progresses more towards an endemic disease we will continue to work as part of the regional and national public health system, aiming to minimise infection rates and manage outbreaks and clusters. The needs of the Somerset population has changed following the pandemic and these will need to continue to be assessed and be central to the focus of the organisation.</p> <p>The recovery will be long and needs to focus on minimising the indirect impacts of COVID, in particular addressing the health and social inequalities that the pandemic has highlighted.</p>
<p>4. Integrated Care System</p>	<p>The work to develop the ICS system in line with the emerging changing legislation will require implementation by April 2022. As such we will actively engage with NHSE in the work to develop appropriate local governance of the partnership, joint working and joint funding elements of the ICS development and to ensure adequate transparency and scrutiny. All work currently captured within established programme of activity.</p>

5. SEND Improvement Plan

Complete delivery of the Written Statement of Action for SEND (Special Educational Needs and Disability). This action plan was prepared in response to the findings of inspectors from an Ofsted/CQC inspection of the Somerset local area in March 2020, in order to improve outcomes for children and young people with SEND.

Review current partnership arrangements to ensure these are effective in supporting joint decision making and joint commissioning.

Review local area governance to ensure alignment with emerging arrangements for Integrated Care Systems and Local Government Reform.

These issues will be supported by an action plan, progress on which will be monitored during 2021-22 by the Governance Board and the Senior Leadership Team. Oversight, constructive challenge and review will be available from the Cabinet, Scrutiny Place and the Audit Committee.

No other major changes to the Council's governance framework are planned for 2021-22, but we will continue to review and adapt it so that it continues to support the Council in meeting its challenge and in fulfilling its purpose, and ensure that the framework remains proportionate to the risks that are faced.

We will also continue to raise awareness of the Governance Framework and its requirements with employees across the Council, in schools and with elected Members.

Assurance

Subject to the above issues being resolved, we can provide an overall assurance that Somerset County Council's governance arrangements are effective and remain fit for purpose.

We propose over the coming year to take steps to address the issues set out above to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: _____ Date: July 2021
(Patrick Flaherty, Chief Executive)

Signed: _____ Date: July 2021
(Cllr David Fothergill, Leader of the Council)



Contact Officers: Scott Wooldridge, Monitoring Officer and Jason Vaughan, Director of Finance



Somerset County Council Corporate Governance Code 2020-2021

SOMERSET COUNTY COUNCIL: GOVERNANCE CODE

INTRODUCTION

1. The purpose of this Code is to state the importance to the Council of good corporate governance and to set out the Council’s commitment to the principles involved.
2. The Code is based on guidance to all UK local authorities.
3. The Code is included in the Council’s constitution and therefore applies to all members and employees of the Council and also to any individuals or bodies authorised to act on its behalf.
4. How the effectiveness of the Code is reviewed is set out in Section 4.
5. The Code will be reviewed in its entirety by no later than 31 March 2022, but minor reviews and updates will be made annually as required.

Approvals	
Approved by Cabinet & SLT	May 2020

Lead Officers:

Scott Wooldridge, Monitoring Officer

Jason Vaughan, Director of Finance

Version Control		
Key Changes (such as for changes in legislation and reporting arrangements)	Agreed By/date	Issue Date
Minor Changes to reflect: •		
To be renewed no later than 31 March 2022		

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SECTION 1: THE IMPORTANCE OF GOOD CORPORATE GOVERNANCE

- 1.1. Corporate Governance refers to the processes by which organisations such as the Council are directed, controlled, led and held to account. It is also about culture and values - the way that councillors (members) and employees think and act. In summary, if management is about running the Council, corporate governance is about seeing that it is run properly.
- 1.2. The Council is a complex organisation which affects all who live and work in Somerset and businesses and organisations that are based here. It is therefore essential that there is confidence in our corporate governance, and the Council must therefore ensure that:
- as a democratic body, we engage with and account to our citizens and stakeholders effectively;
 - we conduct our business in accordance with the law and to proper standards;
 - public money is properly accounted for and is used economically, efficiently and effectively;
 - controls are proportionate to risk so as not to impede performance;
 - we continuously improve the way in which we function, in terms of effectiveness, quality, service availability, fairness, sustainability and innovation; and
 - we fulfil our purpose and meet our priorities as set out in our Council Plan.
- 1.3. **The Council is therefore committed to good corporate governance** – to doing the right things in the right way for the right people in a way which is timely, inclusive, open, honest and accountable. This Code sets out that commitment and how we evidence it.
- 1.4. **This commitment includes improving governance** on a continuing basis across the Council as a whole, through a process of evaluation and review. This is detailed further in **Section 4**.

SECTION 2: THE BASIS OF THIS CODE

2.1 This Code is based on guidance provided to all UK local authorities¹ which are centred on **seven Core Principles**², designed to underpin the governance arrangements of all public sector bodies.

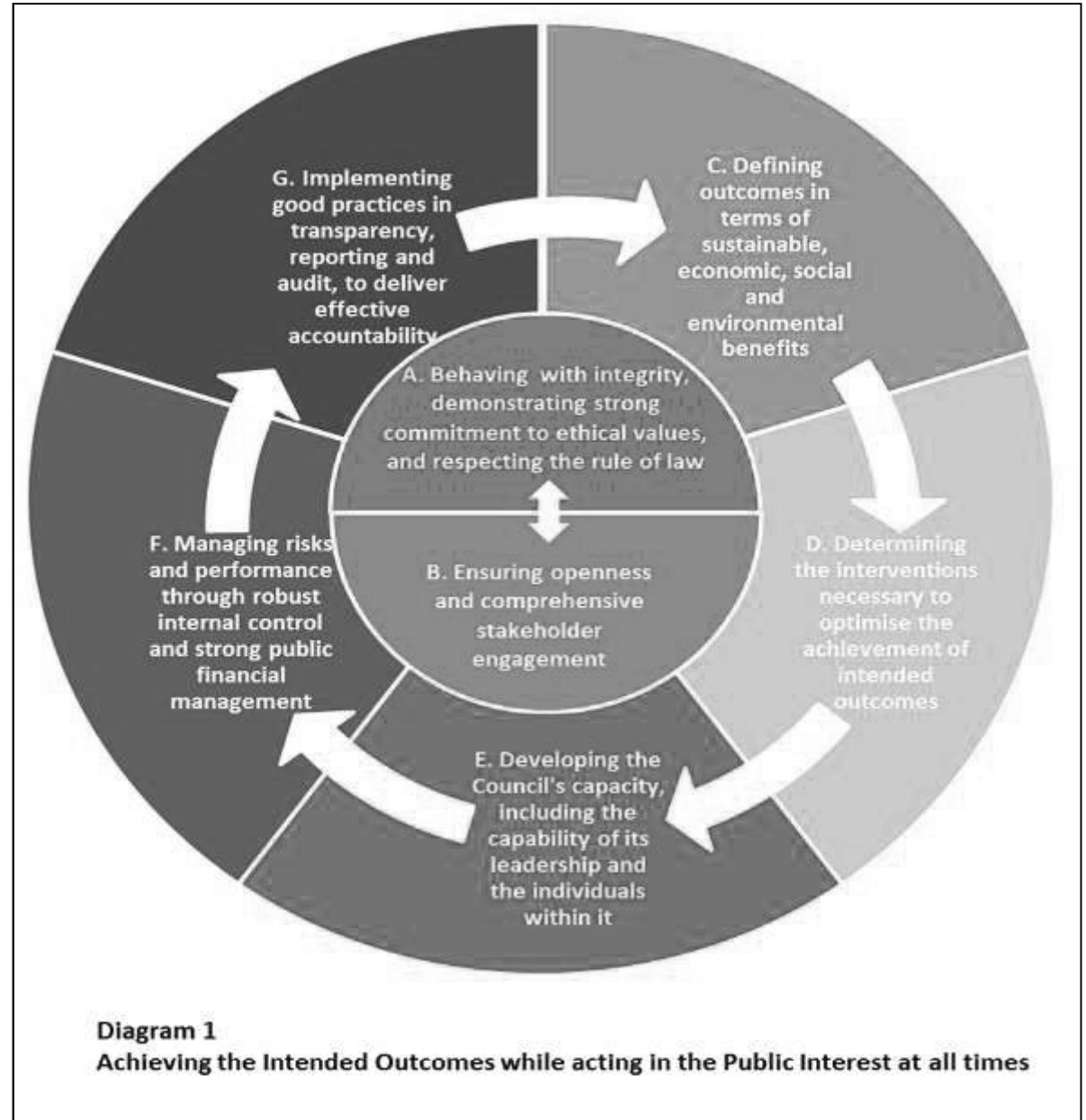
2.2 These Core Principles and how they relate with each other is illustrated in **Diagram 1**.

2.3 This also shows that:

- i) Core Principles A and B are fundamental to the application of the other principles,
- ii) good governance is dynamic,
- iii) good governance requires all of the principles to be met.

¹ 'Delivering Good Governance in Local Government Framework, 2016', issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

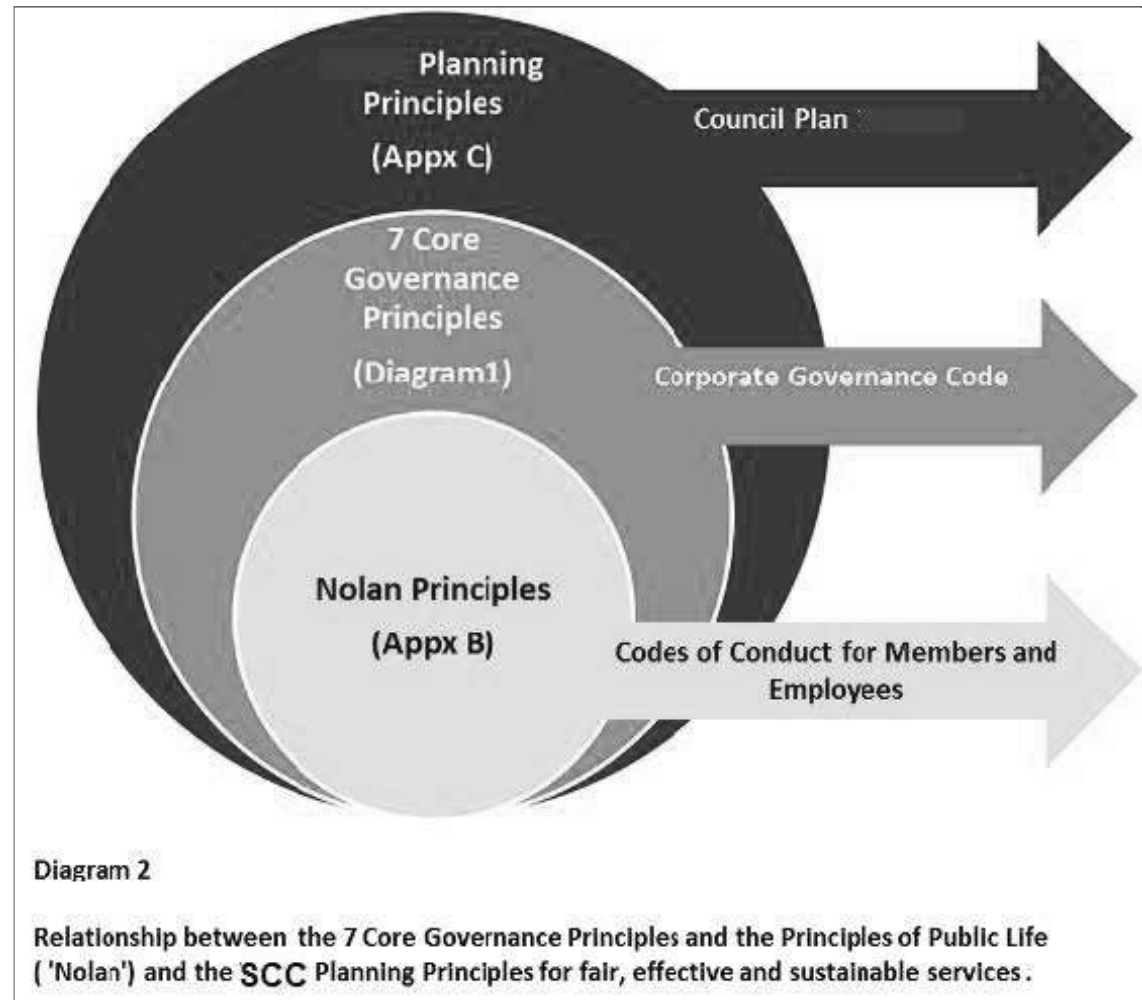
² From the International Framework: Good Governance in the Public Sector (CIPFA/International Federation of Accountants, 2014)



2.4 This Code sets out our commitment to all seven of the Core Principles shown in Diagram 1 and to the various elements of our governance framework – the policies, strategies and processes - which help us to ensure that the principles are met (**Section 3**).

2.5 A summary of the whole governance framework is illustrated in **Appendix A**.

2.6 Since effective Corporate Governance relies on the way that councillors (members) and employees think and act, the Code also recognises the importance of the seven 'Principles of Public Life' (the 'Nolan Principles')³ which are the basis of the ethical standards expected of public office holders. These support the seven Core Principles of this Code which in turn underpin the Council's approach to planning fair, effective and sustainable services and its responsibilities for sustainable development. This relationship is illustrated in **Diagram 2**.



³ See Appendix B

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> <p>(Previously Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour)</p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p>Behaving with integrity</p>	<p>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</p>	Members Code of Conduct and Elected Member Role Descriptions	Scott Wooldridge
		Officer Standards of Conduct	Chris Squire	
		all members sign acceptance of office	Scott Wooldridge	
		officers sign contracts of employment	Chris Squire	
		members induction and training sessions on Code of Conduct.	Scott Wooldridge	
		Constitution & Standards Committee / regular reports to Council	Scott Wooldridge	
		Regular review of the Constitution via Constitution & Standards Committee (quarterly & annual review by council).	Scott Wooldridge	
		No member appraisals. However Personal Development Plans undertaken voluntarily and these provide an opportunity for reflection and action.	Scott Wooldridge	
		Officer's Code of Conduct	Scott Wooldridge	
		Core and Key Value expectations	Chris Squire	
		Our Working Agreement	Chris Squire	
		Staff Awards	Chris Squire	
		Staff Performance Appraisals	Chris Squire	
		<p>Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</p>	Constitution content including Members Code of Conduct	Scott Wooldridge
			Tell Local Councillor Protocol	Scott Wooldridge
			Protocol for Member / Officer Relations	Scott Wooldridge
			decision making requirements	Scott Wooldridge
			maintaining a Committee with responsibility for member conduct policy and protocols (Constitution & Standards)	Scott Wooldridge
			Constitution reviewed annually by Full Council and at least quarterly by Constitution Committee.	Scott Wooldridge
			Core Brief and Members Core Brief regularly include relevant content around conduct and expectations / guidance. Members Portal	Scott Wooldridge, Chris Squire & Peter Elliot

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner	
Page 54			Core and Key Value expectations	Chris Squire	
			Our Working Agreement	Chris Squire	
			New JDs	Chris Squire	
			Staff Awards	Chris Squire	
			Staff Performance Appraisals	Chris Squire	
			Leading by example and using these standard operating principles or values as a framework for decision making and other actions	Constitution content including Code of Conduct and Role Descriptions	Scott Wooldridge
				decision making requirements	Scott Wooldridge
				meeting agendas requiring interest declarations	Scott Wooldridge
				formal records /minutes of meetings, regular reminders reference declaration of interests / gifts and hospitality	Scott Wooldridge
				maintain separate committee with responsibility for standards of conduct.	Scott Wooldridge
	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	Guidance and templates available for report authors on the Intranet site.	Scott Wooldridge		
		Registers of interests and gifts and hospitality maintained for members and staff, regular reminders sent	Scott Wooldridge		
		whistleblowing policy in place and updated as necessary	Scott Wooldridge		
		member complaints policy online	Scott Wooldridge		
		summaries of member complaints made in summary form to Standards Committee	Scott Wooldridge		
		Members Code of Conduct and Officer Standards of Behaviour both have guidance on declaration of interests.	Scott Wooldridge		
		officer interests / declarations can be made on line via the Intranet.	Scott Wooldridge		
		Meeting agendas requiring interest declarations	Scott Wooldridge		
		Formal records /minutes of meetings, regular reminders reference declaration of interests / gifts and hospitality	Scott Wooldridge		
		Regular review of relevant policies by the Constitution & Standards Committee.	Scott Wooldridge		
Anti-fraud and corruption Policy & reports	Jason Vaughan				
HR Policies & Codes of conduct	Chris Squire				
SCC Internal Policy Register	James Hadley				

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
			SCC Policies, Plans and Strategies Framework	James Hadley
			Strategic Managers Checklist.	James Hadley
			Constitution contains guidance on decision making requirements	Scott Wooldridge
	Demonstrating strong commitment to ethical values	Seeking to establish, monitor and maintain the organisation's ethical standards and performance	Member's Code of Conduct requires adherence to the Nolan Principles.	Scott Wooldridge
			Maintaining a committee with responsibility for standards of conduct	Scott Wooldridge
			Regular Constitution and Standards Committee reports to Council.	Scott Wooldridge
			Regular conduct content and guidance in Core Brief and Member Core Brief.	Scott Wooldridge
			Requirements of decision report templates (and guidance) to specify implications of proposed decisions for decision makers to have regard to	Scott Wooldridge
			Core and Key Value expectations	Chris Squire
			Staff Awards	Chris Squire
			Staff Performance Appraisals	Chris Squire
			Constitution and policy content.	Scott Wooldridge
			Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	Member Induction and training in Code of Conduct.
	Officer Inductions	Chris Squire		
	Constitution and policy content. No member appraisals in place but Personal Development Plans are offered to elected members.	Scott Wooldridge		
	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	Staff appraisals	Chris Squire	
		Core and Key Values	Chris Squire	
		<ul style="list-style-type: none"> ◆Social Value Policy and Guidance - compliance evidenced through the Commissioning Gateway submissions. ◆Market Position Statements (Adults / Children's and high level. ◆Protocols to work in partnership and joint commissioning boards / agreements. ◆Grant applications and agreement notices ◆Contract Standing Orders 	Claire Griffiths, Alastair Higon & Sarah Hawkins	

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
Page 56		Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	Constitution sets out legal requirements around decision making and other constitutional arrangements, report templates and guidance available on Intranet	Scott Wooldridge
	Respecting the rule of law	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	Staff Responsibilities	Chris Squire
			SLT Director Assurance Statements	Scott Wooldridge
			Key member roles and responsibilities in the Constitution.	Scott Wooldridge
		Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	Democratic Services support to members and committees.	Scott Wooldridge
			Member / Officer Protocol.	Scott Wooldridge
			Inductions & Learning Centre	Clive Mallon
			Key decision process	Scott Wooldridge
			Tell Local Councillor Protocol.	Scott Wooldridge
			Somerset Elections Protocol.	Scott Wooldridge
			Constitution and policy content.	Scott Wooldridge
		Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	Decision reports include a requirement for officers to detail legal implications.	Honor Clarke
			Recorded advice to Social Workers	Honor Clarke
		Dealing with breaches of legal and regulatory provisions effectively	Constitution sets the framework, decision reports include a requirement for officers to detail legal implications.	Scott Wooldridge
			Decision report templates and guidance for completion.	Scott Wooldridge
Ensuring corruption and misuse of power are dealt with effectively	Policies and procedures in place	Scott Wooldridge & Jason Vaughan		
	Governance Board Transparency Code Annual Assurance Report 2020	James Hadley		
		Local Government Transparency Act publications	James Hadley	

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
<p>B. Ensuring openness and comprehensive stakeholder engagement</p> <p>(Previously Engaging with local people and other stakeholders to ensure robust public accountability)</p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p>Openness</p>	<p>Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness</p>	<p>Open Communications & Press Releases</p>	<p>Jan Stafford</p>
		<p>Constitution details the Access to Information requirements in relation to agendas, meetings, reports minutes and decision records.</p>	<p>Scott Wooldridge</p>	
		<p>Decision and report templates meet Access to Information requirements as do decision records, summaries of decisions, summaries of outcomes and minutes.</p>	<p>Scott Wooldridge</p>	
		<p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</p>	<p>Democratic Services Website</p>	<p>Scott Wooldridge</p>
		<p>Constitution details the Access to Information requirements in relation to agendas, meetings, reports minutes and decision records.</p>	<p>Scott Wooldridge</p>	
		<p>Decision and report guidance and templates meet Access to Information requirements as do decision records, summaries of decisions, summaries of outcomes and minutes.</p>	<p>Scott Wooldridge</p>	
		<p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact</p>	<p>Officer reports provide all necessary information for the decision makers.</p>	<p>Scott Wooldridge</p>
		<p>Cabinet forward plan of business published on the website meets Access to Information requirements.</p>	<p>Scott Wooldridge</p>	
		<p>Consultation Website</p>	<p>Nitin Sharma</p>	
		<p>Tracker Survey</p>	<p>Nitin Sharma</p>	
		<p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</p>	<p>Consultation Resources</p>	<p>Nitin Sharma</p>
		<p>Somerset VCSE Strategic Coordination Initiative</p>	<p>Jeff Brown</p>	

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
			Stronger Communities lead within Public Health Commissioning Stronger Communities approach aligned to Health and Wellbeing Board and reflected in Adults' work programmes.	Jeff Brown
			Development of joint commissioning / development of joint health and social care strategy	James Hadley
	Engaging comprehensively with institutional stakeholders	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	Partnership Register Strategic Managers Checklist Partnership Lifecycle Guidance	James Hadley
			Health and Wellbeing Board - Health and Wellbeing Board Constitution	James Hadley
		Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	Somerset Waste Partnership & SWP Business Plan	Mickey Green
		Ensuring that partnerships are based on:– trust – a shared commitment to change– a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit	Cabinet Papers	Nitin Sharma
	Website & Comms		Jan Stafford	
	Engaging stakeholders effectively, including individual citizens and service users	Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.	We don't currently have a single communications strategy - its made up of a number of policy and guidance documents hosted on the intranet.	Jan Stafford
			VCSE Strategic Forum	Jeff Brown
		Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community	Joint strategic needs assessment All JSNA reports contain case studies and the outcome of consultation with specific population groups	Pip Tucker Pip Tucker

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
		Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	Joint strategic needs assessment	Vicky Chipchase
			JSNA 2015 includes findings from focus groups with young people in rural Somerset	Lauren Oliver
			Somerset's UK Youth Parliament and Advisory Group	Kate Darlington
			Children in Care Council, Leaving Care Council	Alison Pennells
			Youth Offending Service	Kat Brooklyn
			Consultation section of decision papers.	Nitin Sharma
			The role of the elected member and their responsibilities for 'full patch'	Scott Wooldridge
		Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account	Procurement Soft-market testing	Claire Griffiths
			Consultation section of decision papers	Nitin Sharma
		Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	The role of the elected member and their responsibilities for communities in their divisions	Scott Wooldridge
			Consulting with all groups whether members of the public, equalities groups/networks or organised groups	Nitin Sharma
			Early Years and School Place Planning Infrastructure Growth Plan	Elizabeth Smith
			Joint strategic needs assessment	Pip Tucker
		Taking account of the interests of future generations of tax payers and service users	JSNA 2015 includes findings from focus groups with young people in rural Somerset	Pip Tucker
			Medium Term Financial Plan 2021-2022	Jason Vaughan
			IMD (update expected this summer 2019)	Adrian Lee
			Somerset Intelligence website	Adrian Lee
			JSNA 2017 process had service user engagement exercise	Pip Tucker
			JSNA 2019/20 on Health impacts of climate change was produced in association with the Somerset Climate Emergency Strategy, with its own public consultation	Pip Tucker
			School population forecasts	Tony Johnson
Vision Statement	Alastair Higton & Sarah Hawkins & James Hadley			
Strategic Planning - Links to County Vision & Business Plan	James Hadley			

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p> <p>(Previously Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area)</p> <p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>Defining outcomes</p>	<p>Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy</p> <p>Specifying the intended impact on, or changes for, stakeholders including citizens and service users</p> <p>Delivering defined outcomes on a sustainable basis within the resources that will be available</p>	<p>MTFP Cumulative Impact Assessments produced to support budget setting decisions.</p> <p>Equalities Objectives</p> <p>SLT Scorecards</p> <p>Performance Report</p> <p>Transformation Priorities Assurance Reporting</p> <p>MTFP Strategy</p> <p>Financial Reports including monthly revenue budget reports to Cabinet</p> <p>Strategic Risk Management Strategy</p> <p>JCAD</p>	<p>Jason Vaughan, Tom Rutland, Nitin Sharma</p> <p>Tom Rutland</p> <p>James Hadley</p> <p>James Hadley</p> <p>Alastair Higton & Sarah Hawkins</p> <p>Jason Vaughan & Donna Parham</p> <p>Jason Vaughan</p> <p>Scott Wooldridge</p> <p>Scott Wooldridge</p>
		<p>Identifying and managing risks to the achievement of outcomes</p>	<p>Strategic Risk Management Group, regular review, updating and reporting of strategic risks to SLT and Audit Committee</p> <p>MTFP financial tracker</p> <p>Transformational and Financial Risks are both included in JCAD, the councils Risk management system. All risks regularly at least monthly.</p> <p>SCC Business Plan</p> <p>Commissioning Intentions through commissioning / service plans</p> <p>Evidence through the Commissioning Gateway</p> <p>Co-production Guidance</p>	<p>Jason Vaughan</p> <p>Jason Vaughan & Donna Parham</p> <p>Alastair Higton & Sarah Hawkins & Jason Vaughan & Donna Parham</p> <p>Jan Stafford & James Hadley & Sam Mills</p>
		<p>Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available</p>	<p>MTFP Priorities</p> <p>Call Centre stats/ complaints handling</p> <p>SWB decisions on Recycle More and alternatives to landfill projects</p> <p>Capital programme</p>	<p>Jason Vaughan</p> <p>Jan Stafford</p> <p>Mickey Green</p> <p>Ben Bryant</p>

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
Page 61	Sustainable economic, social and environmental benefits	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	One Public Estate programme requires consideration of options for shared use and efficiency savings across the public estate.	Oliver Woodhams
			Economic Development Projects (SEIC , innovation centres)	Sarah Rose
			Constitution sets decision making requirements	Scott Wooldridge
			officer reports and decision making templates and guidance	Scott Wooldridge
		Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	discussion in Cabinet / SLT meetings and pre-agenda meetings with chairs and vice-chairs.	Scott Wooldridge
			Minutes and decision records record decisions and reasons.	Scott Wooldridge
			Constitution sets decision making requirements	Scott Wooldridge
			officer reports and decision making templates and guidance	Scott Wooldridge
		Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	discussion in Cabinet / SLT meetings and pre-agenda meetings with chairs and vice-chairs.	Scott Wooldridge
			Minutes and decision records record decisions and reasons.	Scott Wooldridge
			Equality Impact Assessment	Scott Wooldridge & Tom Rutland
			Equality Objectives & New Equality Policy	Tom Rutland
		Ensuring fair access to services	Constitution sets decision making requirements	Scott Wooldridge
			officer reports and decision making templates and guidance	Scott Wooldridge

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.</p>	<p>Determining interventions</p>	<p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided</p>	<p>discussion in Cabinet / SLT meetings and pre-agenda meetings with chairs and vice-chairs.</p>	<p>Scott Wooldridge</p>
	<p>Minutes and decision records record decisions and reasons.</p>	<p>Scott Wooldridge</p>		
	<p>Stakeholders feedback</p>	<p>Jason Vaughan</p>		
	<p>MTFP</p>	<p>Jason Vaughan</p>		
	<p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<p>Capital</p>	<p>Jason Vaughan</p>	
	<p>Service Plans</p>	<p>James Hadley</p>		
	<p>Programme Governance Timetable and SLT Forward Plan</p>	<p>Alastair Higton & Sarah Hawkins</p>		
	<p>Planning interventions</p>	<p>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p>	<p>Forwards Plans for Committees</p>	<p>Scott Wooldridge</p>
	<p>Somerset VCSE Strategic Coordination Initiative</p>	<p>Jeff Brown</p>		
	<p>Strategic Risk Management Strategy</p>	<p>Jason Vaughan</p>		
	<p>Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</p>	<p>JCAD</p>	<p>Jason Vaughan</p>	
	<p>Considering and monitoring risks facing each partner when working collaboratively including shared risks</p>	<p>Strategic Risk Management Group, regular review, updating and reporting of strategic risks to SLT and Audit Committee</p>	<p>Jason Vaughan</p>	
	<p>Business Continuity Plans</p>	<p>Nicola Dawson</p>		
	<p>Partnership Lifecycle Guidance</p>	<p>James Hadley</p>		
<p>10 Point Plan</p>	<p>Sarah Hawkins</p>			
<p>Living' Service Plans?</p>	<p>James Hadley</p>			

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		Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	Public Health regularly use prioritisation tool to update plans	Louise Woolway
		Directors Scorecards	James Hadley	
		Performance Report & Stat report to DFE & DOH	James Hadley	
		Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	Children's Dashboards & QPRM papers	Tony Johnson
		Performance Report	James Hadley	
		Ensuring capacity exists to generate the information required to review service quality regularly	Scorecards	James Hadley
		Extensive range of on-line real-time reports for key operational services.	Tony Johnson	
		Detailed performance reports presented monthly to management teams and range of other boards/meeting.	Tony Johnson	
		Monthly and quarterly corporate monitoring process. Supplemented by Annual data reports and specific deep-dive exercises or ad-hoc reports as required.	Tony Johnson	
		SLT reporting, tracking and follow through of escalations and action.	Alastair Higon & Sarah Hawkins	
		Change Control Process	Alastair Higon & Sarah Hawkins	
		Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan	Programme Business Case Process, including cost model	Alastair Higon & Sarah Hawkins & Sam Mills
		Linkages across plans	James Hadley	
		Business Plan	Jason Vaughan & Jan Stafford & James Hadley	
	Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	Yes, Investments etc.	Jason Vaughan	
Optimising achievement of intended outcomes	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints		Jason Vaughan	
Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	Social Value in commissioning intentions.	Sam Mills		

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
		Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	In accordance with the Contract Procedure Rules and Standing Order, social value should be considered as part of all procurements. In doing so consideration needs to be given to the MTFP in establishing the approach to evaluating the Most Economically Advantageous Tender	Claire Griffiths
		Ensuring the achievement of 'social value' through service planning and commissioning.	Highways Infrastructure Asset Management Strategy (HIAMS).	David Jones
		The Public Services (Social Value) Act 2012	DfT Local Highways Infrastructure Incentive Fund Self-assessment.	Neil Guild

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> <p>(Previously Developing the capacity and capability of members and officers to be effective)</p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types</p>	<p>Developing the entity's capacity</p>	<p>Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness</p>	<p>Highways Commissioning Intentions document, linked to our Service Level Agreement between Highways and Transport Commissioning, and E&CI Operations.</p> <p>County Wide asset rationalisation programme using Place Based Review approach. Establishment of Corporate Landlord Model steering group in advance of implementation April 2019. Individual workstreams focus on challenges and solutions.</p> <p>6 monthly occupancy studies of our Smart office bases and drop-ins</p> <p>Regular review of children's centres and GetSet operations/strategic objectives</p> <p>Monthly meetings with the library service to review use and opportunities</p> <p>Monthly Education Infrastructure Board to ensure sufficiency of education places</p> <p>Project team meetings</p> <p>Project monitoring dashboard</p> <p>Monthly corporate property project progress meeting</p> <p>Attendance at monthly infrastructure and programme boards</p> <p>Benchmarking Groups (Corporate and Service)</p> <p>Childrens Services Benchmarking Group</p> <p>Waste</p>	<p>David Jones</p> <p>Oliver Woodhams</p> <p>Oliver Woodhams</p> <p>Oliver Woodhams</p> <p>Oliver Woodhams</p> <p>Oliver Woodhams</p> <p>Oliver Woodhams</p> <p>Oliver Woodhams</p> <p>Oliver Woodhams</p> <p>Oliver Woodhams</p> <p>Oliver Woodhams</p> <p>Oliver Woodhams</p> <p>James Hadley</p> <p>Mickey Green</p>
		<p>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently</p>	<p>Health and Wellbeing Board</p>	<p>James Hadley</p>
		<p>Recognising the benefits of partnerships and collaborative working where added value can be achieved</p>	<p>Somerset Intelligence Partnership</p> <p>Key Partners Register</p> <p>Partnership Lifecycle Guidance</p> <p>Our People Strategy</p> <p>Service Plan</p>	<p>Adrian Lee</p> <p>James Hadley</p> <p>James Hadley</p> <p>Chris Squire</p> <p>Chris Squire</p>
		<p>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</p>	<p>Establishment Control & Workforce Analytics</p> <p>Workforce Planning Toolkit.</p> <p>Service Areas responsible for generating own workforce plans with HR and OD providing support materials.</p> <p>Constitution includes Member / Officer Protocol and role descriptions for members</p>	<p>Chris Squire</p> <p>Chris Squire</p> <p>Chris Squire</p> <p>Scott Wooldridge</p>

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
of backgrounds, reflecting the structure and diversity of communities.	Developing the capability of the entity's leadership and other individuals		regular Cabinet / SLT meetings	Scott Wooldridge
			Officer's JD's	Chris Squire
		Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	Constitution includes high level Council and Cabinet Scheme of Delegation	Scott Wooldridge
			Standing Orders and Financial Regulations - reviewed at least annually by Full Council and in the interim by Constitution Committee	Scott Wooldridge
		Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	Constitution sets out legal roles of Leader and CEO and relationship management in the Member / Officer Protocol	Scott Wooldridge
			Member induction programme following election	Scott Wooldridge
		Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	annual member training programme	Scott Wooldridge
		Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:- ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged –	PDPs for members	Scott Wooldridge
			cross party Member Development Panel has oversight role of member training and support	Scott Wooldridge
			Officer Training:	Chris Squire
			Development of widely accessible learning and information	Chris Squire
			Full records of all officer corporate central training available.	Chris Squire
			Workforce planning identifies succession planning matters	Chris Squire
			Constitution sets out the public rights to engage	Scott Wooldridge
			including access to reports, agendas, minutes, meetings, public question time provisions at formal meetings.	Scott Wooldridge
		Ensuring that there are structures in place to encourage public participation	No provision for reviewing individual member performance.	Scott Wooldridge
			peer review / service inspection reports are formally considered and acted upon as appropriate	Pat Flaherty
		Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	SLT 1-2-1's with Pat	Pat Flaherty
			Coaching opportunities	Chris Squire
			Generate a picture and record of learning needs and requisite training and action taken	Chris Squire
	H&W Champions	Chris Squire		
Holding staff to account through regular performance reviews which take account of training or development needs	Mental Health First Aiders	Chris Squire		
Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own	Mindfulness	Chris Squire		
	Carefirst & EAP	Chris Squire		

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		physical and mental wellbeing	Rapid Access to Physio	Chris Squire
			Occ Health	Chris Squire
			New Workforce Analytics / Dashboards	Chris Squire
			Policy exists	Jason Vaughan
			RM Strategy	Jason Vaughan

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
<p>F. Managing risks and performance through robust internal control and strong public financial management.</p> <p>(Previously Taking informed decisions which are subject to effective scrutiny and managing risk)</p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making.</p>	<p>Managing risk</p>	<p>Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</p>	<p>Yes - via SLT and Audit Committee</p>	<p>Jason Vaughan</p>
		<p>SCC Risk Strategic Risk Management Strategy</p>	<p>Pam Pursley</p>	
		<p>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</p>	<p>JCAD</p>	<p>Scott Wooldridge</p>
		<p>Service Plans Analysis</p>	<p>James Hadley</p>	
	<p>Managing performance</p>	<p>Ensuring that responsibilities for managing individual risks are clearly allocated</p>	<p>Performance Report (especially Appendix A1)</p>	<p>James Hadley</p>
		<p>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</p>	<p>Performance Management Framework and Learning Centre Module?</p>	<p>James Hadley</p>
			<p>Constitution sets decision making requirements</p>	<p>Scott Wooldridge</p>
			<p>officer reports and decision making templates and guidance, discussion in Cabinet / SLT meetings and pre-agenda meetings with chairs and vice-chairs.</p>	<p>Scott Wooldridge</p>
		<p>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</p>	<p>Minutes and decision records record decisions and reasons.</p>	<p>Scott Wooldridge</p>
			<p>Programme Business Case process</p>	<p>Alastair Higton & Sarah Hawkins & Sam Mills</p>
			<p>Quarterly Transformation and Improvement update to Cabinet, alongside Finance Report</p>	<p>Alastair Higton & Sarah Hawkins</p>
			<p>SCC Lessons Learned Portal</p>	<p>Alastair Higton & Sarah Hawkins</p>
			<p>Change Control Process</p>	<p>Alastair Higton & Sarah Hawkins & Jason Vaughan</p>
			<p>Role of scrutiny / terms of reference detailed in the Constitution / reviewed at least annually.</p>	<p>Scott Wooldridge</p>
			<p>Scrutiny Review and Improvements</p>	<p>Scott Wooldridge</p>
		<p>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any</p>	<p>Agendas and minutes published</p>	<p>Scott Wooldridge</p>
			<p>members trained</p>	<p>Scott Wooldridge</p>
			<p>Scorecards & deadlines</p>	<p>James Hadley</p>
<p>Performance Report & Timetable</p>	<p>James Hadley</p>			
<p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p>	<p>Budget Reports</p>	<p>Jason Vaughan</p>		
	<p>Budget Monitoring Assumption is that this refers to the bases of accounting for in-year budgeting and Statement of Accounts. Agenda item 10 of link shows the forecasting forward to year end. Budget monitoring is done on the same accounting bases as SoA. Guidance and co-ordination through Corporate Finance in both cases.</p>	<p>Jason Vaughan</p>		
	<p>Risk Management Policy and Strategy in place</p>	<p>Jason Vaughan</p>		
<p>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</p>	<p>strategic risk management group</p>	<p>Jason Vaughan</p>		

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<p>decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>Robust internal control</p>	Aligning the risk management strategy and policies on internal control with achieving the objectives	regular strategic risk reports to SLT and Audit Committee	Jason Vaughan
		risk reports part of the performance management reporting arrangements	Jason Vaughan	
		Risk Management Policy and Strategy in place	Jason Vaughan	
		strategic risk management group	Jason Vaughan	
		Evaluating and monitoring the authority's risk management and internal control on a regular basis	regular strategic risk reports to SLT and Audit Committee	Jason Vaughan
		risk reports part of the performance management reporting arrangements	Jason Vaughan	
		National Fraud Initiative	Sarah Skinner	
		CIPFA - Fighting Fraud and Corruption Locally		
		PPP		
		SWAP		
	Ensuring effective counter fraud and anti-corruption arrangements are in place	Police		
	Healthy Organisation Report - Healthy Organisation looks at key areas within SCC governance, and will form a key source document in setting up the next Internal Audit Plan. <i>(also need our response to the report)</i>	Scott Wooldridge and Jason Vaughan		
	Audit Committee in place under the Constitution and meeting regularly in accordance with best practice.	Scott Wooldridge		
	Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	Terms of reference set out in the Constitution and regular training provided to members.	Scott Wooldridge	
	Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:- provides a further source of effective	The Information Governance Board	Rebecca Martin	
		Rebecca Martin		
	<p>Managing data</p>	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	Framework of Information Governance Policy	Rebecca Martin
	The NHS toolkit has been completed and submitted electronically	Rebecca Martin		
	Staff receive induction and refresher training.	Rebecca Martin		
	Sharing Protocols	Rebecca Martin		
Sharing Agreements	Rebecca Martin			
Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	Contracts include relevant data protection, confidentiality and FOI clauses.	Rebecca Martin		
Regular audit procedures against data to ensure accuracy	Jan Stafford			
Validation procedures to ensure data quality	Jan Stafford			
Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	Rectify data quality issues. - Data Strategy	Tony Johnson		
Resilience Report	Jason Vaughan			
Grant Thornton Reports	Jason Vaughan			
<p>Strong public</p>	Ensuring financial management supports both	SLT business report	Jason Vaughan	

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
	financial management	long term achievement of outcomes and short-term financial and operational performance	Finance reports to Audit Committee	Jason Vaughan
		Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Budget Monitoring reports	Jason Vaughan
			Performance Report	James Hadley
			Agreements with Gov Board around level of publication and frequency	James Hadley

Principles of good governance	Sub-principles	Behaviours and actions that demonstrate good governance in practice relating to the sub-principle	Possible Evidence Documents / Metrics / Case Studies	Evidence Owner
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p>Implementing good practice in transparency</p>	<p>Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</p>	<p>You Said, We Did</p>	<p>Jan Stafford</p>
		<p>Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</p>	<p>Leader's Report</p>	<p>James Hadley</p>
	<p>Implementing good practices in reporting</p>	<p>Reporting at least annually on performance, value for money and the stewardship of its resources</p>	<p>financial statements Narrative Report</p>	<p>Jason Vaughan</p>
			<p>Comprehensive Income and Expenditure Account</p>	<p>Jason Vaughan</p>
			<p>Accountability in Service Plans and Scorecards</p>	<p>James Hadley</p>
			<p>AGS Action Plan</p>	<p>Scott Wooldridge & Jason Vaughan</p>
		<p>Ensuring members and senior management own the results</p>	<p>As above re AGS. There are also references to working jointly in Financial Regulations and Financial Procedures (see link and Section E in both cases)</p>	<p>Jason Vaughan</p>
		<p>Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)</p>	<p>Performance Reports & SLT Business Meeting Agenda</p>	<p>James Hadley</p>
		<p>Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate</p>	<p>Internal Audit Opinion</p>	<p>Lisa Fryer</p>
			<p>Internal Audit Charter and review of SWAP in light of PSIAS. Process for Audit Committee dealing with Partial assurance audits and use of JCAD to track.</p>	<p>Lisa Fryer</p>
<p>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations</p>	<p>See above re Charter and review of SWAP and Partials. Note regular agenda items to Audit Committee (quarterly) entitled Internal Audit update</p>	<p>Lisa Fryer</p>		

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	Assurance and effective accountability	Ensuring that recommendations for corrective action made by external audit are acted upon	Ofsted	Tony Johnson
		Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	Peer Review	James Hadley
		Welcoming peer challenge, reviews and inspections from regulatory bodies and	QPRM	Tony Johnson
			PIMS	Tony Johnson
		Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	Risk Register	Pam Pursley
		Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	Checklist	Jan Stafford

Somerset County Council

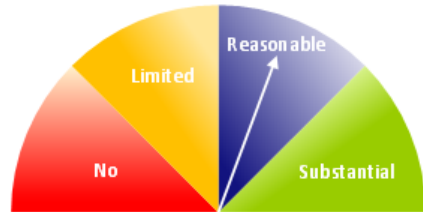
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Agenda item 6

Internal Audit Annual Opinion – 2020/21: ‘At a Glance’

Annual Opinion



There is generally a 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.

The Headlines

	No high corporate risks reported in the year
	44 reviews delivered as part of the 2020/21 Internal Audit Plan. Covers assurance, advisory, grant certification and follow up reviews.
	Healthy Organisation. Medium assurance rating overall with financial management moving from ‘Amber’ to ‘Green’.
	Five out of six follow-ups conducted report risk reduced to a satisfactory level.
	Range of innovations and enhancements made to our internal audit process throughout the year. One-page audit report, continuous assurance and the introduction of Agile auditing and planning.

Internal Audit Assurance Opinions 2020/21

Substantial	2
Reasonable	8
Limited	6
Medium (HO)	1
Internal Audit Agreed Actions 2020/21	
Priority 1	4
Priority 2	47
Priority 3	64
Total	115



Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

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

Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

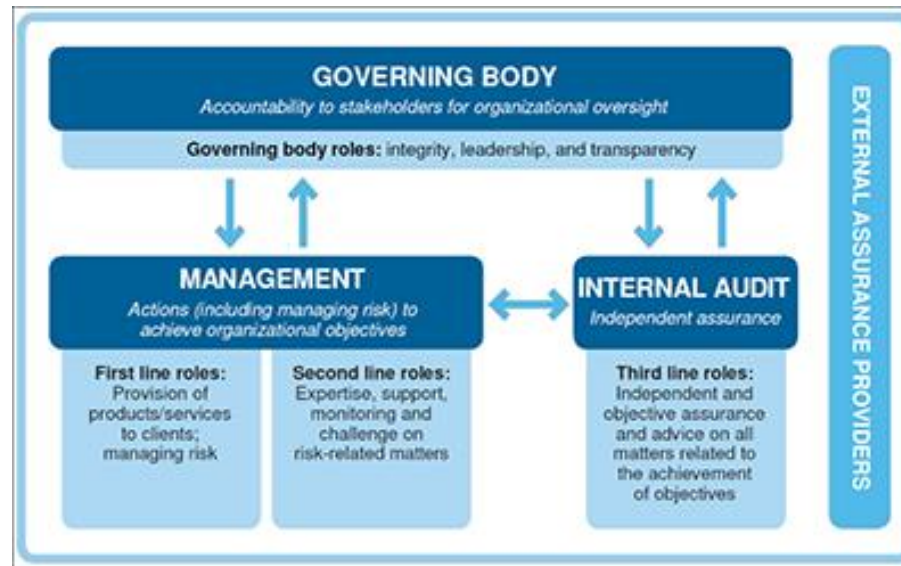


Background

The Internal Audit service for Somerset County Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2020/21 year.

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



Internal Audit Annual Opinion 2020/21

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2020/21 audit work for Somerset County Council, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

A schedule of audit work delivered can be found at Appendix A.

Across the whole of 2020/21 the priority for the Council has needed to be its response to Covid-19. This has meant more changes to the audit plan than usual, but as in more normal times, audit work has been planned to ensure that sufficient assurance is available to support the annual opinion. Despite the pandemic, the professional requirements of the Public Sector Internal Audit Standards (PSIAS) have remained unchanged and in line with these, new audit priorities to cover the risks from the impact of Covid-19 have been agreed throughout the year and that work supports the annual opinion.

Additional audits performed relating to risks associated with the Covid-19 emergency response were:

- Covid-19 expenditure approvals
- Treasury Management on-line authorisations
- Response to Procurement Policy note 02/20 (Covid-19 Procurement Regulations)
- Covid-19 Bus Services Support Grant – Tranches 1 and 2
- Debtors and Creditors Continuous Assurance

It has been necessary to defer some audit work to 2021/22 and this has been reported throughout the year. The main reasons for this are:

- Additional audit work on new risks associated with Covid-19 being delivered.
- Some areas of the Council faced significant resource challenges as leading the Council's response to the pandemic, meaning key staff were not accessible to internal auditors.

- Resource challenges resulting in delays in planned work on implementing agreed recommendations, delaying follow-up work.
- Demands on internal audit for advisory and non-audit support work increased.

Despite changes to the plan, audits delivered over the year have provided coverage across the Council's key services and in relation to its strategic risks. A summary of audit work carried out against the Council's strategic risk areas is provided in the next section on page 6.

Healthy Organisation is a review of the corporate control framework and a key source of assurance this year with an overall rating provided of Medium. A significant improvement made since the last review, two years previously, was in Financial Management which moved from 'Amber' to 'Green' due to better budget planning, setting and management. Frameworks in areas previously assessed as strong, such as Performance, Programme and People management have remained so or have improved further. We concluded that the considerable actions taken by the Council to respond to the pandemic, which included emergency governance arrangements and redeployment of hundreds of staff, has not resulted in any significant adverse impact on service delivery or the overarching control framework. A summary of the results can be found on page 9.

All reviews have been completed to report stage, with only three waiting to be finalised. Of these, 16 have opinions with 10 (59%) having received Reasonable or Substantial Assurance and the remaining given Limited assurance. This is very similar to the 62% reported in 2019/20. The internal audit plan continued to be focused towards high risk areas and given the impact of the pandemic on resources, this outcome is viewed positively. I also continue to be encouraged by the management responses received and the readiness to accept and address the matters raised in audit reports.

As stated above it has been necessary to reschedule some of the planned follow-up reviews to 2021/22 to allow more time for agreed recommendations to be implemented. Six follow-up audits were carried out during the year and overall this work confirms the implementation of agreed recommendations to mitigate exposure to areas of significant risk. For five of the six audits the risks have been judged to have been reduced sufficiently to be removed from the risk management system.

16 advisory audits were completed and these represented the main additions to the plan over the year. Given the level of change within the Authority, Internal Audit has a role to play in being the 'Trusted Advisor'. These reviews included investigative work, as well as advisory work to review control frameworks in new areas as well as in areas of concern or uncertainty. It is positive that requests for such reviews continued throughout the year, reflecting an organisation that is keen to involve internal audit to help address potential areas of risk and this is seen as an indicator of good governance. Where such advisory work has identified significant weaknesses these are subject to follow-up in future plans, as will take place for the Contractor Application for Payment process.

There were no significant fraud investigations undertaken during the year. A baseline assessment of maturity in relation to fraud was carried out which did identify areas where the strengthening of controls was recommended. This report is being used by the Council to drive improvement. The review was conducted at eleven partners and broadly similar results were reported.

Summary of Audit Work 2020/21

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.



Audit Coverage by Strategic Risk

Strategic Risk	Coverage	Assurance assessment based on completed internal audit work
ORG0009 – Safeguarding Children	Yellow	Safeguarding in schools, Independent Non Maintained School Placements.
ORG0053 – Organisational Resilience (including Business Continuity, Civil Contingencies, Health & Safety, cybersecurity, information management)	Dark Blue	Business continuity, cyber security framework review, Apprenticeship scheme, Healthy Organisation.
ORG0054 – Climate Change	Red	Strategy only recently launched – to include in 21/22.
ORG0055 – Partnerships	Dark Blue	Local Enterprise Partnership Governance, Community Learning Partnerships.
ORG0056 – Covid19 pandemic effects on suppliers	Dark Blue	Response to Procurement Policy Note 02/20.
ORG0057 – Sustainable MTFP	Dark Blue	Adults budget management, parking income, Big Bus, Treasury Management, Healthy Organisation.
ORG0058 – Uncertainty around Local Government Reorganisation	Red	Outcome not yet known – to include in 21/22.
ORG0002 – External influences affecting commissioning	Dark Blue	Healthy Organisation (procurement and commissioning), response to Procurement Policy Note 02/20.
ORG0024 – Market Management and Development	Dark Blue	Healthy Organisation (procurement and commissioning), Big Bus.

Table Key	
Dark Blue	Reasonable internal audit coverage
Yellow	Limited internal audit coverage
Red	No recent internal audit coverage
Dark Red	Proposed internal audit coverage removed

Summary of Audit Work 2020/21

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

For those audits which have reached final report stage through the year, a number of audits have been assessed as being a medium corporate risk but none were assessed during the year as 'High'.



Summary of Audit Work 2020/21

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

Assurance Definitions

No Assurance	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.
Limited	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.
Reasonable	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.
Substantial	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.



Summary of Audit Opinion

Table 1: Summary of Audit Opinions

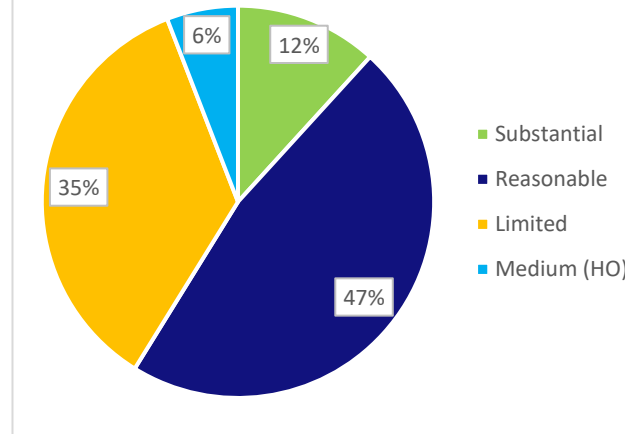


Table 2: Audit Work by Type

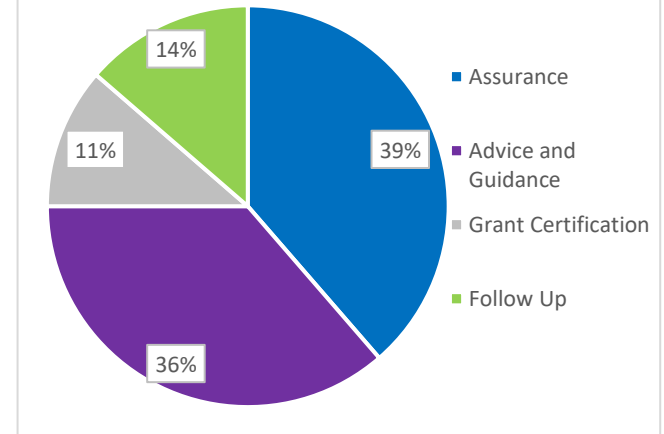


Table 1 above indicates the spread of assurance opinions across our work during the past year.

Table 2 indicates the audit work by type. Whilst assurance work is the key focus of internal audit, internal audit has the knowledge and skills to be able to provide advisory work and the number of advisory projects did increase during the pandemic.

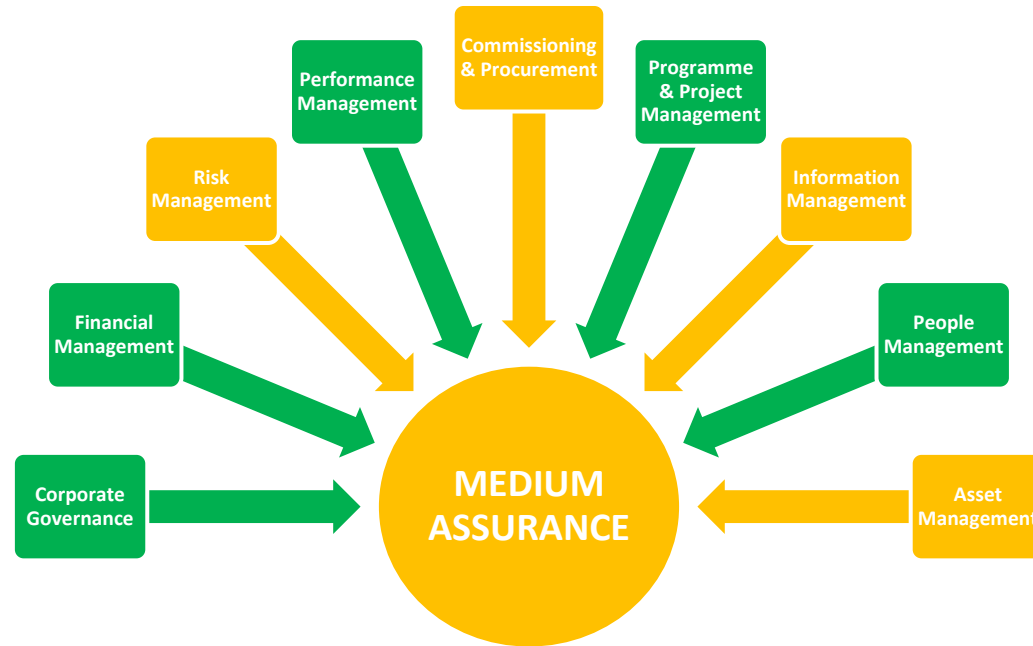
Healthy Organisation

An objective assessment of the management control framework or 'Health' of an organisation.



Healthy Organisation Summary

The assurance for each of the nine Healthy Organisation themes is depicted in the following chart.



R/A/G Rating Key:

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

Overall a **Medium Assurance** opinion, was provided, with a 'Green' assessment for five of the nine themes. Areas for attention identified as part of the review are monitored monthly by SCC's governance board and will also be subject to a follow-up in 2021/22.

Added Value

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



Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

Benchmarking

During the year we have included benchmarking data as part of our audit work using information gained from either the SWAP partnership or from the wider reach of the Local Authority Chief Auditors Network (LACAN) for:

- Baseline Assessment of Fraud
- Adult Client Finances
- Effectiveness of the Schools Forum

CIFAS Data Matching

SWAP paid the annual subscription for 2020/21 to enable Somerset County Council to be part of CIFAS. This data matching service will help the Council to both detect and prevent fraud. SWAP is working with both CIFAS and the Council to facilitate data matching work in the following areas:

- Blue badges – to help identify whether badges issued remain valid by checking badge holders to the deceased database.
- Adult Services, residential homes and domiciliary services – to help ensure payments made remain valid, checks are proposed once the new Adults management system Eclipse is operational.

Staff Redeployment

One member of staff was redeployed to Facilities Management from November to March.

Innovations and Enhancements to our Audit Process

We have taken the opportunity to implement and introduce a number of innovations and enhancements to our audit process. This has included introducing the concept of 'Agile Auditing' to our audit process. With increased collaboration and a joint commitment with the service under review, it is possible to complete audits faster and more efficiently. We have used this concept to complete a number of audits this year and have had positive feedback from the senior managers working with us on these reviews. This will now be rolled out for all audits, wherever possible, in 2021/22.

During the first lockdown SWAP developed continuous assurance reporting for debtors and creditors to provide high level assurance at a time when organisational activity was directed to the front-line response to the pandemic. The reasonableness of financial information was assessed by comparing data over time and in relation to known operational activity.

Continuous assurance reporting was carried out with the help of SWAP's two newly appointed Data Analysts and we are looking to include analysis of data as part of our auditing wherever possible. This allows us to assess whole populations of data, as well as enabling us to target our testing in a more effective manner.

During the year a new one-page audit report was introduced that directs managers to key findings and recommendations. Feedback on the report style has been extremely positive.

SWAP's Counter Fraud Team has also facilitated access to counter fraud intelligence resources and issued alerts and newsletters to key officers in the Council.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP’s performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for Somerset County Council for 20/21 year are:

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u>	
Final, Draft and Discussion 90%	100%
In progress/Review	0%
Yet to complete	0%
<u>Customer Satisfaction Questionnaire</u>	
Feedback 95%	100%

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance to PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP’s Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.

Audit Type	Audit Name	Quarter	Opinion/Other	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
Opinion Based Audits							
Governance	Apprenticeship Scheme	1	Limited	6		2	4
School	Safeguarding in Schools	1	Limited	5		2	3
Key Control	Staff Expenses	2	Reasonable	5		1	4
Operational	Parking Income	1	Reasonable	4		2	2
Key Control	Treasury Management (on-line authorisation)	2	Substantial	1			1
Governance	Local Enterprise Partnership (LEP) Governance	2	Reasonable	10		1	9
School	School Theme – Community Learning Partnerships	3	Limited	6		4	2
Healthy Organisation	Healthy Organisation (HO)	2	Medium Assurance				
Operational	Adults Budget Management	2	Reasonable	4		1	3
Governance	COVID-19 Expenditure Approvals	2	Substantial	1			1
Operational	Big Bus Project	3	Reasonable	5		2	3
Key Control	Debt Management	3	Limited	11		6	5
Operational	Independent Non Maintained Schools – Contracts/Individual Placement Agreements	4	Reasonable	7		2	5
Operational	Adults Absence Management – sickness and leave	4	Reasonable	7		1	6
Operational	Adults Client Finances	4	Reasonable	4		1	3

Plan Performance 2020/21

Audit Type	Audit Name	Quarter	Opinion/Other	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Operational	Effectiveness of the School's Forum	4	Limited	12		2	10
Governance	Baseline Assessment of Fraud Risk	4	Overall controls assessed to be partially in place.	6		6	
Follow-ups							
Follow-up	Corporate property maintenance - schools	1	Sufficient progress made to remove from JCAD				
Follow-up	Service Planning	2	Sufficient progress made to remove from JCAD				
Follow-up	Early Years Follow Up	4	Sufficient progress made to remove from JCAD				
Follow-up	Risk management	2	Insufficient progress made to remove from JCAD				
Follow-up	The Education of Children Looked After	1	Sufficient progress made to remove from JCAD				
Follow-up	The Virtual School	4	Sufficient progress made to remove from JCAD				
Grants							
Assurance	DfT COVID-19 Bus services support grant – Tranche 1	1					
Assurance	DfT COVID-19 Bus Services Support Grant - Tranche 2	2					
Assurance	Bus Subsidy Ring Fenced Revenue Grant	3					
Assurance	Troubled Families – Phase 2 Claims	1-4					
Assurance	Local Transport Capital Funding (including Pothole Action Fund)	2					

Plan Performance 2020/21

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Audit Type	Audit Name	Quarter	Opinion/Other	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Advisory Work							
Advice	Beech Grove PTA Fund	2					
Investigation	Procurement investigation	1					
Investigation	Use of Procurement cards	2					
Advice	Response to Procurement Policy Note 02/20 (Covid-19 Procurement Regulations)	1	Advisory but found overall Council's response was reasonable.	4		2	2
ICT	ICT Governance Risk Scope Review	1					
ICT	Cybersecurity Framework Review	3	Advisory but found overall evidence of controls in place/being developed across most areas.	10	1	9	
Advice	Contractor Application for Payment Review	1		7	3	3	1
Advice	Research – Transformation and Budget Monitoring	3					
Governance	Business Continuity Plan Updates	3					
Advice	Special Audit Review	3					
Advice	Avalon School Hydrotherapy Pool	2					
Advice	SCC COVID-19 Response Advice - Various	1					
Key Control	Debtors and Creditors Continuous Assurance	1					

Plan Performance 2020/21

Audit Type	Audit Name	Quarter	Opinion/Other	No of Rec	1 =	↔	3 =
					Major		Medium
					1	2	3
Governance	Assurance Mapping	2					
Advice	Financial Procedures	3					
Advice	CIFAS – Planning for Blue Badges/Adult Social Care	3					
Audits Deferred/Removed							
Operational	SEND casework	1	Deferred				
Follow-up	Childrens – Education Health and Care Plans (EHCPs)	1	Deferred				
Operational	Adult Commissioning	1	Deferred				
Follow-up	Corporate Management of Health and Safety	1	Deferred				
Operational	Community Asset Transfers	2	Replaced with new higher risk work.				
Operational	Insurance Claims	2	Replaced with new higher risk work.				
Operational	Education Health & Care Plan Reviews	2	Deferred				
Follow-up	Mental Health – Financial Decision making	2	Deferred				
Follow-up	Cash Handling	2	Deferred				
Follow-up	Lone Working	2	Deferred				
Follow-up	FAB Assessments	3	Deferred				

Plan Performance 2020/21

Audit Type	Audit Name	Quarter	Opinion/Other	No of Rec	1 =	↔	3 =
					Major		Medium
					1	2	3
Operational	Corporate Landlord Model	3	Deferred				
Operational	Adults – Workforce Planning	3	Deferred				
Governance	Project Management – Use of Project Mobilisation Toolkit	3	Deferred				
Operational	Eclipse System Implementation	4	Deferred				
Follow-up	Transfer of Public Health Nursing Services	4	Deferred				
Operational	Construction Design Management (CDM) Regulations	4	Deferred				
Operational	Wells Enterprise Centre	4	Deferred				
Governance	Whistleblowing	4	Deferred				
Operational	Early Help Assessments	1	Deferred				
Follow-up	Role of the Somerset Manager	4	Deferred				
Operational	Independent Placements – Financial Controls & Contract Management	2	Deferred				
Governance	Information Asset Register	4	Deferred				
Operational	Exclusions and Attendance	4	Deferred				
Follow-up	Supplier Resilience	3	Deferred				
Grant	BDUK Broadband Grant Certification	4	Deferred				

Plan Performance 2020/21

Audit Type	Audit Name	Quarter	Opinion/Other	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
Governance	Contract Management Framework	2	Deferred				



Somerset County Council

Report of Internal Audit Activity

Plan Progress 2020/21- July Update

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Agenda item 7

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 11th March 2021.

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 ‘limited 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	

SWAP Performance - Summary of Limited 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/Other Work Finalised

Debt Management

The primary purpose of the audit was to verify the extent to which the framework to support the active management and recovery of all debts due to the Council is being complied with.

We have again identified that there is a low level of compliance by services with the Income Code of Practice's timescales and recording requirements. It is likely that Covid-19 has had some impact, as debt recovery was suspended for three months until the end of June 2020 and finance staff resources were stretched during the year due to redeployment.

It is recognised that the central exchequer team has completed some key actions in recent years, but their direct influence in securing further improvement is becoming more difficult to achieve. Therefore, this time we have directed our recommendations directly to Service Finance Managers where issues were found. It is hoped that this approach will drive the increased accountability that is needed.

The audit report has been scheduled as an agenda item at July's Governance Board meeting which will provide an opportunity to raise awareness of the remaining issues to senior staff across the Council.

Baseline Assessment of Maturity in relation to Fraud

This corporate assessment of fraud maturity was carried out across eleven partner councils. An amber rating was given across the six themed areas covered and areas of improvement were identified. The report was received positively by SCC and will be used to drive improvement.

A summary of the SCC report can be found at Appendix C. A comparison across the partners has also been included, SCC is Council number 1.

Cyber Security Framework Review

This audit review has been undertaken using a framework of 20 key cyber security controls. The results will be used to highlight areas of risk that require immediate attention or further risk-based audit review. Detailed testing was not carried out and it is for this reason that an opinion has not been given.

A summary of the results can be found at Appendix D. Security awareness and training was assessed as 'Red' and therefore considered to require immediate attention. ICT acknowledged that more could be done to better support IS training and awareness and will use the report to raise the profile of this issue and to obtain the wider support needed to make improvement. A full review of training and awareness is planned for quarter 3 of 2021/22.

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, using data to the end of June 2021 is as follows:

Performance Target	20/21 Performance	19/20 Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Not started	100% 0% 0%	90% 10% 0%
<u>Audit Plan – Delivery</u> On course to deliver at least 90% of plan by year end	Yes	Yes
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	100%	98%

We will build our audit plan as the year progresses to ensure that we are auditing the right things at the right time.



SCC Plan Performance

Previous progress updates have reported changes to the original plan largely due to the pandemic. This has included additional advisory and grant work as well as replacement adults and childrens audits, all of which have now been delivered. This gives a good basis for the 20/21 annual opinion.

Those audits that were not able to be delivered have been risk assessed and rescheduled to 2021/22 as appropriate. It has also been necessary to reschedule some planned follow-up reviews, as progress in implementing agreed recommendations has slowed due to resources being diverted to the Council's response to the pandemic.

Assurance Definitions	
None	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.
Limited	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.
Reasonable	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.
Substantial	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.

Definition of Corporate Risks	
Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	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:	
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

8/

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major ↔ 3 = Minor			Comments
								Recommendation			
								1	2	3	
Opinion Based Audits											
Human Resources	Governance	Apprenticeship Scheme	1	Final	Limited	19/03/2020	6		2	4	
Education	School	Safeguarding in Schools	1	Final	Limited	15/04/2020	5		2	3	
Finance	Key Control	Staff Expenses	2	Final	Reasonable	04/05/2020	5		1	4	
ECI	Operational	Parking Income	1	Final	Reasonable	23/04/2020	4		2	2	
Finance	Key Control	Treasury Management	2	Final	Substantial	04/08/2020	1			1	
ECI	Governance	Local Enterprise Partnership (LEP) Governance	2	Final	Reasonable	03/08/2020	10		1	9	
Education	School	School Theme – Community Learning Partnerships	3	Final	Limited	28/09/2020	6		4	2	
SLT	Healthy Organisation	Healthy Organisation (HO)	2	Final	Medium Assurance	01/09/2020					
Adult services	Operational	Adults Budget Management	2	Final	Reasonable	06/08/2020	4		1	3	
Finance	Governance	COVID-19 Expenditure Approvals	2	Final	Substantial	06/08/2020	1			1	New
ECI	Operational	Big Bus Project	3	Final	Reasonable	15/01/2021	5		2	3	

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Finance	Key Control	Debt Management	3	Final	Limited	29/01/2021	11		6	5	
Children's services	Operational	Independent Non Maintained Schools – contracts/IPAs	4	Final	Reasonable	01/03/2021	7		2	5	New
Adult Services	Operational	Absence Management – sickness and leave	4	Final	Reasonable	09/02/2021	7		1	6	New
Adult Services	Operational	Client Finances	4	Final	Reasonable	16/02/2021	4		1	3	New
Children's services	Operational	Effectiveness of the school's forum	4	Draft	Limited	22/03/2021	12		2	10	New
Finance	Governance	Baseline Assessment of Fraud Risk	4	Final	Overall controls assessed to be partially in place.	25/01/2021	6		6		New
Follow Ups											
Property services	Follow-up	Corporate property maintenance - schools	1	Final	n/a	03/08/2020					Sufficient progress made to remove from JCAD
Performance	Follow-up	Service Planning	2	Final	n/a	03/08/2020					Sufficient progress made to remove from JCAD
Children & Families	Follow-up	Early Years Follow Up	4	Final	n/a	28/07/2020					Sufficient progress made to remove from JCAD
Finance	Follow-up	Risk management	2	Final	n/a	03/08/2020					Insufficient progress made to remove from JCAD

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Children's Services	Follow-up	The Education of Children Looked After	1	Draft	n/a	22/02/2020					Sufficient progress made to remove from JCAD
Children's Services	Follow-up	The Virtual School	4	Draft	n/a	05/02/2020					New - Sufficient progress made to remove from JCAD
Grants											
ECl	Grant	Bus services support grant – Tranche 1	1	Complete		18/05/2020					New – Covid-19 Additional funding
ECl	Grant	DfT COVID-19 Bus Services Support Grant - Tranche 2	2	Complete		01/09/2020					New – Covid-19 Additional funding
ECl	Grant	Bus Subsidy Ring Fenced Revenue Grant	3	Complete		02/12/2020					New
Children & Families	Grant	Troubled Families – Phase 2 Claims	1-4	Complete		01/04/2020					Certification of claims completed through the year.
ECl	Grant	Local Transport Capital Funding (including Pothole Action Fund)	2	Complete		01/07/2020					
Advisory Work											
Education	Advice	Beech Grove PTA Fund	2	Final	n/a	02/07/2020					New
Procurement	Investigation	Procurement investigation	1	Final	n/a	18/05/2020					New
Finance	Investigation	Use of Procurement cards	2	Final	n/a	09/07/2020					New

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Procurement	Advice	Response to Procurement Policy Note 02/20	1	Final	n/a	14/05/2020	4		2	2	Advisory but found overall Council's response was reasonable.
ICT	ICT	ICT Governance Risk Scope Review	1	Final	n/a	29/06/2020	n/a				
ICT	ICT	Cybersecurity Framework Review	3	Final	n/a	04/01/2021	10	1	9		Advisory but overall evidence of controls in place or being developed across most areas.
ECl	Advice	Contractor Application for Payment Review	1	Final	n/a	08/06/2020	7	3	3	1	New
Finance	Advice	Research – transformation and Budget Monitoring	3	Final	n/a	16/11/2020					New
Business continuity	Governance	Business Continuity Plan Updates	3	Final	n/a	16/11/2020					New
ECl	Advice	Special Audit Review	3	Final	n/a	18/11/2020					New
Education	Advice	Avalon School Hydrotherapy Pool	2	Final	n/a	22/06/2020					New
All	Advice	SCC COVID-19 Response Advice - various	1	Final	n/a	01/04/2020					New
Finance	Advice	Debtors and Creditors Continuous Assurance	1	Final	n/a	30/04/2020					New – development of a continuous assurance offer for SCC
Governance	Advice	Assurance Mapping	2	Final	n/a	04/08/2020					New

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Finance	Advice	Financial Procedures	3	Final	n/a	2/11/2020					
Adults	Advice	CIFAS – Planning for Blue Badges/Adult Social Care	3	Final	n/a	03/12/2020					New – ongoing into 21/22
Audits Deferred/Removed from the Plan											
Children's services	Operational	SEND casework	1	Deferred							Request to remove from plan as resources diverted to delivery of SEND action plan.
Children's Services	Follow-up	Childrens – Education Health and Care Plans (EHCPs)	1	Deferred							As above – follow-up deferred to 21/22
Adult services	Operational	Adult Commissioning	1	Deferred							Deferred to 21/22 due to Covid-19 at request of service. Alternative audit work agreed.
Health and safety	Follow-up	Corporate Management of Health and Safety	1	Deferred							Deferred to 21/22 due to Covid-19.
ECl	Operational	Community Asset Transfers	2	Removed							Replaced with new higher risk work.
Finance	Operational	Insurance Claims	2	Removed							Replaced with new higher risk work.
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.
Adult Services	Follow-up	Mental Health – Financial Decision making	2	Deferred							Actions dependant on implementation of Eclipse which is delayed. Follow-up deferred to 21/22.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 =	↔	3 =	Comments
								Major		Minor	
								Recommendation			
1	2	3									
Finance	Follow-up	Cash Handling	2	Deferred							Deferred to 21/22 as audit requires onsite visits.
HR and OD	Follow-up	Lone Working	2	Deferred							Delayed progress due to Covid-19 – request to defer to 21/22.
Adult's Services	Follow-up	FAB Assessments	3	Deferred							Actions dependant on implementation of Eclipse which is delayed. Follow-up deferred to 21/22.
ECI	Operational	Corporate Landlord Model	3	Deferred							Deferred to 21/22 as FM form key contacts and due to Covid-19 do not have resource to support.
Adult services	Operational	Adults – Workforce Planning	3	Deferred							Deferred to 21/22 due to Covid-19 at request of service. Alternative audit work agreed.
Project Management Office	Governance	Project Management – Use of Project Mobilisation Toolkit	3	Deferred							Delays have meant that toolkit insufficiently embedded for detailed review. Overview covered by HO.
Adult Services	Operational	Eclipse System Implementation	4	Deferred							System implementation delays – defer to 21/22
Public health	Follow-up	Transfer of Public Health Nursing Services	4	Deferred							Deferred to 21/22 as lack of capacity due to Covid-19.
ECI	Operational	Construction Design Management (CDM) Regulations	4	Deferred							Deferred to 21/22 as consultant engaged to review this area.
ECI	Operational	Wells Enterprise Centre	4	Deferred							Request to defer due to delays in completion. Have certified associated growth deal funding.

Service	Audit Type	Audit Name	Qtr	Status	Opinion	Start Date	No of Rec	1 = Major	↔	3 = Minor	Comments
								Recommendation			
								1	2	3	
Governance	Governance	Whistleblowing	4	Deferred							Request to defer as scheme has not been updated due to Covid-19.
Children's services	Operational	Early Help Assessments	1	Deferred							Processes not yet embedded. Alternative audit work agreed.
HR and OD	Follow-up	Role of the Somerset Manager	4	Deferred							Request to delay to 21/22 due to Covid-19.
Children's Services	Operational	Independent Placements – Financial Controls & Contract Management	2	Deferred							Request to delay due to Covid-19. Alternative audit work agreed.
Information management	Governance	Information Asset Register	4	Deferred							Request to delay due to Covid-19.
Children's services	Operational	Exclusions and Attendance	4	Deferred							Request to delay to 21/22 due to Covid-19. Alternative audit work agreed.
Procurement	Follow-up	Supplier Resilience	3	Deferred							Request to delay to 21/22 due to Covid-19.
ECI	Grant	BDUK Grant Certification	4	Deferred							Deadline for sign off 21/22
Procurement	Governance	Contract Management Framework	2	Deferred							Introduction of new contract management framework delayed because of Covid-19. Overview covered by HO.

Baseline Assessment of Six Themed Areas



- Resource and Communication
- Fraud Risk Management
- Policy Related
- Committee Related
- Culture and Awareness
- Reporting, Investigating and Monitoring

Key Findings

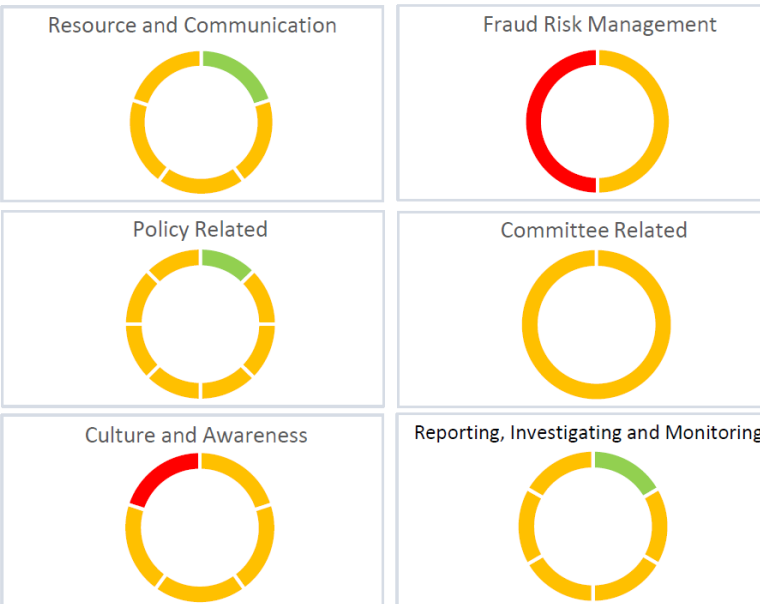
	There is no process for vetting candidates in respect of fraud, by assessing specific posts for financial fraud risk and conducting specific checks on the candidate's history.
	The Council does not have a live plan which aligns fraud risks to available resources. Risk assessments have not been completed to inform planning and fraud is not considered in the corporate risk management process.
	Audit Committees and Portfolio Lead roles do not refer to any responsibilities in respect of fraud. Counter-fraud activity and outcomes are not reported to key stakeholders outside of annual audit planning process.
	The Fraud and Corruption Policy and Strategy was not located online and is not easily accessible or communicated to stakeholders. The policy does not reference investigations, sanctions or risk assessment of allegations.
	Staff and Member Code of Conduct documents do not make direct reference to fraud and corruption. The Whistleblowing Policy is overdue for review.
	There is no agreed programme of training for staff and members in relation to ethics and anti-fraud.

Scope and Ambition

This baseline assessment is a corporate view of fraud maturity within the organisation. We recommend a revisit of the assessment in twelve months' time, with a view to an expected increase in the level of maturity. It is vital that management ensure the key findings from this work are considered and that they work with SWAP to reduce risk of fraud and to protect the public purse.

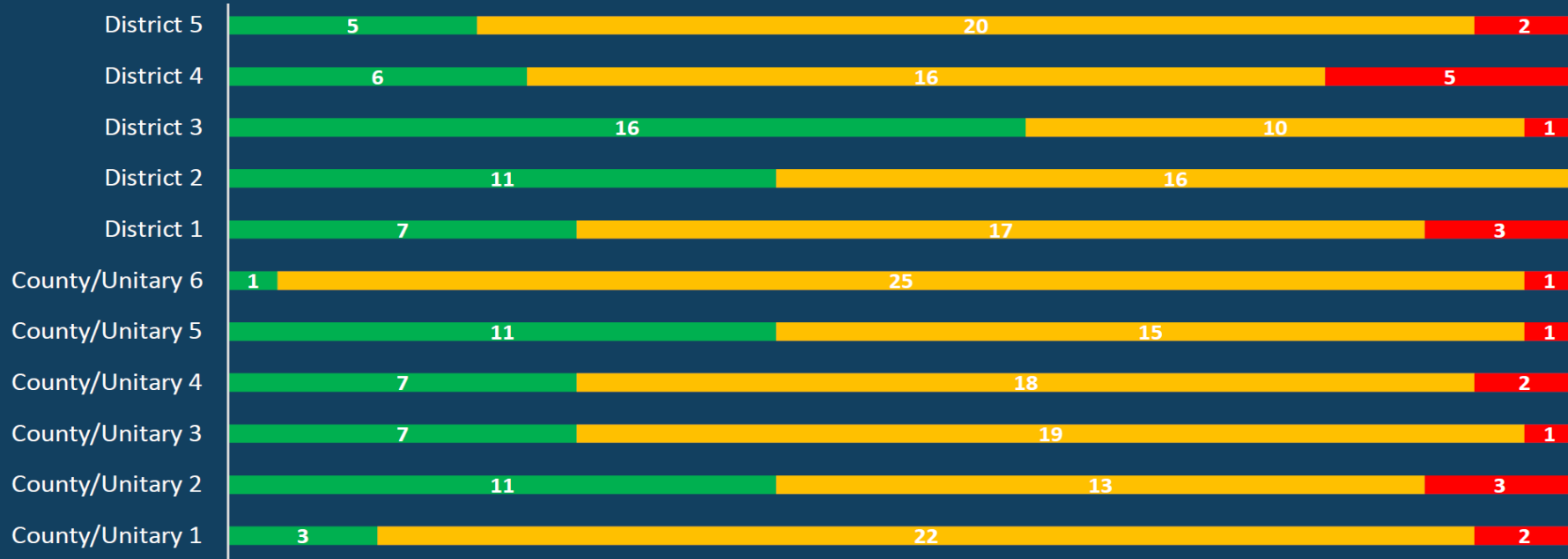
SWAP intends to share the results of this assessment across its wider partnership, to give opportunity for Councils to compare outcomes and where possible, share good practice. This exercise will anonymise the information from each Council.

Assessments per Area Reviewed



■ Assessed not to be in place/ operating ineffectively – requires significant improvement.
■ Assessed to be partially in place – requires improvement.
■ Assessed as in place/ operating effectively.

Total number of requirement assessment conclusions per Authority:



- Assessed not to be in place/ operating ineffectively – requires significant improvement.
- Assessed to be partially in place – requires improvement.
- Assessed as in place/ operating effectively.

Summary of Control Framework

We have provided outcomes for each of the 20 key controls below.

The detailed findings and conclusions to support each rating for all 20 high level key controls are available as a separate appendix to this report.

Key Control Area:	Fully compliant	Recommended for further review	Requires immediate attention
Cyber Security Governance and Management Support			
Existence and Maintenance of an Inventory of Hardware Assets			
Inventory of Software Assets (including Data Assets)			
Vulnerability Management Processes			
Control of Accounts with Administrative Privileges			
Deployment of Secure Hardware and Software Configurations			
Active Monitoring and Analysis of Audit Logs			
E-Mail and Web Browser Protections			
Deployment of Malware Defences			
Control of Network Ports, Protocols and Services			
Data Recovery Capabilities including Back Up and Restore			
Secure Configuration of Network Devices			
Boundary Defences are documented and understood			
Management controls for data in transit			
Management of Wireless Access Controls			
User Access Monitoring and Control			
Security Awareness and Training			
Development of Application Software and Security			
Incident Response and Management Procedures			
Programme of Penetration Testing			

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Somerset County Council Audit Progress Report and Sector Update

Year ending 31 March 2021

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July 2021



Agenda item 8

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

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Introduction

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

The paper also includes:

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

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

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 July 2021

Financial Statements Audit

We issued our Audit Opinion on the 2019/20 financial statements on 30 March 2021.

We have now completed our audit planning for the 2020/21 financial year for the Council and the Pension Fund.

Our Audit Plans for these two audits were issued in June 2021 and are on the July Audit Committee agenda. These two documents set out our proposed approach to the audit of the Council's and Pension Funds 2020/21 financial statements.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. In 2020 this date was pushed back to 31 August. The date by which authorities are required to publish audited financial statements is 30 September. In 2020 this date was pushed back to 30 November 2020.

We have commenced the audit of the Pension Fund and are due to start the audit of the Council's Financial Statements in late August.

We will report the results of our work in the Audit Findings Report and aim to give our opinion on the financial statements by 30 November 2021.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. 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, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow auditors to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline is now no more than three months after the date of the opinion on the financial statements. We will aim to complete our VFM work by 30 November 2021.

Progress at July 2021 (cont.)

Other areas

Meetings

We met with Finance Officers in May 2021 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February 2021, which helps to ensure that members of your Finance Team are 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 Authority 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. 2020/21 is the third 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 and 2019/20 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” (2) 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 s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited.

The fees for 2020/21, including proposed variations are included in the Audit Plans on this agenda.

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

Audit Deliverables

2020/21 Deliverables

Planned Date

Status

Audit Plan

July 2021

Complete

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 Authority's 2020/21 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.

Audit Findings Report

November 2021

Not yet due

The Audit Findings Report will be reported to the Audit Committee.

Auditors Report

November 2021

Not yet due

This is the opinion on your financial statements.

Auditor's Annual Report

November 2021

Not yet due

This Report communicates the key issues arising from our Value for Money work.

Sector Update

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Authorities 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 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:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Insight into accounting for grants in local government financial statements – Grant Thornton

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The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement in 2020/21.

The report highlights the factors to consider, including:

- Where the funding is to be transferred to other parties, is the authority acting as principal or as agent?
- Are there grant conditions outstanding?
- Is the grant a specific or non-specific grant?

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask your audit manager for the full report:



What can be learned from Public Interest Reports? – Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

[Lessons from recent Public Interest Reports | Grant Thornton](#)

Annual Transparency Report – Grant Thornton

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As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to Audit Committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \[grantthornton.co.uk\]](https://www.grantthornton.co.uk/transparency-report-2020)

Local government finance in the pandemic – National Audit Office

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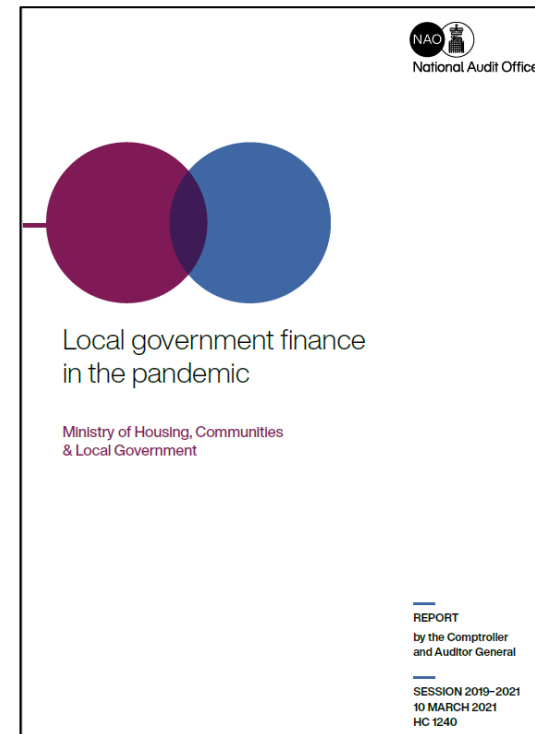
The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)

Local authority Covid-19 pressures - MHCLG

Outturn figures from the Ministry for Housing, Communities and Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to Covid-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	3,181.254
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	378.846
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	298.584
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	299.433
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	340.858
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	2,363.926
Total	329.937	2,111.187	1,791.153	1,503.848	1,126.777	6,862.902



The figures are available in full here:
<https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	1,215.708
Council tax	399.037	0.000	217.633	191.219	232.727	1,040.616
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	2,137.728
Commercial income	82.448	24.159	120.629	204.211	52.154	483.600
Other	33.494	39.947	27.163	53.664	45.166	199.435
Total	1,307.903	259.029	1,113.524	1,053.190	1,343.441	5,077.087

CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>

Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”



The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond’s independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states “The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively.”

The press release goes on to state the “measures finalise the government’s response to Sir Tony Redmond’s independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

2019/20 audited accounts – Public Sector Audit Appointments

Page 128

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report “Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies’ audits were completed by the revised target of 30 November.

Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.”

By 30 November, Grant Thornton had signed 113/208 audits (a 55% completion rate), meaning that only 45% of audit opinions were not signed by 30 November, compared to the 55% all firms average.

PSAA go on to note “This year’s timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance.”



The news article can be found here:

[News release: 2019/20 audited accounts – PSAA](#)

Consultation on 2023-24 audit appointments – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) is consulting on the Draft prospectus for 2023 and beyond.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.”

The plans include proposals to adjust the procurement ratio between quality and costs from an equal 50:50 to 80:20, as well as trying to bring new suppliers in to the market.

The consultation on the PSAA’s proposals closes on 8 July.



The news article can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/draft-prospectus-for-2023-and-beyond/page/7/>

Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

<https://www.gov.uk/government/news/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent>



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Informing the audit risk assessment for Somerset County Council & Somerset Pension Fund 2020/21

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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Somerset County Council & Pension Fund's external auditors and Somerset County Council & Pension Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Somerset County Council & Pension Fund's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response – County Council	Management response – Pension Fund
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>The Covid-19 Pandemic has had a significant impact both in terms of additional costs, staffing redeployment, and grants. This has had an impact as the focus for the authority has been to support the public health and wellbeing of our residents. The Council has received just under £75m of Covid-19 Grants and has monitored and reported the use of these grants against the Government's criteria for spend.</p> <p>The valuation of assets required has improved but further improvements are planned for the 2021/22 accounts.</p>	<p>The impact of Covid on the funding levels of the Somerset Fund.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Somerset County Council & Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Compliance with the CIPFA Code will mean that we use appropriate accounting policies.</p>	<p>In the light of the annual revisions to the CIPFA code of Practice and other 'best practice' guidance, we continually review our accounting policies and consider how they affect the Pension fund Accounts. Compliance with the CIPFA Code will mean that we use appropriate accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>All financial instruments are disclosed in our notes to the accounts within our Statement of Accounts. During 2020/21 we invested £25m in Pooled Funds and this will be disclosed within the Statement of Accounts. There is no use derivatives by SCC.</p>	<p>Yes, there are specific notes in the accounts covering the use and value of derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>No none.</p>	<p>No.</p>

General Enquiries of Management

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Question	Management response – County Council	Management response – Pension Fund
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	<p>No none.</p> <p>An assessment is made annually by our valuers of our non-current assets and whether any impairment has occurred in the year.</p>	No none.
6. Are you aware of any guarantee contracts?	Guarantee bonds that are in place have been assessed as not material.	No.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	Yes, we are aware of all outstanding legal cases which are assessed for any loss contingencies as part of our Statement of Accounts processes.	No.

General Enquiries of Management

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Question	Management response – County Council	Management response – Pension Fund
<p>8. Other than in house solicitors, can you provide details of those solicitors utilised by Somerset County Council & Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>External instructions in the main are not litigation related, they are far more likely to be in relation to contracts, s106 agreements and complex matters of law:</p> <p>Foot Anstey – immigration advice</p> <p>Browne Jacobson – Adult Social Care advice</p> <p>Bevan Brittan – Adult Social Care advice</p> <p>Anthony Collins – Funding agreement/Unitary advice</p> <p>Goughs – s106</p> <p>Mendip District Council – s106</p> <p>Carbon Law – s106</p> <p>DAC Beachcroft – s106</p> <p>Walston & Co – s106</p> <p>DWF – s106</p> <p>Alletsons – Care/Supervision order</p> <p>Michelmores – Lands Tribunal matter, claim for additional funds following a compulsory purchase order</p>	<p>There wasn't any legal work on open litigation or contingencies during 2020/21.</p>

General Enquiries of Management

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Question	Management response – County Council	Management response – Pension Fund
<p>9. Have any of Somerset County Council & Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?</p>	<p>A report of fraud has been made by a provider but is not material to the financial statements. Internal controls have been strengthened as a result.</p>	<p>No.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The council has regularly used advisors / consultants across various services on a range of issues to provide expert advice. For finance, we use advice for various specialisms such as specific VAT advice, insurance brokers, treasury advisors and LG Futures for financial forecasting & modelling.</p> <p>Some external advice was sought regarding Local Government Reorganisation in Somerset.</p> <p>If there is a particular area that further details are required this can be provided.</p>	<p>The Somerset Pensions Committee employs an Investment Consultant to sit on the Committee to advise on investment matters. The consultant has been in place for many years.</p> <p>Barnett Waddingham on actuarial matters.</p>

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Somerset County Council & Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Somerset County Council & Pension Fund's management.

Fraud risk assessment

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Question	Management response – County Council	Management response – Pension Fund
<p>1. Have Somerset County Council & Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the authority's risk management processes link to financial reporting?</p>	<p>We do not believe this to be an issue as no material frauds have been identified during the year. We believe that the risk of unknown material fraud to be low.</p> <p>Our control environment around fraud control has not changed from previous years. A key part of our arrangements is the use SWAP Ltd as our Internal auditors. SWAP has now completed a baseline assessment for fraud and we now have an action plan for improvement.</p> <p>There is robust medium term financial plan in place to ensure a sound budget is set for the year. This has been risk assessed and those risks have been included in the budget report. These risks will continue to be monitored and reported as part of budget monitoring. Comprehensive monthly budget monitoring ensures the risks of over or underspending are well managed and projects remain on track. Budget monitoring is part of the overall system of internal controls designed to mitigate against risks of incorrect financial reporting.</p>	<p>We do not believe this to be an issue as no material frauds have been identified during the year. We believe that the risk of unknown material fraud to be low.</p> <p>Internal audit processes are in place and no instances of fraud have been identified in 2020/21.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Accounts payable and payroll.</p>	<p>Pension payments in relation to pensioner deaths not being notified to the Pensions Administration Team.</p>

Fraud risk assessment

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Question	Management response – County Council	Management response – Pension Fund
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Somerset County Council & Pension Fund as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Yes there have been some instances that have been recorded and in some cases processes amended as a result.</p> <p>Regular risk updates are presented to the Audit Committee and annually an Anti-Fraud and Corruption Paper is also presented to this committee. This paper includes a summary of actual, suspected and alleged frauds over the previous year.</p>	<p>No instances of fraud since 1 April 2020.</p> <p>The Fund Risk Register is continually assessed, updated and reported to every Pensions Committee.</p>
<p>4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Somerset County Council & Pension Fund where fraud is more likely to occur?</p>	<p>Areas at risk of fraud are identified by:</p> <ul style="list-style-type: none"> • SWAP audit work • SWAP Fraud alerts • Staff allegations • Risk register/assessments <p>Cases of attempted electronic fraud through phishing etc are increasing.</p>	<p>Pensioner deaths being unreported to the Fund, resulting in continuation of payments to the deceased's bank account.</p> <p>Yes, see above.</p> <p>N/a.</p>
<p>5. What processes do Somerset County Council & Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>SWAP fraud alerts are circulated to all Strategic Managers. The Council has an Anti Fraud and Corruption Policy, Anti Money Laundering Policy, Anti – Bribery Policy, Anti Tax Evasion Policy and Whistleblowing Policy. The Council holds a register that records reports of fraud and any consequent actions to improve processes.</p>	<p>The Pensions Administration Team receive regular reports informing them of pensioner deaths.</p>

Fraud risk assessment

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Question	Management response – County Council	Management response – Pension Fund
<p>6. How do you assess the overall control environment for Somerset County Council & Pension Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Through effective audit through SWAP. The Finance Business Partners work closely with services in upholding those controls.</p> <p>The Council has a Fraud and Corruption Policy, Whistle blowing Policy, Anti money Laundering Policy, Anti Bribery Policy and Anti Tax Evasion Policy.</p> <p>No.</p>	<p>Good overall control environment in place with periodical internal audit reviews carried out, based on perceived level of risk.</p> <p>The Pension fund is a low risk environment due to the high level of regulation, segregation of duties and check and control in place.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>None identified</p>	<p>This is always going to be some risk of this but we believe it is very small.</p>

Fraud risk assessment

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Question	Management response – County Council	Management response – Pension Fund
<p>8. How do Somerset County Council & Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Council operates a Code of Conduct for both officers and members. Regular updates through CORE brief, staff induction & training. All outside organisations contracted are bound by strict ethical behaviours contained within their contract. Reporting procedures laid out in Anti-Fraud and Corruption Policy. Also through the Council's whistleblowing policy. Staff must report any concerns they may have regarding fraud and corruption, whether it relates to dishonest behaviours by Council employees, Members, Contractors or by others. No significant issues have been reported during the financial year 2020/21.</p>	<p>The Pension Fund doesn't have any staff. The SCC staff that provide a service to the Fund operate under the normal HR Policies of the Council. All outside organisations contracted by the Fund are bound by strict ethical behaviours contained within their contract?</p> <p>Staff are encouraged to report any concerns about fraud as part of SCC's Whistleblowing Policy. No issues have been reported this year.</p> <p>No issues have been reported in 2020/21.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are risks relating to these posts identified, assessed & managed?</p>	<p>Because of the overall governance framework and internal control environment there are no posts that are considered to be high-risk.</p>	<p>Investments Manager</p> <p>High level of check and control and segregation of duties.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>All elected members and senior officers are required to provide details of any related party relationships on an annual basis.</p> <p>SCC staff are bound by the Council's Contract Standing Orders to ensure proper procurement practices are followed at all times.</p>	<p>No. All elected members on the Pensions Committee and Board are required on an annual basis to provide details of any related party relationships.</p> <p>SCC staff are bound by the Council's Contract Standing Orders to ensure proper procurement practices are followed at all times.</p>

Fraud risk assessment

Question	Management response – County Council	Management response – Pension Fund
<p>11. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>The Anti-Fraud and Corruption Policy sets out the ways to report and investigate fraud. An annual fraud report is made to Audit Committee each year (note this is due to be reviewed by the Committee in June). SWAP report regularly to the Audit Committee. The Audit Committee can also call in any report with a Partial assessment and will review that recommendations have been carried out. This year the Audit Committee approved that any high priority findings of non-opinion audits would also be reviewed. No instances of fraud have been reported in 2020/21 (note the report covering 2020/21 is due to be presented in July 2021. This year the Audit Committee approved that any high priority findings of non-opinion audits would also be reviewed by the committee.</p>	<p>Any instances of fraud or the identification of the risk of fraud would be reported to Pensions Board by either Internal Audit or SCC's Audit Committee. No instances of fraud have been reported in 2020/21.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No.</p>	<p>No.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No.</p>	<p>No.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

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ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Somerset County Council & Pension Fund's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

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Question	Management response – County Council	Management response – Pension Fund
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does Somerset County Council & Pension Fund have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the authority's regulatory environment that may have a significant impact on the authority's financial statements?</p>	<p>Somerset County Council's constitution and scheme of delegation outlines the rights, responsibilities and duties of the Council and its officers. The Monitoring Officer oversees compliance with the constitution and scheme of delegation, and reports on matters he believes are or are likely to be illegal or amount to maladministration. The Monitoring Officer seeks legal advice should he require it, additionally he checks that Legal Services are consulted as part of any decision making process.</p>	<p>SCC staff regularly monitor Pensions Regulations.</p> <p>SCC staff responsible for managing the finances of the Fund regularly check and keep up to date with the LGPS Regulations.</p> <p>No.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>All committee report require sign off by statutory officers and other key officers and there is a clear section on legislation.</p>	<p>All Pension Fund Policies and Statements are bought to, explained to and approved by the Pensions Board.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>No.</p>	<p>No.</p>

Impact of laws and regulations

Page 150

Question	Management response – County Council	Management response – Pension Fund
4. Is there any actual or potential litigation or claims that would affect the financial statements?	A Lands Tribunal matter mentioned earlier and another claim in respect of the same development (but a different site) potentially will require pay-outs if successful. Both matters relate to compulsory purchase in respect of a road scheme. Both of these claims have been considered at year-end, and disclosed in line with accounting regulations.	No.
5. What arrangements does Somerset County Council & Pension Fund have in place to identify, evaluate and account for litigation or claims?	Legal Services evaluate instructions upon receipt and advise internal service clients accordingly. Service departments (with the support of Corporate) make their own arrangements in respect of accounting for litigation or claims.	If these occurred they would be reported to Committee by Officers.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.	No.

Related Parties

Issue

Matters in relation to Related Parties

Page 151

Somerset County Council & Pension Fund are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Somerset County Council & Pension Fund;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the authority's perspective but material from a related party viewpoint then the authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

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Question	Management response – County Council	Management response – Pension Fund
<p>1. Have there been any changes in the related parties including those disclosed in Somerset County Council & Pension Fund's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Somerset County Council & Pension Fund whether Somerset County Council & Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	No.	No.
<p>2. What controls does Somerset County Council & Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The authorities elected Members are sent an annual questionnaire to identify any material related party transactions, and the findings from the responses are disclosed in the published accounts.</p> <p>The authority reviews existing contractual arrangements to determine whether the authority has significant influence over the other parties due to the considerable proportion of business provided to them by the authority. Any material findings are disclosed in the published accounts.</p> <p>The authority publishes an annual Partnership Register, and a review of all key decisions is carried out annually to identify any new transactions/relationships.</p>	<p>The authorities elected Members are sent an annual questionnaire to identify any material related party transactions, and the findings from the responses are disclosed in the published accounts.</p> <p>The authority reviews existing contractual arrangements to determine whether the authority has significant influence over the other parties due to the considerable proportion of business provided to them by the authority. Any material findings are disclosed in the published accounts.</p>

Related Parties

Question	Management response – County Council	Management response – Pension Fund
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	No related parties.	No related parties.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Following approved processes regarding segregation of duties and payment approval protocols.	Following approved processes regarding segregation of duties and payment approval protocols.

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

Page 154

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response – County Council	Management response – Pension Fund
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	These are all disclosed in the Statement of Accounts.	The only significant estimates within the Accounts are IAS19 figures provided by the Actuary and Level 3 estimates provided by the Fund Managers.
2. How does the authority's risk management process identify and addresses risks relating to accounting estimates?	<p>The authority reviews the previous year's Statement of Accounts and the Auditor's report to add further assurances and review any areas requiring further robustness. An example of this is as a result of the 19/20 audit findings, the risk of material inaccuracy in our property valuations has been considered this year.</p> <p>The issue from 2019/20 in relation to property indices (used in DRC estimations) has been addressed, and more evidencable rates will be used for 2020/21 onwards.</p> <p>The authority has also implemented a check/challenge process into the valuation exercise to ensure the accuracy of the formal property valuations.</p>	Same as County Council.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The team attends technical updates to ensure they are aware of any changes required and follow CIPFA Code guidance.	Same as County Council.
4. How do management review the outcomes of previous accounting estimates?	Material variations would impact on budget monitoring.	Same as County Council.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	The employee benefit accrual is now based on staff leave data as reported in the authority's HR system (SAP) where details of untaken leave is held. Previously, the accrual was based on a sample return of leave data completed by officers.	No changes.

Accounting Estimates - General Enquiries of Management

Question	Management response – County Council	Management response – Pension Fund
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Disclosure of existing critical judgements is made within the notes to the accounts within our Statement of Accounts.	Same as County Council.
7. How does the authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	These are reviewed by the Chief Accountant and the S151 Officer.	Same as County Council.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	We ensure that those providers are suitably qualified. In addition to this we are introducing more check and challenge to accounting estimates. In the area of property valuations further internal check and challenges have been introduced.	Same as County Council.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Accounting estimates are tested for reasonableness and also compared to previous years to pick up any anomalies. The Chief Accountant is professionally qualified and very experienced. Also see above response re property valuations. The methods and models used are consistent with those used in similar authorities.	Same as County Council.

Accounting Estimates - General Enquiries of Management

Question	Management response – County Council	Management response – Pension Fund
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendices A & B)?	No.	No.
11. Are the management arrangements for the accounting estimates, as detailed in Appendices A & B reasonable?	Yes.	Yes.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Audit Committee members attend a training session each year prior to the Statement of Accounts being presented for approval. The Committee are then walked through the Statement of Accounts including the accounting policies. Any material variations compared to previous years are explained.	Same as County Council.

Appendix A - County Council Accounting Estimates

Page 158

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of PPE	Current or Fair Value (based on Existing Use Value; Highest and Best Use, and DRC – depending on class of asset)	The authorities professional team of in-house valuers follow RICS guidance and incorporate a peer review to ensure the correct estimation method is adopted.	The authority uses its own in-house team of RICS qualified valuers.	The authority's in-house team of qualified valuers assess the uncertainty, and elect the most suitable estimate based on RICS guidance.	The DRC rates used for Externals is now based on evidencable data rather than a historic rate.
IAS 19 Pension Liabilities	The models used are provided/recommended by the pension fund actuary (Barnett Waddingham – a leading independent pensions consultant).	Management will have considered the skills/knowledge of the experts as part of the framework process (as they are unable to join the framework unless suitably qualified). All information rec'd will have been signed off by a qualified actuary. Management will also complete a sense-check on all information rec'd and query where necessary.	Barnett Waddingham – a leading independent pensions consultant, was to provide actuarial advice to the Pension Fund.	Barnett Waddingham use their professional experience to determine the most suitable estimates. The authority uses its knowledge of potential future salary increases to determine the most suitable salary increase estimation.	No.

Appendix A - County Council Accounting Estimates

Page 159

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals ST Creditors	Service finance teams process their own creditor accruals based on service knowledge. Approval is required from the Service manager prior to processing SAP. Corporate closing guidance is provided to service teams to make them aware of any rule changes and confirm the correct SAP entries.	Accrual postings are monitored and controlled through the authority's monthly budget monitoring process.	No.	Assumptions are based on service knowledge, and statutory guidance.	No.
Depreciation, Amortisation and Impairment	Management consider a combination of accounting guidance (from CIPFA and RICS) and professional knowledge/experience of the authority's asset portfolio to select/design the estimation models used. Depreciation/Amortisation is calculated on a straight-line basis over the assets useful life.	Information provided is peer reviewed within the Property Services team prior to submission to management.	The authority uses its own in-house team of RICS qualified valuers.	Management rely on the authority's in-house team of property professionals to consider the sensitivity of the estimate, and the level of disclosure in the financial statements.	No.

Appendix A – County Council Accounting Estimates

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI Liabilities	Management use the audited PFI model provided by the PFI consultants on the commencement of the contract.	The authority monitors the operation of control activities through its in-house contract management team. Annual indexations are agreed prior to the model being updated, and annual unitary charge payments are reconciled back to the model each year.	Management use the audited PFI model provided by the PFI consultants on the commencement of the contract.	Management use the PFI model to determine the year-end liability position.	No.
Finance Leases Liabilities	Actuarial Method	The leasing register is continually updated for leasing changes (from information provided by property services; schools and finance officers). Corporate Finance also attend regular training events to ensure the register is updated for any change in accounting standards.	No	The estimation uncertainty for this liability is considered minimal, as the estimation is based on contractual cashflows and are compliant with accounting regulations.	No.

Appendix B – Pension Fund Accounting Estimates

Page 161

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
<i>Valuation of the Pension Liability</i>	Provided by Fund actuary	As per actuary advice.	Yes, Barnett Waddingham.	As per actuary advice.	No.
Valuation of level 3 investments	Provided by External Fund Managers	Provided by External Fund Managers.	Yes, Arlingclose.	Arlingclose will consider the underlying assumptions and assess the uncertainty in their calculations.	No.
FV Disclosures	The FV models used have been provided by the authority's treasury management advisors (Arlingclose).	Management uses its in-house finance experts to sense check the models and assumptions provided by the treasury management advisors. Statutory guidance is considered as part of the review process.	Yes, Arlingclose.	Estimation uncertainty is considered by the authority's treasury management advisors, and in-house finance team. Where uncertainty exists, the authority adopts the prudence concept when selecting the point estimate to use.	No.

Appendix A – County Council Accounting Estimates

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Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals – Employee leave accrual	<p>The employee leave accrual (for non-teaching staff) is processed from SAP, where untaken leave is recorded for all users. This leave is linked through payroll records to assign a value of untaken leave for every user.</p> <p>The teacher's accrual is based on school term times, and number of working days in April, as their contracts are term time only.</p>	The data is based on actual untaken leave not an estimate.	No.	The data is based on actual untaken leave not an estimate.	The non-teaching leave accrual was previously based on a sampled return from employees. As staff are now asked to report their leave balances on SAP, the employee leave accrual is based on actuals and therefore a more accurate assessment.
Bad debt provision	Debts are reviewed monthly and any debts that are deemed to be irrecoverable are provided for.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts.	No.	Management delegate the assumptions to service teams, as they have the knowledge to make a judgement on the debt. Service teams will consider the estimation uncertainty during their review.	No.



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Somerset County Council Audit Plan

Year ending 31 March 2021

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

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Key matters

Factors

Council developments

The Council continues to operate in an uncertain and challenging environment due to changes to Government funding and the global pandemic. The Council continues to balance service delivery with the need to drive efficiencies. Financially the Council is forecasting a small underspend for 2020/21 and has set a balanced budget for 2021/22.

Whilst the Council's Medium Term Financial Strategy sets out a significant challenge, the Council is transparently reporting both the revenue and capital funding challenge to enable informed decision making.

A decision is due in the summer of 2021 in relation to the proposed reorganisation of local councils in Somerset and the County Council's own proposal for 'One Somerset' as well as the alternative proposal by the District Councils of 'Stronger Somerset'. This is likely to have a significant impact on local residents, service provision, staff and the Council's overall control environment and arrangements once the decision has been made and any transition process is implemented. We will continue to monitor the status of the reorganisation proposals.

Implementation of SEND reforms and joint commissioning arrangements are areas highlighted by Ofsted as being in need of improvement. We will review the Council's response to Ofsted's recommendations and progress made to address the issues identified.

At a national level, the UK left the European Union (EU) on 1 January 2021 although uncertainty remains over the country's trading relationship with the EU which could have implications for the supply chain and on EU nationals employed directly or indirectly by the Council. The Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on the supply of any imported goods and equipment and overseas staff.

Impact of Covid 19 pandemic

The current lockdown restrictions mean that we will have to continue to work completely remotely for a longer period and potentially through much of the audit for 2020/21. Working in cooperation with the Council, we managed this effectively for the 2019/20 audit and we will be in regular contact with your finance team in respect of the logistics of these arrangements for our 2020/21 programme of audit work. We aim to build on our experience from last year. As restrictions ease we will consider the implications for how this impacts on how we complete the audit.

Financial Reporting and Audit – raising the bars

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 more robust testing. Our work in 2019/20 has highlighted areas where Local Government financial reporting, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of financial transactions in the Local Government sector which require greater audit scrutiny.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in this Audit Plan, has been agreed with the Section 151 Officer.
- As previously reported the Code has changed in relation to VFM. We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money review – please see more detail on pages 14 and 15.
- We will consider the Council's financial planning and plans following the announcement of the future structure of local government in Somerset as part of our detailed VFM work.
- The Council's valuer reported a material uncertainty in regards to the valuation of land and buildings in 2019/20 due to the Covid 19 pandemic. Early indications are that we do not expect a similar uncertainty to be reported in 2020/21. We do, however, continue to identified a significant risk in regards to the valuation of these assets – refer to page 6 – this is due to the inherent high degree of estimation uncertainty.
- An uncertainty was also disclosed in 2019/20 in respect of the potential impact of Covid 19 on property investments funds held within the pension funds assets. As set out above we do not expect a similar uncertainty to be reported in 2020/21. We do however continue to identify a significant risk in regards to the valuation of the pension fund liability – refer to page 7 – this is due to the inherent high degree of estimation uncertainty.
- We will continue to provide you with sector updates via our Audit Committee updates.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

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

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

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

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

Significant risks

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

- Revenue and expenditure recognition (rebutted);
- Management override of controls;
- Valuation of land and buildings; and
- Valuation of net pension fund liability.

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

Materiality

We have determined planning materiality to be £12.3m (PY £12.450m) for the Council, which equates to 1.5% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.615m (PY £0.620m).

Value for Money arrangements

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

- Financial sustainability,
- Children's Services (SEND), and
- Local Government reorganisation.

More detail on these risks can be seen on page 15 of this report.

Audit logistics

Our Audit will take place in September to November 2021. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £126,752 (PY: £142,172) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Somerset County Council mean that all forms of fraud are seen as unacceptable. <p>We therefore do not consider this to be a significant risk for Somerset County Council.</p>	No specific work is planned as the presumed risk has been rebutted.
The expenditure cycle includes fraudulent transactions (rebutted)	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for Somerset County Council because:</p> <ul style="list-style-type: none"> • expenditure is well controlled and the Council has a strong control environment; and • the Council has clear and transparent reporting of its financial plans and financial position to the Council. <p>We therefore do not consider this to be a significant risk for Somerset County Council.</p>	No specific work is planned as the presumed risk has been rebutted.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings	<p>The Council revalues its land and buildings on a rolling basis, with assets physically inspected at least every five years. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£945 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • engage an auditors expert to support the challenge of key assumptions; • test revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions made by the valuer for those assets revalued at 31 March 2021. For the assets not formally revalued in year we will assess how management has satisfied themselves that these assets are not materially different to the current value at the year end.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£755m) in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of the Somerset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Accounting estimates and related disclosures

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The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings,
- Depreciation,
- PFI and finance lease liabilities,
- Year end provisions and accruals, specifically for demand led services,
- Credit loss and impairment allowances,
- Valuation of defined benefit net pension fund liabilities,
- Fair value estimates, and
- Valuation of level 2 and level 3 investments.

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management and the responses will be shared with Those Charged with Governance alongside this Audit Plan.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see the VFM section of this Audit Plan for more detail).

Progress against prior year audit recommendations

We identified the following issues in our 2019/20 audit of the Council's financial statements, which resulted in 3 recommendations being reported in our 2019/20 Audit Findings Report. In the following table we set out progress against each of our prior year recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Not yet assessed	<p>Valuation of external structures When undertaking the valuation of land and buildings, it was identified that the Council were unable to support the valuation of external structures with a value of £32m within the accounts. There is a risk that these have been materially misstated and therefore a material adjustment may be required to the balance sheet.</p> <p>We recommended that management should ensure that valuations are based on appropriate indices that can be supported through robust appropriate audit evidence and that these are calculated accurately to reflect the appropriate values within the statement of accounts.</p>	We will assess progress against this recommendation as part of our year end audit.
Not yet assessed	<p>Asset disposal - Farm The Council had mistakenly classified some proceeds as a deposit and hence did not dispose of the corresponding asset. The Council undertook an exercise to identify any other affected assets which resulted in £910k of assets being identified where the asset was overstated with a corresponding loss on disposals.</p> <p>We recommended that the council should ensure that all disposals are appropriately categorised and reflected accurately within the statement of accounts.</p>	We will assess progress against this recommendation as part of our year end audit.
Not yet assessed	<p>Mid-month estimates for capital projects A review of accruals for major capital projects identified that mid month project accruals had been incorrectly calculated and did not take account of the accrual spanning two financial years. This has led to an understatement of accruals in 2019/20 of £1.7m.</p> <p>We recommended that management should ensure that there is a consistent approach to accruals methodology that is used by all service lines that are required to carry out the year end exercise. This should be reflected in the disclosures within the statement of accounts.</p>	We will assess progress against this recommendation as part of our year end audit.

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £12.3m (PY £12.450m) for the Council, which equates to 1.5% of your forecast gross expenditure for the year. We recognise the public interest in senior officer remuneration disclosures. For our work in this area we will be auditing to the detailed disclosure requirements and where we identify differences that change the amount, or bandings we will request that these are amended. In addition we have set a separate we have set a specific materiality of £0.020m (PY £0.020m).

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

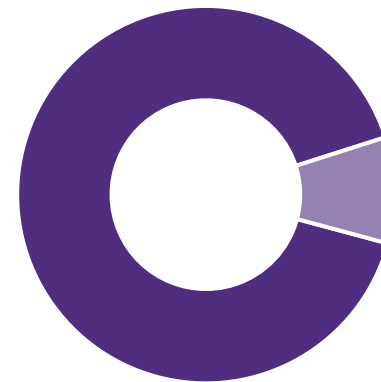
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.615m (PY £0.620m).

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

Prior year gross operating costs

£820m Council
(PY: £820m)



■ Prior year gross operating costs

Materiality

£12.3m
Council financial statements materiality
(PY: £12.450m)



£0.615m

Misstatements reported to the Audit Committee
(PY: £0.620m)

Value for Money arrangements

Revised approach to Value for Money work for 2020/21

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 Code introduced a revised approach to the audit of Value for Money. (VFM)

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

- A new set of key criteria, covering financial sustainability, governance 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 Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

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



Financial sustainability

The Council delivered an underspend of £9m for 2020/21. Whilst the Council has built up a healthier level of reserves and has strengthened its delivering of financial targets and savings in recent years, financial challenge and uncertainty continues to increase. In setting the 2021/22 budget and Medium Financial Strategy for the next 3 years, the Council has identified the need to make a further £18m in savings/additional income. Due to the inherent uncertainty we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.

In response to this risk we will further review progress towards delivering savings and additional income and assess the reasonableness of the assumptions that underpin the Council's Medium Term Financial Strategy.



Children's Services (SEND)

In April 2020 Ofsted wrote to the Council raising concerns around the implementation of SEND reforms. The key concerns were around the speed of implementation, capacity and joint commissioning. At the planning stage we have concluded that there is a significant risk of weakness in arrangements.

In response to this risk we will follow up progress against the concerns raised.



Local Government (LG) re-organisation and the 'One Somerset'

The Council have just come out of a period of consultation regarding the future structure of local government in Somerset with a decision on the future of any reorganisation due in the summer of 2021. Whilst we do not feel there is a significant risk of weakness in arrangements at this stage, this does represent a potentially significant change that going forward will impact on all aspects of our VFM work.

We will therefore actively monitor progress and review links to the Council's financial planning and governance.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team

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Barrie Morris, Key Audit Partner

Barrie leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Authority



Andrew Davies, Engagement Manager

Andrew plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues arising

Oscar Edwards, Engagement In-charge

Oscar's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently, and is also involved in supervising and co-ordinating the audit team.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

Audit fees

PSAA awarded a contract of audit for Somerset County Council to begin with effect from 2018/19. The scale fee in the contract was £76,902 for the Council audit. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 14, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging 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. Our estimate is that for your audit, this will result in an increased fee of £19,000. This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the 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, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1..

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been agreed with the Director of Finance.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Somerset County Council Audit	£109,702	£142,172	£126,752
Total audit fees (excluding VAT)	£109,702	* £142,172	** £126,752

* 2019/20 fees still to be approved by PSAA

** Any changes to the scale fee will need to be approved by PSAA

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis - Council

Scale fee published by PSAA	£76,902
Ongoing increases to scale fee first identified in 2019/20	
Increased challenge, complexity and lower materiality	£9,500
Enhanced audit procedures for Property, Plant and Equipment including our own audit expert	£7,350
Enhanced audit procedures for Pensions	£2,500
Recurring Audit fee 2019/20	£96,252
New issues for 2020/21	
Additional work on Value for Money (VfM) under new NAO Code	£19,000
Increased audit requirements of revised ISAs	£11,500
Proposed increase to agreed 2019/20 fee	£30,500
Total audit fees (excluding VAT)	£126,752

Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

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

None of the services provided are subject to contingent fees.








Service	Fees £	Threats	Safeguards
Audit related			
Certification of the Teacher's Pension return for 2019/20	£4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,200 in comparison to the total fee for the audit of £126,752 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
-	-	-	-
Total	4,200	-	-

Appendix 1: Revised Auditor Standards and application guidance









FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.




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	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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External Audit Plan

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Year ending 31 March 2021

Somerset Pension Fund

June 2021



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

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Key matters

Factors

Pension Fund developments

Pension Funds face increasing complexities in both the governance and administration of the LGPS, with increasing requirements from the Pension Regulator in terms of record keeping and the expectations from the national LGPS Scheme Advisory Board to follow good governance guidance as best practice.

There remain a number of consultations that are ongoing that will impact on the workload of the pension fund, in particular in relation to McCloud. The McCloud case affected reforms that moved the LGPS from a final salary to a career average salary basis in 2014. The Court of Appeal ruled that measures to protect older members from the effects of the change, based on their age on 1 April 2012, directly discriminated against younger members. It is the Government's intention to have the McCloud remedy legislation in place by April 2022. Funds need to ensure that they have the necessary plan in place to ensure that all the required checks and calculations can be completed by this target date, recognising that the volume of data to be collected and cleansed is likely to be significant and there will be a reliance on employers to provide this data.

Impact of Covid 19 pandemic

The current lockdown restrictions mean that we will have to continue to work completely remotely for a longer period and potentially through much of the audit for 2020-21. Working in cooperation with the Fund, we managed this effectively for the 2019-20 audit and we will be in regular contact with your finance team in respect of the logistics of these arrangements for our 2020-21 programme of audit work. We aim to build on our experience from last year. As restrictions ease we will consider the implications for how this impacts on how we complete the audit.

Financial Reporting and Audit – raising the bar

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 more robust testing. Our work in 2019/20 has highlighted areas where Local Government financial reporting needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of financial transactions in the sector which require greater audit scrutiny.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance.
- We will continue to provide you with sector updates via our Audit Committee updates.
- We will continue to consider the impact that Covid 19 has on asset valuations at year end. As at the end of March 2020, the fund concluded that there was a material uncertainty in relation to asset valuations and this was supported by the views of the independent valuers. Early indications suggest that this is unlikely to be the same for the 2021 year end valuations.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Somerset Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee).

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

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

Significant risks

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

- revenue and expenditure recognition (rebutted);
- management override of controls, and
- valuation of level 3 investments.

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

Materiality

We have determined planning materiality to be £20.5m (PY £20.558m) for the Pension Fund, which equates to 1% of your prior year net assets as at 31 March 2020. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1m (PY £1.028m).

Audit logistics

Our Audit will take place in July 2021. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £30,121 (PY: £28,521) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers. As part of the audit process, we are required to issue IAS19 assurance letters to the auditors of admitted bodies. The fee for this work is £7,000 (PY: £7,000) and we have set out our independence considerations on page 15 of this plan.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Somerset Pension Fund mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Somerset Pension Fund.</p>	No specific work is planned as the presumed risk has been rebutted.
The expenditure cycle includes fraudulent transactions (rebutted)	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for Somerset Pension Fund because:</p> <ul style="list-style-type: none"> • expenditure is well controlled and the Fund has a strong control environment; and • the Fund has clear and transparent reporting of its financial plans and financial position to those charged with governance. <p>We therefore do not consider this to be a significant risk for Somerset Pension Fund.</p>	No specific work is planned as the presumed risk has been rebutted.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals ; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of Level 3 Investments	<p>The Fund revalues its investments on an annual basis at the year end to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2021.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently request year-end confirmations from investment managers and custodians • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2021 with reference to known movements in the intervening period and • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert • test revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register • where available review investment manager service auditor report on design effectiveness of internal controls.

Accounting estimates and related disclosures

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The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

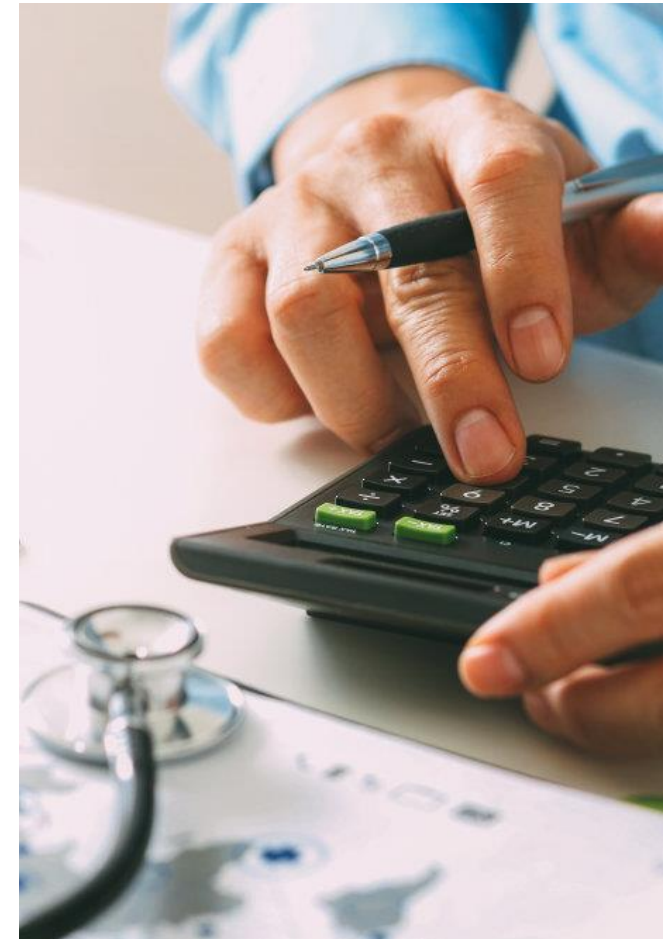
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuation of level 2 and level 3 investments, and
- Valuation of Actuarial Present Value of Promised Retirement Benefits (net pension liability).

The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management and the responses will be shared with Those Charged with Governance alongside this Audit Plan.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

The Pension Fund is administered by Somerset County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

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

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience and ensure that our work on going concern is proportionate for public sector bodies.

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £20.5m (PY £20.558m), which equates to 1% of your prior year net assets as at 31 March 2020.

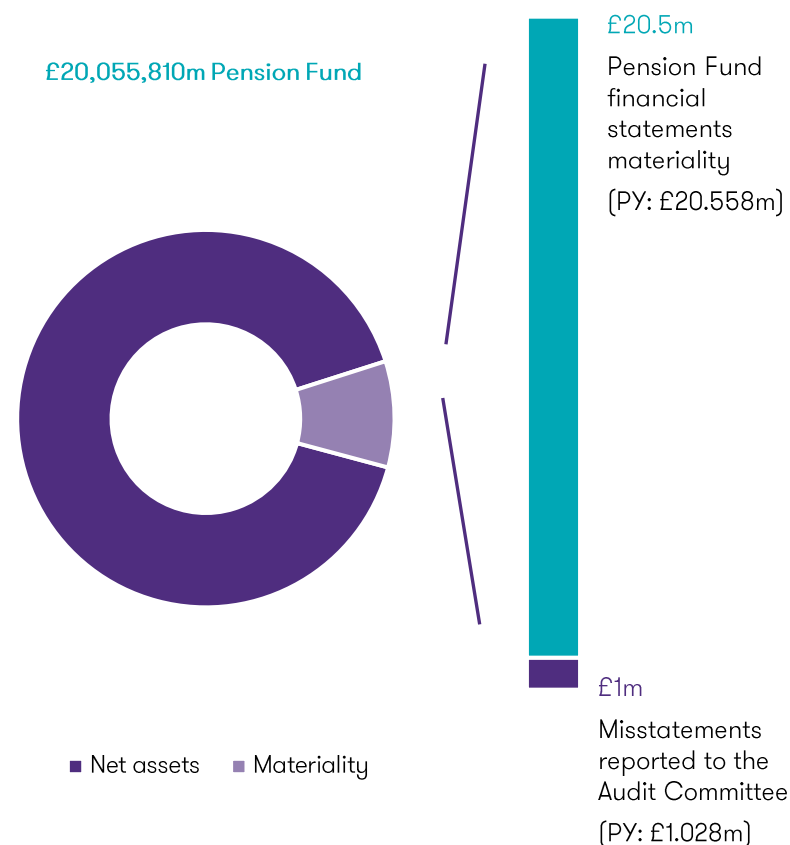
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1m (PY £1.028m).

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

Prior year net assets at 31 March 2020



Audit logistics and team

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Barrie Morris, Key Audit Partner

Barrie's role will be to lead our relationship with you. He will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Pension Fund.



Andrew Davies, Engagement Manager

Andrew plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues arising.



Steph Thayer, Audit In-charge

Steph's role will be to act as the day-to-day contact for the Fund Finance staff. She will take responsibility for ensuring there is effective communication and understanding of audit requirements.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

Audit fees

PSAA awarded a contract of audit for Somerset County Council to begin with effect from 2018/19. The fee agreed in the contract was £18,371. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

Additionally, across all sectors and firms, the 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, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been agreed with the Section 151 Officer.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Somerset Pension Fund Audit (scale fee)	£18,371	£18,371	£18,371
Additional fees	£1,500	*£10,150	**£11,750
Total audit fees (excluding VAT)	£19,871	£28,521	£30,121
Non-audit fees – IAS19 Letter of Assurance to admitted bodies auditors	£7,000	£7,000	£7,000
Total audit and non-audit fees payable	£26,871	£35,521	£37,121

* 2019/20 fees still to be approved by PSAA

** Any changes to the scale fee will need to be approved by PSAA

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£18,371
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors	£2,000
Enhanced audit procedures for the valuation of level 3 investments	£1,750
Audit fee 2019/20	£22,121
<i>New issues for 2020/21</i>	
Increased audit requirements of revised ISAs	£8,000
<i>Proposed increase to agreed 2019/20 fee</i>	£8,000
Total audit fees (excluding VAT)	£30,121

Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

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

None of the services provided are subject to contingent fees.








Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	7,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,000 in comparison to the total fee for the audit of £30,121 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Audit of Brunel Pension Partnership Limited (BPP)	40,000	None	We do not consider the audit of BPP as a threat to our independence as Somerset Pension Fund cannot exercise control over BPP. The audit of BPP is carried out by a specialist team, authorised by the Financial Standards Authority. The fee of £40,000 is not significant compared to the audit fees of the ten participating pension funds. Please note this fee is not included in the financial statements of Somerset Pension Fund as it is payable by BPP.
Total	47,000		

Appendix 1: Revised Auditor Standards and application guidance









FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.




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	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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Anti-Fraud and Corruption Review

Lead Officer: Jason Vaughan – Director of Finance

Author: Ben Bryant, Strategic Manager – Finance Systems & Governance

Contact Details: 01823-359576

Cabinet Member: Cllr Mandy Chilcott, Cabinet Member for Resources

Division and Local Member: All

1. Summary

- 1.1.** This report is the annual review of all the measures that the County Council has undertaken in the last year aimed at the prevention, detection and reporting of fraud and corruption. This is in accordance with our Financial Procedures and acknowledged best practice.
- 1.2.** Anti-fraud and corruption work forms an important part of our corporate governance and internal control framework. With assistance from trained SWAP staff, the council compares systems and processes against typical fraud target areas for fraud, and against national trends and guidance.
- 1.3.** The officers' conclusion of this review is that the County Council has a sound framework in place, although more could be done to raise awareness and clear the reporting lines. The council continues to see a small number of fraud allegations, some leading to more formal investigations from SWAP, (and leading to reporting to Action Fraud or the Police as appropriate).
- 1.4.** The Council has an established suite of Anti-Fraud and Corruption Policies covering; Anti-Fraud, Anti-Bribery, Anti-Tax evasion and Money Laundering, all are subject to annual approval by this Committee. The policies set out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud, corruption and other financial irregularity. It also covers the key responsibilities with regard to fraud prevention, what to do if fraud or financial irregularity is suspected and the action that will be taken by management.

2. Issues for consideration / recommendations

- 2.1.** The Committee is asked to look at the current national trends and to consider and comment on the specific anti-fraud and corruption measures undertaken and planned locally (section three).
- 2.2.** The Committee is asked to confirm the updated Anti-Fraud and Corruption (**Appendix A**), the Anti-Bribery (**Appendix B**) and the Anti-Money Laundering policies (**Appendix C**).
- 2.3.** The committee is asked to re-confirm the Anti-tax evasion policy that remains in place. (**Appendix D**)

- 2.4. The committee is asked to approve delegated authority to the Director of Finance for updating the policies with any changes to job titles or reporting lines.
- 2.5. The Committee is invited to comment on the local fraud cases in (**Appendix E**).

3. Background

- 3.1. Fraud prevention is high on the national agenda with a sustained level of instances being reported when compared to the previous year. Many organisations now provide guidance / information about combatting public sector fraud. Most notably Government have produced an anti-corruption strategy 2017-2022, which is revised annually. Several other publications are included in the Background Papers section of this report.
- 3.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) has a large role to guide counter fraud work in the public sector, with a dedicated Counter Fraud Centre, established since 2014, and it's published "Code of practice on managing the risk of fraud and corruption".
- 3.3. There is plenty of guidance as to how to prevent and combat fraud locally. The majority advise following a process such as CIPFA's 'Acknowledge Responsibility – Identify Risks – Develop A Strategy – Provide Resources – Take Action' process.

The Council has reviewed its arrangements in line with the CiFAS Fighting Fraud and Corruption Locally Strategy (2020) – the Local Government blue print for tackling fraud in the public sector. These are adopted and set out in the anti-fraud strategy and outlines the 5 pillars for effective fraud management; Govern, Acknowledge, Prevent, Pursue and Protect.

- 3.4. There are various publications based on surveys and estimated costs of fraud by sector (private, public, individual, charity etc). Whilst the estimates are not always consistent, there is strong correlation as to the areas where fraud is perpetrated against, say, local authorities, and general consensus as to new and emerging risks. For example, many commentators consider that for the public sector in general the five greatest areas of perceived fraud risk are; procurement, council tax single person discount (SPD), Business Rates, adult social care and Council Tax Reduction.

3.5. National fraud trends

CIPFA's Tracker Report 2020, the most recent survey of Public sector fraud, estimates that nearly 47,000 frauds were detected or prevented across local authorities in 2019/20, with a total value of close to £239m, (an average value per fraud case of approximately £5,090). The previous year, 2018/19, there was an estimated value of £253m with a lower average of £3,600 per case detected and prevented.

Taken from the CIPFA tracker, the pie charts below show detected fraud by volume, and then detected fraud by value for all local authorities, showing the relative size and impact of certain categories of fraud.

Broadly, these figures are consistent with previous year's surveys however there has been a proportional change between Council Tax which has decreased from 78.9% to 65.1% and Housing fraud which has increased by 5.5% and Disabled parking concession by 7% volume in the 2019 survey. These results are from all local authorities (County, District, Unitary and Metropolitan), and so not all fraud categories are direct fraud risks to this Council.

Chart 1: Detected fraud by volume

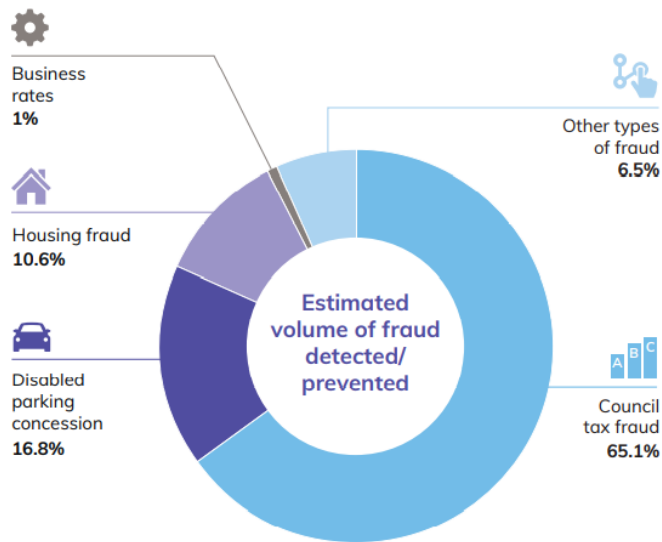
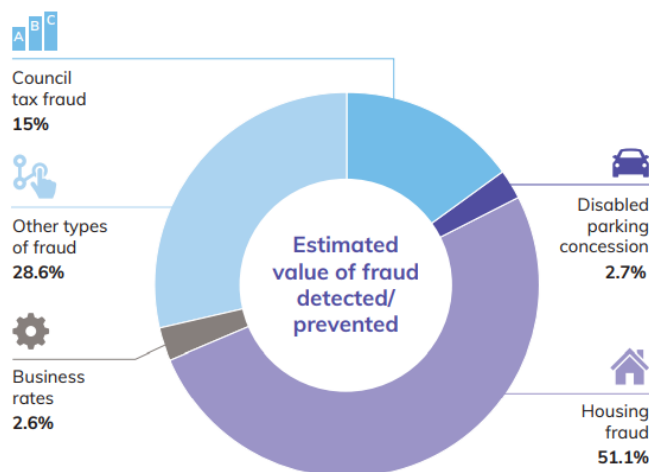


Chart 2: Detected / Prevented fraud by value



Many of the "traditional" fraud risks are not directly applicable to this Council, such as housing tenancy and benefits, welfare and Right To Buy frauds. However, there are several key findings that come from the CIPFA survey, that do have direct implications for the Council in terms of specific fraud risks.

3.6. Specific national fraud risks

Council Tax and Business Rate fraud. The fraud instances on these are largely the direct evasion of payments due or falsification of information to secure exemptions or relief. With Council Tax this applies most significantly to the misapplication of Single Person Discount. Whilst this fraud is not directly targeted at the County Council, it bears financial loss against the budgeted core funding.

Disabled parking concession (Blue Badge) fraud. CIPFA estimates that the cost per instance of Blue Badge fraud for rural counties has increased from £661 per instance to £811 per instance. A SWAP internal audit from 2018/19 concluded the Customer Management System was found to provide an adequate level of control and a reasonable assurance opinion was given. The Council has introduced a new measure of monthly reviews of the CIFAS enhanced national database for new matches of reported fraudulent activity against named blue badge applicants.

Procurement fraud. For the fourth year in a row, procurement fraud was perceived to be the highest fraud risk area. Even with a small number of cases, because of the nature of fraud, the potential costs in each case to authorities is substantial. This can be at any stage of the procurement of goods and services to an authority, such as through tendering, or even during the contract monitoring stage after a contract is let. Nationally 8% of the 87 reported cases were reported as 'insider fraud' where officers are involved.

Somerset County Council has a well-defined procurement process for awarding large contracts, using a dedicated procurement portal, and as such has a level of protection against procurement frauds that provides strong assurance. The Council also adheres to its Contract Procedure Rules and Standing Orders for the buying, renting and leasing of Goods, Services and Works. There are also internal controls with segregation of duties that mitigate the risk of 'insider fraud'. The amount of potential loss only serves to emphasise the need for compliance with our prescribed procurement processes. A joint finance and procurement lead project to review the compliance to purchase ordering and payments process is underway. Among many advantages, this will serve as a health check and review against policy and best practise that limits the ability for fraudulent activity.

Adult social care fraud. Adult social care fraud can happen in a number of ways: being charged for services not provided, misuse of Direct Payments, failure to be advised of individuals changes to health or financial status or Defrauding the vulnerable adult of their direct payments they were legitimately entitled too, usually by a friend or relative.

3.7. Other frauds that could directly impact against the Council include:

Insurance fraud for false claims. There have been no investigations at Somerset in recent years, and with use of the Claims and Underwriting Exchange database, the risk of fraud is considered relatively low.

Payroll fraud for unworked hours and expenses. The Council can take reasonable assurance this is a low risk area following previous SWAP audit reviews.

Mandate fraud claiming to be from suppliers and asking us to change their bank account details. Following an incident of fraud in this area, SWAP conducted a review of controls and processes, with all recommendations being implemented.

Concessionary Travel fraud. Necessary controls are in place to limit the possibility of fraud in this area and use of the National Fraud Initiative will allow the Council to update records periodically.

Pension fraud typically arises as a result of "Failing to disclose information" under the 2006 Fraud Act, where the Fund is deliberately not notified of the death of a beneficiary. In these situations, a pension will continue to be paid into the bank account of the beneficiary and accessed inappropriately. The National Fraud Initiative (NFI), introduced by the Cabinet Office, is a useful tool in recovering overpayments of pensions.

3.8. The Covid-19 pandemic has had a profound effect on all aspects of life and ways of working, which also increases the risk of fraudulent activity. This may be presented through increased opportunity, motivation or rationalisation to conduct fraud.

The specific areas where it is reported nationally that fraud instances have increased are:

- Cyber attacks, such as phishing and impersonation via email.
- Pressure to get the job done leading to breaking policy and controls.
- Fraudulent grant claims.
- Accessibility and security of information being held at home.
- Procurement fraud, especially when the need for PPE was at its highest.
- Unsolicited offers of goods or other financial support where an advanced fee payment is required.

The Council has maintained its policies and working practices, where necessary introducing temporary or emergency updates. Administration of grants has been controlled and procurement have been well aware of the increased risk of fraud. A huge effort by our IT department has gone into enable remote working, development to VPN and regular password change reminders for hardware are in place. Cyber-attacks can be reported through the IT department for investigation and any possible data breaches are closely

monitored by the Data Governance team.

3.9. Proactive anti-fraud approach

Active participation in the National Fraud Initiative is a key defence for local authorities in combatting fraud, albeit a retrospective exercise. Of the figures quoted in the CIPFA Tracker, the majority of those detected nationwide have come from this exercise. Somerset County Council's latest information was uploaded to the National Fraud Initiative database in late 2020.

The output is currently being reviewed for any 'matches' but it is not expected this will lead to many cases that warrant investigation. In previous cycles, the National Fraud Initiative has only served to confirm the strength of Somerset County Council's systems – particularly around Accounts Payable and VAT. In these areas in particular, the NFI rarely if ever throws up a potential anomaly that was not already detected and reviewed by the respective teams

The Council subscribes to CIFAs, taking advantage of cross membership participation to identify fraud potentials and see current trends. As well as making use of its enhanced national database for new matches to reported fraudulent activity.

The Internal Audit Plan makes provision for anti-fraud work in several ways:

- Firstly, the auditor will be looking for key controls and processes in every audit and would flag up any concerns that arose in the course of their work – be it the possibility of loss through error, or the potential for fraudulent activity.
- Secondly, we include a number of what are termed "key control audits" looking at our financial and related systems. In the 2019/2020 Internal Audit Plan, this includes audits on Accounts Payable (Creditors), Payroll, Treasury Management, and Debt Management Audits.
- Thirdly, capacity within the Internal Audit Plan for trained auditors to investigate individual allegations as they arise. A summary of the individual investigations have been carried out by SWAP auditors and Council staff during 2020 can be found at **Appendix E** of this report. This demonstrates some awareness and the policy is workable in practice.
- Fourthly, SWAP officers provide an expert advisory service to the Council and work closely with the Strategic Manger – Finance Systems and Governance on current trends or instances reported of fraud. SWAP supply monthly audit hot topic updates which will include fraud scenarios and specific fraud alert bulletins. An example of this working in practice was a misrepresentation fraud in another authority in relation to procurement of supplies. This was an alert bulletin issued by SWAP to which Somerset

responded by mail shooting suppliers and putting notice on the internet site as to how Somerset does business and what that looks like.

3.10. SWAPs fraud baseline assessment

SWAP undertook a Baseline Assessment of Maturity in relation to Fraud. This was across its partner organisations and provided the Council with an organisation view and a cross-partner comparison report.

For Somerset, it was assessed as partial with improvements in most areas required. This was shown to be a common outcome for many authorities.



The report outlines the necessary steps that the Council needs to take to develop maturity in relation to fraud. There are areas that continue to require improvement and work is underway to address these, namely; raising awareness and clearer reporting of fraud instances, developing training and embedding fraud in risk assessments.

Actions taken since this report include;

- naming the Strategic Manager – Finance systems and Governance as the lead officer for monitoring fraud,
- updating the suite of anti-fraud and corruption policies which are clearly held together on the HR intranet site,
- setting up a central database of reported suspected fraud,
- setting up of a specific email address anti-fraud@somerset.gov.uk for the reporting of fraud,
- clearer roles and requirements of the SWAP fraud technical team,
- introduced proactive work in line with CIFAs.

Further work planned includes:

- Induction and refresher training to be developed to raise aware of fraud and corruption, how to report suspicions or instances and clear indication of responsibilities within the Council.
- More regular communications to all staff via Core Brief and Our Somerset, sharing instances and acting as reminder to be alert.

- Incorporate fraud risk into the corporate risk management process.

3.11. Policies update

As part of our annual review of the County Council's anti-fraud and corruption measures, a review has been carried out of our Anti-Fraud and Corruption Policy (**Appendix A**). The updates mainly focus on the latest five pillar approach to combating and preventing fraud and updates to job titles and posts as relevant.

Anti- bribery (**Appendix B**) and Anti-money laundering (**Appendix C**) policy updates both include updating the latest legislation and relevant job titles. The Key change is the role of Money Laundering Reporting Officer (MLRO), which is a specifically set out one to support the legislation in the event of any such case arising. The Money Laundering Reporting Officer (MLRO) is the Strategic Manager for Finance systems and Governance. It will be for the MLRO to ensure the appropriate investigate of any Money Laundering allegations and to liaise with the Police.

The Anti-tax evasion policy (**Appendix D**) remains as updated and written during 2020.

Fraud remains a clearly stated example of gross misconduct within the relevant HR policies.

4. Consultations undertaken

- 4.1.** All policies were reviewed in conjunction with the S151 Officer and SWAP

5. Implications

- 5.1.** Measures contained within this report will be used to protect SCC from fraud in the forthcoming year.

6. Background papers

- 6.1.** Fraud and Corruption Tracker Summary Report 2020 - CIPFA
 UK anti-corruption strategy 2017 to 2022 - www.gov.uk
 Fighting Fraud and Corruption Locally Strategy (2020)- CiFAS
 Report to the Nations 2020 – ACFE
 NIAO Covid-19 Fraud Risks August 2020 – NIAO
 Public Sector Counter Fraud Journal, Issue 6 – CIDS
 Fraudscape July 2020 - Cifas

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

Anti-Fraud and Corruption Policy and Strategy

- 1 [What Constitutes Fraud and Corruption](#)
- 2 [Key Principles](#)
- 3 [Relevant Legislation](#)
- 4 [Reporting Fraud](#)
- 5 [Investigation of Fraud](#)
- 6 [Prevention](#)
- 7 [Detection](#)
- 8 [Recovery of Losses](#)
- 9 [Conclusion](#)

This document forms part of Somerset County Council's HR&OD Manual, which is available on the SCC Website [HR - SCC extranet](#).

*Updated **July 2020**, for next review July 2022.*

Statement on Fraud and Corruption by the Senior Leadership Team

Somerset County Council takes its responsibilities to protect the public purse seriously and is fully committed to the highest ethical standards, to ensure the proper use and protection of public funds and assets.

The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue appropriate sanctions available in each case, including removal from office, disciplinary action, dismissal and/or prosecution. The required ethical standards are included in both our Members Code of Conduct and Employees Code of Conduct.

To fulfil the Council's Strategy, we must be able to maximise the financial resources available to us. In order to do this, we aim to reduce fraud and corruption to zero. This policy statement is underpinned by an Anti-Fraud and Corruption Strategy, which sets out the key responsibilities regarding fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

The strategy is based upon the five pillars: Govern, Acknowledge, Prevent, Pursue and Protect for effective fraud management and adheres to England's counter fraud and corruption strategy for local government Fighting Fraud and Corruption Locally – A Strategy for the 2020's.

1. Purpose

1.1 The purpose of this Policy is to set out clearly:

- The Council's commitment and approach to tackling fraud, bribery, and corruption.
- The responsibilities of Members and employees to report any suspicions they have.
- The importance of the public in tackling fraud.

1.2 This policy applies to:

- Members
- Employees
- Agency staff
- Contractors
- Consultants
- Suppliers
- Service users
- Employees and committee members of organisations funded by Somerset County Council
- Employees and principals of partner organisations
- Volunteers working for Somerset County Council

1.3 In addition to the above Somerset County Council expects members of the public to be honest in their dealings with the Council.

1.4 Other relevant policies include:

The Constitution (including Financial Regulations and Contract Standing Orders)

- Financial Procedures
- Members' Code of Conduct
- Standards of Conduct
- Complaints procedures
- Disciplinary Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Anti-Bribery Policy

- Risk Strategy
- Audit Committee reports

1.5 The arrangements set out in this policy will be reviewed annually to ensure the Council remains resilient to fraud threat.

2 Key Principles The Council has reviewed its arrangements in line with the Fighting Fraud and Corruption Locally Strategy (2020) – the Local Government blue print for tackling fraud in Local Government. The strategy outlines its 5 pillars for effective fraud management, as below:

Pillar 1	Pillar 2	Pillar 3	Pillar 4	Pillar 5
Govern	Acknowledge	Prevent	Pursue	Protect
having robust arrangements embedded throughout the organisation	acknowledging and understanding fraud risks	preventing and detecting more fraud	being stronger in punishing fraud/ recovering losses	protecting itself and its residents



Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.	Assessing and understanding fraud risks. Committing support and resource to tackling fraud. Maintaining a robust anti-fraud response.	Making better use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture.	Prioritising fraud recovery and the use of civil sanctions. Developing capability and capacity to punish fraudsters. Collaborating with law enforcement.	Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.
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2.2 The Council will not tolerate fraud, bribery or corruption and if proven employees will face possible dismissal and/or prosecution.

2.3 The Council expects that Members and officers at all levels will lead by example to ensure high standards of propriety, integrity and accountability and operate within relevant Codes of conduct.

- 2.4 The Council will endeavour to raise fraud awareness among employees both at induction and periodically throughout their employment.
- 2.5 The Council expects Members and Senior Officers to emphasise the importance of anti-fraud work and to actively promote and support the fight against fraud.
- 2.6 The Council expects individuals and organisations with whom it comes into contact with to act with integrity towards the Council.
- 2.7 The Council understands the fraud risks it faces and will implement policies and procedures to identify and prevent fraud, bribery and corruption, but will also take all action necessary to investigate and identify it.
- 2.8 The Council will take appropriate action against those responsible for fraud and where possible recover losses incurred. (see Recovery of Losses)
- 2.9 Members of the public are asked to contribute to the Council's fight against fraud by remaining vigilant to the potential for fraud and reporting it where they suspect the Council is being targeted. Employees and Members have a duty to do so, and concerns should be raised when it is reasonably believed that one or more of the following has occurred, is occurring or is likely to occur:
- A criminal offence.
 - A failure to comply with a statutory or legal obligation.
 - Improper or unauthorised use of public or other official funds, or assets.
- 2.10 The investigation of fraud will be fair, independent and objective. Officers will be mindful of the Equality Act 2010 and will not let their political or personal views regarding suspects, victims or witnesses unduly influence their decisions. Officers will not be affected by improper or undue pressure from any source.
- 2.11 Somerset County Council will endeavour not to facilitate fraud against other bodies including tax evasion. If through its operation or investigation work, it identifies possible fraud against another organisation, it will report this to the 'appropriate body'.
- 2.12 Work with service areas to help raise awareness of fraud risk and scams that affect the public relative to the service area.

3 Relevant Legislation

- 3.1 Fraud is defined in the Fraud Act 2006 which came into effect from 15 January 2007. There are three basic types of fraud:
- False representation

Where a person makes a representation that is intentionally and dishonestly made, knowing that it is, or might be, untrue or misleading with intent to make a gain for him/herself or another, to cause loss to another or to expose another to risk of loss.

- Failing to disclose information
Where a person fails to disclose information to another person when he/she is under a legal duty to disclose that information honestly, intending by that failure to make a gain or cause a loss.
- Abuse of position
Where a person occupies a position in which he/she is expected to safeguard, or not to act against, the financial interests of another person and abuses that position dishonestly intending by that abuse to make a gain/cause a loss (the abuse may consist of an omission rather than an act).

A person can be found guilty even if there is no victim of the crime; all that needs to be proven is the intent to make a gain or cause a loss by the accused.

- 3.2 The Bribery Act 2010 contains two general offences:
- Section 1 - the offering, promising or giving of a bribe (active bribery);
 - Section 2 - and the requesting, agreeing to receive or accepting of a bribe (passive bribery)
- 3.3 The Theft Act 1968 and the Forgery and Counterfeiting Act 1981 define offences of:
- Theft
 - False Accounting
 - Forgery
- 3.4 The Criminal Finance Act 2017 created a criminal offence of failing to put adequate measures in place to prevent tax evasion in the United Kingdom or overseas.
- 3.5 The Proceeds of Crime Act 2002 made it a criminal offence to fail to disclose knowledge of or suspicion of money laundering.

4. Reporting Fraud

- 4.1 County Council employees and members **must** report any concerns they may have regarding fraud and corruption, whether it relates to dishonest behaviour by Council employees, Members, contractors or by others. That action will be free from recrimination. Such concerns will be treated in confidence and will be properly investigated. In the first instance a member of staff should contact a senior manager within the line management structure.

Any suspected instances of fraud or data breaches should also be emailed to anti-fraud@somerset.gov.uk or logged via the intranet self help service.

However, if the member of staff considers the matter too serious or sensitive or inappropriate to raise within the line management structure then one of the following may be contacted – in person, by telephone or e-mail (marked confidential):

- Chief Executive
- Director of Finance – Chief Finance Officer
- Strategic Manager – Finance Systems & Governance
- Chief Internal Auditor - SWAP Internal Audit Services
- Monitoring Officer
- Chair of Audit Committee.

Concerns can also be raised directly to the SWAP Internal Audit Services Counter Fraud Team through their Confidential Reporting Line:

SWAP Confidential Reporting Line	
Confidential Helpline	020 8142 8462
Confidential Email	confidential@swapaudit.co.uk
https://www.swapaudit.co.uk/contact-us	Report It

- 4.2 All matters will be treated in confidence and an expressed wish not to reveal the identity of a complainant will be respected wherever possible. (Concerns expressed anonymously are much less powerful but will be considered by the County Council). Alternatively, any person with a concern may use the Council’s Confidential Whistleblowing Policy or as an external contact point our external auditors, Grant Thornton.
- 4.3 Elected members should normally report any concerns to the appropriate Senior Leadership Team member, the Chief Executive, the Director of Finance or the Monitoring Officer.
- 4.4 The Council’s Disciplinary Policy clearly identifies the following as gross misconduct:
- Theft or unauthorised possession from other employees, the Council or clients.
 - Fraud or attempt to defraud.
 - Falsification and irregular practice in respect of cash, records, returns or attendance recording systems.

A Senior Leadership Team member (or other senior nominated officer, where authorised) may dismiss an employee on the grounds of gross misconduct in accordance with HR policies, procedures and subject to consultation with the Director

of HR&OD.

- 4.5 An accusation of dishonest behaviour by a Member of the Council should be referred to the Monitoring Officer for an assessment of whether this is likely to constitute a breach of the Members' Code of Conduct.
- 4.6 If a case involves action against a third party, any action to be taken will be agreed between a Senior Leadership Team member, the Director of Finance, Legal and Governance, and where necessary the Monitoring Officer.
- 4.7 Where investigation reveals evidence of suspected criminal activity with regard to fraud and corruption the relevant Senior Leadership Team member in consultation with the Director of Finance **must** refer the matter to the Police. Where an employee is involved, the employee's Senior Leadership Team member should consult with the Director of Finance and where appropriate, the Chief Executive, Monitoring Officer and Director of HR&OD.

5. Investigation of Fraud

- 5.1 The investigation of fraud, bribery and corruption is a complex and specialist area and will usually be undertaken by staff in the Counter Fraud Team – SWAP Internal Audit Services or, for less complicated cases, managers, under advice from the Counter Fraud Team. The Counter Fraud Team or manager will liaise as appropriate with the Chief Executive, Chief Finance Officer, Monitoring Officer, County Solicitor, Director of HR&OD, Senior Leadership Team, relevant members and the Police.
- 5.2 To facilitate audit work and investigations, the Counter Fraud Team are accorded rights, by the Accounts and Audit Regulations (England) 2015, to access all necessary documents, records, information and explanations from any member of staff. These access rights are confirmed in Financial Regulations.

6. Prevention

- 6.1 There are many ways of preventing fraud and corruption happening. The Council has adopted the following preventative measures including:
 - Having a sound Governance Framework with performance against it being reviewed annually by senior management. Reported to Governance Board and Audit Committee.
 - Ensuring that the risks of fraud and corruption are controlled via corporate and operational risk registers.
 - The Council's Recruitment and Selection procedure requires that references should always be taken up when recruiting posts externally.

- The officers' Standards of Conduct makes clear the expected conduct of its employees.
- The members' Code of Conduct makes clear the expected conduct of its Councillors.
- The Council maintains a register of all pecuniary and personal interests (and where appropriate prejudicial interests) as well as details of gifts and hospitality received.
- Contracts Standing Orders and Financial Regulations prescribe the minimum standards for financial controls that must be in place within all processes throughout the Council.
- The County Council subscribes to the National Anti-Fraud Network.

6.2 Each individual employee and Member is responsible for observing these rules and codes. This will go a long way to preventing and detecting improper practice.

7. Detection

- 7.1 The array of preventative systems, particularly internal controls systems with the County Council, help to provide indicators of, and help to deter, any fraudulent activity. Where fraudulent activity is suspected, this may be investigated by Internal Audit. It is not Internal Audit's primary responsibility to detect fraud; the role of Internal Audit is to check the adequacy of the controls within systems. However, the assessment of the risk of fraud is routinely taken into account in planning all internal audits.
- 7.2 It is the responsibility of the Senior Leadership Team and their managers to prevent and detect fraud and corruption. However, it is often the alertness of staff, Members and the public to the possibility of fraud and corruption, that enables detection to occur and appropriate action to take place when there is evidence that fraud or corruption may have been committed or is in progress.
- 7.3 Allegations can be a key factor in the detection of fraud and as such the Council treats all suspicions and concerns and complaints seriously and is committed to investigate all such matters.
- 7.4 The Council's Code of Practice on Whistleblowing allows employees and Members to raise any concerns they may have in confidence and anonymously should they so wish.
- 7.5 The Council takes part in the Governments National Fraud Initiative (NFI) which brings together data from NHS bodies, local authorities, government departments and other agencies to detect a wide range of frauds against the public sector. This data matching exercise which is run every two years. Potential frauds uncovered through NFI will be investigated in accordance with this Policy. Along with this the Council subscribes to CiFAS, giving access to their national fraud database.

8. Recovery of Losses

- 8.1 The Council will always seek to recover the losses incurred as a result of fraud and corruption.
- 8.2 The Council's Insurance Manager should be informed as soon as possible of any potential insurable loss. Details of the case should also be given together with an indication of what recovery action is being attempted.
- 8.3 If anyone under investigation offers money in settlement of any losses to the Council, it should be made clear that any monies offered will be accepted:
- without prejudice to any other action the Council may wish to take.
 - that acceptance is only in respect of losses identified to date.
 - and that the Council reserves the right to seek recovery of any further losses that may come to light in the future.
- 8.4 Claims under the Council's insurance arrangements in fraud and corruption cases should be regarded as a "last resort" and will only be instigated once all other avenues of recovery have been fully explored.
- 8.5 Instances of fraud will be reported to the police and consideration will be given to legal action against the perpetrator of fraud or those benefiting from fraud in order to recover the Council's losses.

9. Conclusion

- 9.1 The County Council will maintain a continuous overview of these arrangements and, through the Director of Finance, will in particular ensure a regular review of Contract Standing Orders, Financial Regulations, Financial Management, Audit Arrangements and Fraud Management .
- 9.2 This Policy Statement will also be subject to regular review at least every other year.

If you have any questions about these procedures, please contact the **Strategic Manager – Finance Systems and Governance**

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Anti-Bribery Policy

- 1 [Introduction](#)
- 2 [What constitutes bribery](#)
- 3 [Application of the policy](#)
- 4 [Overall Approach](#)
- 5 [Reporting money laundering](#)
- 6 [Risk assessment](#)
- 7 [Communication of the policy](#)

This document forms part of Somerset County Council's HR&OD Manual, which is available on the SCC Website [HR - SCC extranet](#).

*Updated **July 2020**, for next review July 2022.*

1. Introduction

Somerset County Council has a **zero tolerance** for any acts of bribery, improper inducement or similarly corruption, and will take all necessary steps (including through the courts) to protect the public purse from these activities.

Somerset County Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or improper inducements. To use a third-party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

We are committed to the prevention, deterrence and detection of bribery. We aim to maintain anti-bribery compliance as "business as usual", rather than as a one-off exercise.

This policy provides the framework to enable the organisation's employees and members to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable members and employees to identify and effectively report a potential breach.

SCC requires that all members and staff, including those permanently employed, temporary agency staff and contractors:

- act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible and to safeguard the council's good reputation;
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which SCC operates, in respect of the lawful and responsible conduct of activities.

It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with an expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure;
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them;
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return;
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy;
- engage in activity in breach of this policy

As well as the possibility of civil and criminal prosecution, staff and members that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

2. What Constitutes Bribery?

The Bribery Act 2010 ('the Bribery Act') aims to promote anti-bribery practices amongst businesses. It applies to both the private and public sectors and so applies to the County Council. An organisation will commit a criminal offence under the Bribery Act if it fails to prevent bribery that is intended to obtain or retain business or an advantage in the conduct of business for the organisation. An individual can also be guilty of an offence under the Bribery Act.

There are four key offences under the Act :

- Section 1 - Bribing another person
- Section 2 - Taking a bribe
- Section 6 - Bribing a foreign public official
- Section 7 - Failing to prevent bribery.

Bribery is a criminal offence. Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

The Bribery Act 2010 <http://www.legislation.gov.uk/ukpga/2010/23/contents> makes it an offence to offer, promise or give a bribe (section 1). It also makes it an offence to request, agree to receive, or accept a bribe (section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of the Act for failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

The guidance states that a "commercial organisation" is any body formed in the United Kingdom and "...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made."

For the purpose of applying the Act Somerset County Council is treated as a "commercial organisation".

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- on conviction in a magistrates court, to imprisonment for a maximum term of 12 months or to a fine not exceeding £5,000, or to both;
- on conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both
- Organisations guilty of an offence under section 7 are liable to an unlimited fine

Public contracts and failure to prevent bribery

Under the Public Contracts Regulations 2015 (which gives effect to EU law in the UK), SCC is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence within the last 5 years.

Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. SCC has the discretion to exclude organisations convicted of this offence if it occurred within the last 5 years.

Facilitation payments

Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions. This, for example, includes customs officers.

3. Application

This Anti-Bribery Policy will apply to all employees and Members of the Council and all contractors, agencies and partners working within the Council.

This policy applies to all of SCC's activities. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy. Where others are to deliver services on behalf of the County Council, it is essential during the procurement or service transfer process that they are made aware of the standards that are expected of them in relation to anti-bribery measures, and the support that the County Council will expect in delivering our Policy.

Within SCC, the responsibility to control the risk of bribery occurring resides with all members and officers. It does not rest solely within assurance functions, but in all service areas, business units and corporate functions.

4. Overall Approach

Somerset County Council is committed to having a zero tolerance approach to bribery through the creation of an anti-bribery culture: This will involve:

- setting out a clear anti-bribery policy and reviewing at least annually (through the officer Governance Board and Audit Committee);
- making all employees aware of their responsibilities to adhere to this policy at all times;
- providing training and guidance to key employees so that they can recognise and avoid the risk of bribery by themselves and others;
- encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated as such;
- rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution;
- taking firm and vigorous action against any individual(s), (employees, Members, contractors, agents) involved in bribery;
- provide information to all employees to report breaches and suspected breaches of this policy;
- including appropriate clauses in contract documents to prevent bribery;
- fostering a culture within the organisation, (from SLT and Members downwards) in which bribery is never acceptable.

5. Reporting

The prevention, detection and reporting of bribery and other forms of corruption are the

responsibility of all those working for the organisation or under its direction. All staff and members are required to avoid activity that breaches this policy.

County Council employees and members should report any concerns they may have regarding fraud and corruption, whether it relates to dishonest behaviour by Council employees, Members, Contractors or by others. That action will be free from recrimination. Such concerns will be treated in confidence and will be properly investigated. In the first instance a member of staff should contact a senior manager within the line management structure. However, if the member of staff considers the matter too serious or sensitive or inappropriate to raise within the line management structure then one of the following may be contacted – in person, by telephone or e-mail (marked confidential):

- Chief Executive
- Director of Finance – Chief Finance Officer
- Strategic Manager – Finance Systems & Governance
- Chief Internal Auditor - SWAP Internal Audit Services
- Monitoring Officer
- Chair of Audit Committee.

Concerns can also be raised directly to the SWAP Internal Audit Services Counter Fraud Team through their Confidential Reporting Line:

SWAP Confidential Reporting Line	
Confidential Helpline	020 8142 8462
Confidential Email	confidential@swapaudit.co.uk
https://www.swapaudit.co.uk/contact-us	Report It

All matters will be treated in confidence and an expressed wish not to reveal the identity of a complainant will be respected wherever possible. (Concerns expressed anonymously are much less powerful but will be considered by the County Council). Alternatively, any person with a concern may use the Council’s Confidential Whistleblowing Policy, or as an external contact point our external auditors, currently Grant Thornton.

Staff/Members who refuse to accept or offer a bribe, or those who raise concerns or report wrong-doing can understandably be worried about the repercussions. SCC aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

SCC is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

6. Risk Assessment

SCC's procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of its activities. They are intended to be clear, practical, accessible, effectively implemented and enforced.

SCC will assess the nature and extent of its exposure to potential external and internal risks of bribery on its business by persons associated with it. "Key areas" for regular re-assessment are to include procurement and payment, recruitment, insurance claims, officer and member decision-making. Such reviews will be at least annually, and whenever a change in process is made for any of these areas.

If the review of anti-bribery controls reveals a potentially increased risk, this will be taken to the Strategic Risk Management Group for consideration and monitoring. The risk will be added to JCAD, together with appropriate mitigations, and will be owned by the Director of Finance unless a more suitable officer is nominated.

7. Communication

SCC seeks to ensure that its bribery prevention policies and procedures are understood throughout the organisation through internal and external communication, including training that is proportionate to the key officers and key risks it faces.

All staff will be alerted to the anti-bribery policies by means of Core Brief and the inclusion of the policy on key intranet governance sites. All staff engaged in what are deemed "key areas" for anti-bribery will also receive additional guidance.

Gifts and hospitality

This policy is not intended to change any of the requirements of our gifts and hospitality policy. <http://extranet.somerset.gov.uk/hr/employment-information/gifts-and-hospitality/>

The Council has decided that all offers of gifts/hospitality worth £25 or more, whether accepted or not, **must** be declared and recorded in order to ensure openness and transparency.

Anti-Money Laundering Policy

- 1 [Introduction](#)
- 2 [What Constitutes Money Laundering?](#)
- 3 [Application of the policy](#)
- 4 [Overall Approach](#)
- 5 [Reporting money laundering](#)
- 6 [Risk assessment](#)
- 7 [Communication of the policy](#)

This document forms part of Somerset County Council's HR&OD Manual, which is available on the SCC Website [HR - SCC extranet](#).

*Updated **July 2020**, for next review July 2022.*

1. Introduction

The Proceeds of Crime Act 2002 ('POCA') and the Money Laundering Terrorist Financing & Transfer of Funds (Information on the Payer) Regulations 2017 impact on areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

Somerset County Council has a **zero tolerance** for any acts of money laundering and will take all necessary steps (including through the courts) to protect the public purse from these activities. CIPFA defines money laundering as "to disguise criminally sourced cash or property in order to give the appearance of legitimacy. This is done by mixing the criminal transactions with the legitimate transactions of businesses."

Somerset County Council will do all it can to prevent the Council and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

It is acknowledged that the risks to the County Council in relation to money laundering are considered very low; however the potential losses and reputational damage could be significant.

This policy provides the framework to enable the organisation's employees and members to

understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable members and employees to identify and effectively report a potential breach.

As well as the possibility of civil and criminal prosecution, staff and members that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

2. What Constitutes Money Laundering?

Money laundering is the term used for a number of offences involving the proceeds of crime or terrorism funds. The following constitute the act of money laundering:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the POCA 2002); or
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328 of the POCA 2002 Act); or
- Acquiring, using or possessing criminal property (section 329 of the POCA 2002 Act);
- Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (section 18 of the Terrorist Act 2000).

These are the primary money laundering offences and thus prohibited acts under the legislation. There are also two secondary offences: failure to disclose any of the primary offences and tipping off. Tipping off is where someone informs a person or people who are, or are suspected of being involved in money laundering, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. This Policy sets out how any concerns should be raised.

Money laundering can take place in an almost infinite number of ways. It does however require three distinct phases to be in place for money to be laundered:

1. Placement - the stage at which criminally derived funds are introduced in the financial system.
2. Layering - the substantive stage of the process in which the property is 'washed' and its ownership and source is disguised.
3. Integration - the final stage at which the 'laundered' property is re-introduced into the legitimate economy.

3. Application

This Anti-Money Laundering Policy will apply to all employees and Members of the Council.

This policy applies to all of SCC's activities. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy. Where others are to deliver services on behalf of the County Council, it is essential during the procurement or service transfer process that they are made aware of the standards that are expected of them in relation to money laundering measures, and the support that the County Council will expect in delivering our Policy.

Within SCC, the immediate responsibility to control the risk of money laundering occurring resides with all officers who handle external payments and in particular payments in cash. It does not rest solely within assurance functions, but in all service areas, business units and corporate functions.

4. Overall Approach

Somerset County Council is committed to having a zero tolerance approach to money laundering through the creation of an anti-money laundering and corruption culture: This will involve:

- setting out a clear anti-money laundering policy and reviewing at least annually (through the officer Governance Board and Audit Committee);
- making all employees who are involved in the collection of income aware of their responsibilities to adhere to this policy at all times;
- limiting the amount of cash that the County Council will take from a single debtor or single occasion to £5,000;
- encouraging its employees to be vigilant and to report any suspicions of money laundering, providing them with suitable channels of communication and ensuring sensitive information is treated as such;
- rigorously investigating instances of alleged money laundering and assisting police and other appropriate authorities in any resultant prosecution through the Money Laundering Reporting Officer;
- taking firm and vigorous action against any individual(s), (employees, Members, contractors, agents) involved in money laundering;
- provide information to all employees to report breaches and suspected breaches of this policy;
- including appropriate clauses in contract documents to prevent money laundering;
- fostering a culture within the organisation, (from SLT and Members downwards) in which money laundering is never acceptable.

5. Reporting

The prevention, detection and reporting of money laundering and other forms of corruption are the responsibility of all those working for the organisation or under its direction. All staff and members are required to avoid activity that breaches this policy.

County Council employees and members should report any concerns they may have regarding money laundering and corruption, whether it relates to dishonest behaviour by Council employees, Members, Contractors or by others. That action will be free from recrimination. Such concerns will be treated in confidence and will be properly investigated. In the first instance a member of staff should contact a senior manager within the line management structure. However, if the member of staff considers the matter too serious or sensitive or inappropriate to raise within the line management structure then one of the following may be contacted – in person, by telephone or e-mail (marked confidential):

- Chief Executive
- Director of Finance – Chief Finance Officer
- Strategic Manager – Finance Systems & Governance
- Chief Internal Auditor - SWAP Internal Audit Services
- Monitoring Officer
- Chair of Audit Committee.

All matters will be treated in confidence and an expressed wish not to reveal the identity of a complainant will be respected wherever possible. (Concerns expressed anonymously are much less powerful but will be considered by the County Council). Alternatively, any person with a concern may use the Council's Confidential Whistleblowing Policy, or as an external contact point our external auditors, currently Grant Thornton.

The **Money Laundering Reporting Officer** (MLRO) is the Strategic Manager – Finance Systems & Governance. In his absence, this role will be performed by the Funds & Investments Manager. It will be for the MLRO to coordinate an investigation into any allegations and if necessary to liaise with the Police.

Staff/members who refuse to accommodate attempts at money-laundering, or those who raise concerns or report wrong-doing can understandably be worried about the repercussions. SCC aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

SCC is committed to ensuring nobody suffers detrimental treatment through refusing to take part in money laundering, or because of reporting a concern in good faith.

6. Risk Assessment

SCC's procedures to prevent money laundering by persons associated with it are proportionate to the risks it faces and to the nature, scale and complexity of its activities. They are intended to be clear, practical, accessible, effectively implemented and enforced. It is accepted that the overall risk of SCC being targeted and also being a victim of money laundering are **very low** because of the controls in place in our financial systems and policies.

SCC will assess the nature and extent of its exposure to potential external and internal risks of money laundering on its business by persons associated with it on all annual basis.

If the review of anti-money laundering controls reveals a potentially increased risk, this will be taken to the Strategic Risk Management Group for consideration and monitoring. The risk will be added to JCAD, together with appropriate mitigations, and will be owned by the Director of Finance unless a more suitable officer is nominated.

7. Communication

SCC seeks to ensure that its anti-money laundering policies and procedures are understood throughout the organisation through internal and external communication, including training that is proportionate to the key officers and key risks it faces.

All staff will be alerted to the anti-money laundering policies by means of Core Brief and the inclusion of the policy on key intranet governance sites. All staff engaged in what are deemed "key areas" for anti-money laundering will also receive additional guidance.

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Somerset County Council

Anti-Tax Evasion Policy

July 2020



For queries on VAT and non-PAYE tax issues please contact:

Paul Griffin, Service Manager – Chief Accountant – pxgriffin@somerset.gov.uk

For queries on PAYE issues please contact:

Rachel Ellins, Strategic Manager HR Amin and Payroll Services -

RAEllins@somerset.gov.uk

This policy will be reviewed on an annual basis and updated as required.



Introduction

Somerset County Council is determined to pursue a policy of zero tolerance in relation to all areas of fraud and corruption. As part of the Council's Constitution and controls and standards the Council's Audit Committee has responsibility for Anti-Fraud and Corruption Policy. The purpose of the Anti-Tax Evasion policy is to support the specific area of Tax Evasion alongside the existing zero tolerance stance on fraud and corruption, to provide guidance to staff and others on action to prevent or report on tax evasion or the perception of tax evasion and to emphasise the need to be aware and to continue the County Council's good record.

This Policy Statement is supplementary to the Council's wider Anti-Fraud and Corruption Strategy (the Strategy), which sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud, corruption and other financial irregularity. The Strategy sets out the key responsibilities with regard to fraud prevention, what to do if fraud or financial irregularity is suspected and the action that will be taken by management.

The County Council controls millions of pounds of public money and takes very seriously its stewardship of this money. The County Council is proud of the excellent reputation it has established for integrity and honesty. Acts of dishonesty within the County Council are rare and the County Council has a very good track record on anti-tax evasion.

The County Council is, however, determined to protect itself against all areas of fraud including tax evasion both from within and from external sources. The County Council already has in place a Constitution, which includes the Members' Codes of Conduct and Protocols setting out expected behaviours of both members and employees. It also includes Financial Regulations which provide clarity about accountabilities of individuals, Members, Senior Leadership Team etc. The HR content on the Council's Intranet site includes detailed Standards of Conduct expected of Officers.

The Anti-Tax Evasion Policy brings together the key elements from the Council's and government documents and provides a link to where further information may be found. As part of its aim to ensure Value For Money (VFM) and Efficiency, the County Council is committed to an effective Anti-Tax Evasion policy designed to:

- ensure prevention
- facilitate detection, and
- identify a clear pathway for investigation and remedial action.

Approach

This policy sets out Somerset County Council's (the Council's) policy in relation to tax evasion. It has the full support of both the Council's senior management in the form of the senior officers and elected members through Corporate Governance Board and Audit Committee.

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 Council has a zero-tolerance approach to all forms of tax evasion, whether under UK law or under the law of any foreign country. Employees of the Council, its agents and contractual associates must not undertake any transactions which:

- (a) Cause the Council to commit a tax evasion offence; or
- (b) Facilitate a tax evasion offence by a third party.

The Council is committed to acting professionally, fairly and with integrity in all its dealings and relationships wherever we operate and implementing and enforcing effective systems to counter tax evasion facilitation. At all times, Council business should be conducted in a manner such that the opportunity for, and incidence of, tax evasion is prevented.

Governance and internal control procedures are already in place to meet the statutory requirements; and there is no suggestion that the Council tolerates tax evasion, or that staff engage in such behaviour. However, adopting an express corporate policy will help the Council defend any allegation that it has facilitated tax evasion.

This Policy Statement is supplementary to the Council's wider Anti-Fraud and Corruption Strategy (the Strategy), which sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud, corruption and other financial irregularity. The Strategy sets out the key responsibilities with regard to fraud prevention, what to do if fraud or financial irregularity is suspected and the action that will be taken by management.

1. What is Tax Evasion?

Tax evasion is the illegal non-payment or under-payment of taxes, usually as the result of making a false declaration (or no declaration) of taxes due to the relevant tax authorities, which results in legal penalties if the perpetrator is caught.

Tax evasion involves all forms of tax, including income tax, corporation tax, VAT, national insurance, landfill tax, Council tax and excise duties such as road fund licence and tax on the sale of alcohol and tobacco. This list is not exhaustive.

Tax avoidance, by contrast, is seeking to minimise the payment of taxes without deliberate deception. This is often legitimate but is sometimes contrary to the spirit of the law, e.g. involving the exploitation of loopholes.

Importantly the corporate criminal offence of facilitation only applies to tax evasion. The third party must be found guilty of tax evasion before the Council can be found to have facilitated it.

2. Examples of Tax Evasion

It is not possible to give examples covering every possible scenario, however, some 'red flag' indicators are detailed below to give a flavour of the scope of the legislation:

- *You become aware, in the course of your work, that a third party has made or intends to make a false statement relating to tax; has failed to disclose income or gains to, or to register with, HMRC; has delivered or intends to deliver a false document relating to tax; or has set up or intends to set up a structure to try to hide income, gains or assets from a tax authority.*
- *You become aware, in the course of your work, that a third party has deliberately failed to register for VAT (or the equivalent tax in any relevant non-UK jurisdiction) or failed to account for VAT.*
- *A third-party requests payment in cash and/or refuses to provide an invoice or receipt for a payment made.*
- *You become aware, in the course of your work, that a third party working for us as an employee asks to be treated as a self-employed contractor, but without any material changes to their working conditions.*

3. The Criminal Finances Act 2017

Under the Criminal Finances Act 2017, a separate criminal offence is automatically committed by a corporate entity where the tax evasion is facilitated by a person acting in the capacity of an “associated person” to that body. For the offence to be made out, the associated person must deliberately and dishonestly take action to facilitate the tax evasion by the taxpayer. If the associated person accidentally, ignorantly, or negligently facilitates the tax evasion, then the corporate offence will not have been committed. The Council does not have to have deliberately or dishonestly facilitated the tax evasion itself; the fact that the associated person has done so creates the liability for the Council.

Specifically, staff, agents and associates must not knowingly do anything that helps someone else evade tax.

It is a defence to the corporate criminal offence of facilitating tax evasion if the Council can prove that it has in place such prevention procedures as it is reasonable to expect in the circumstances. Government guidance (“Tackling tax evasion: Government guidance for the corporate offences of failure to prevent the criminal facilitation of tax evasion”) suggests an appropriate set of prevention measures which gives due recognition to the following:

- risk assessment;
- the proportionality of risk-based prevention procedures;
- top level commitment;
- due diligence;
- communication (including training);
- monitoring and review.

The Council must ensure a policy on prevention is brought to the attention of all staff. This policy will therefore be published on the Council’s web-site.

4. Penalties

As an employer, if the Council fails to prevent its employees, workers, agents or service providers facilitating tax evasion, the Council can face both criminal sanctions including an unlimited fine, and associated reputational damage. The Council therefore takes its legal responsibilities seriously.

5. Policy Statement – Tax Evasion

Somerset County Council has a zero-tolerance approach to all forms of tax evasion, whether under UK law or under the law of any foreign country. Employees of the Council, its agents and contractual associates must not undertake any transactions which:

- Cause the Council to commit a tax evasion offence; or
- Facilitate a tax evasion offence by a third party.

6. Objective of this policy

This policy provides a coherent and consistent framework to enable the Council's employees (and other "associated persons") to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

The Council requires that all relevant persons:

- Act honestly and with integrity at all times so as to safeguard the Council's resources for which they are responsible
- Comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities

7. Scope of this policy

This policy applies to all of the Council's activities. For partners, joint ventures and suppliers, it will seek to promote the adoption of policies consistent with the principles set out in this policy.

Responsibility to control the risk of tax evasion occurring resides at all levels of the organisation including all services, business units and corporate and support functions.

This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, Members, volunteers and consultants.

8. The Council's commitment to action

The Council commits to:

- Setting out a clear anti-tax evasion policy and keeping it up to date
- Making all employees aware of their responsibilities to adhere strictly to this policy at all times
- Raising awareness of the risks of tax evasion with employees so that they can recognise and avoid occurrences of potential tax evasion by themselves and others
- Undertaking a risk assessment to identify those areas of the Council's business where risk is considered to be highest
- Targeted training of services where the perceived risk is higher
- Promoting good ethical behaviour by staff in all of its forms
- Encouraging its employees to be vigilant and to report any suspicions of tax evasion, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Investigating instances of alleged tax evasion
- Referring investigations to the Police where it is appropriate to do so
- Taking firm and vigorous action against any individual(s) involved in tax evasion, or the facilitation of it
- Providing information to all employees on how to report breaches and suspected breaches of this policy
- Including appropriate clauses in contracts to prevent tax evasion.

The Council seeks to maintain relevant procedures, including top-level commitment to tackling tax evasion and effective communication, including training. Senior Officers have an additional responsibility (beyond that of the employees own) for ensuring this policy is communicated effectively to staff and frequently refreshed throughout their department along with other good practice regarding ethical behaviour.

9. Tax Evasion is not tolerated

It is unacceptable to:

- Engage in any form of facilitating tax evasion (including foreign tax evasion);
- Aid, abet, counsel or procure the commission of a tax evasion offence by another person;

- Fail to promptly report any request from any third party to facilitate the fraudulent evasion of tax by another person;
- Engage in any other activity that might lead to a breach of this policy;
- Threaten or retaliate against another individual who has refused to commit a tax evasion offence or who has raised concerns under this policy;
- Commit an offence under the law of any part of the UK consisting of being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax.

10. Staff responsibilities

The prevention, detection and reporting of all forms of financial irregularity, including suspected tax evasion, are the responsibility of all those working for the organisation or under its control (“associated persons”). All staff are required to avoid activity that breaches this policy.

As individuals you must:

- Ensure that you read, understand and comply with this policy
- Raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil legal action and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

11. Raising a concern

The Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity, and wants each and every member of staff to know how they can raise concerns.

All have a responsibility to help detect, prevent and report instances of tax evasion. If you have a concern regarding a suspected instance of tax evasion, please speak up – your information and assistance will help. The sooner it is brought to attention, the sooner it can be resolved.

There are multiple channels to help raise concerns. Please refer to the Council’s Whistleblowing Policy and determine the favoured course of action. Preferably the disclosure will be made and resolved internally (e.g. to a line manager or head of department). Secondly, where internal disclosure would not be appropriate, concerns can be raised with the Strategic Manager - Governance (Monitoring

Officer), the Director of Finance, the Strategic Manager – Finance Systems and Governance, the Chief Internal Auditor or the External Auditor. Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media). Concerns can be raised anonymously. In the event that an incident of suspected wrong doing is reported, the Council will act as soon as possible to evaluate the situation. It has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in an investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

Staff who raise concerns or report wrongdoing could understandably be worried about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken. The Public Interest Disclosure Act 1998 (PIDA) protects individuals who make certain disclosures of information in the public interest. Our Whistleblowing Policy complies with PIDA. The Council is committed to ensuring nobody suffers detrimental treatment through the reporting of a concern in good faith.

12. Other relevant policies

Further information on relevant Council policy and practice can be found in the following internal documents:

- [The Council's Constitution, incorporating the Members' Code of Conduct, Officers' Code of Conduct, Contract Standing Orders, Financial Regulations;](#)
- [Anti-Fraud and Corruption Policy;](#)
- [Employee Whistleblowing Policy;](#)
- [Gifts & Hospitality Policy;](#)
- [Standards of Conduct;](#)

13. Useful links

- [Criminal Finances Act 2017, Part 3 - Corporate Offences of Failure to Prevent Facilitation of Tax Evasion](#)
- [HM Revenue & Customs](#)

14. Policy review

The Director of Finance (s.151 Officer), the Council's Corporate Governance Board and the Audit Committee are responsible for ensuring the continuous review and amendment of this policy document, to ensure that it remains compliant with good practice and legislative requirements.

Next Review date: July 2022



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SWAP investigated suspected fraud instances during 2020/21

FY	Name	Audit engagement type
2020-21	PPE Procurement Allegation	Special investigation
2020-21	P Cards (Road Safety) Special Investigation	Special investigation
2020-21	Major Projects Special Audit Review	Special audit review
2020-21	Change of bank details (Accounts Payable records)	Special investigation
2020-21	Change of bank details (Payroll records)	Advisory
2020-21	Review of potential breach in use of prepaid card solution	Proactive soft investigation

Status
Completed
Completed
Completed
Completed
Completed
Completed

Outcomes
Control weaknesses reported, no fraud proven.
Control weaknesses reported, no formal action taken.
Initial audit review complete. Has led to a further investigation which is currently ongoing.
<p>Staff reminded of standard procedures.</p> <p>SWAP alert bulletin issued to raise awareness to partner authorities.</p> <p>Follow up controls audit undertaken by SWAP with some recommendations made.</p>
<p>Some procedural controls failed but fraud detected by additional controls.</p> <p>Reminder to staff to follow procedure and keep controls intact.</p> <p>Data Governance team and IT involved to confirm no data breaches.</p> <p>SWAP alert bulletin issued to raise awareness to partner authorities.</p> <p>Reported to Action Fraud</p>
<p>Follow up/ soft investigation on supplier linked to the attempted change of staff bank details.</p> <p>Assurance gained around using supplier, that supplier had adequate controls in place.</p>

Appendix E

Financial loss or data breach
None
None
N/A
£0.011m
None
None

Audit Committee Work Programme

Future Agenda Items	Notes
22 July 2021	
Draft Annual Governance Statement (AGS)	For members to review the content of the draft AGS for the current year. (The AGS is a mandatory statement that sits alongside the Statement of Accounts and provides assurance that SCC has effective internal controls in place).
Annual Audit Opinion from SWAP	To receive the annual audit opinion from the Council's internal auditors
Internal Audit Update	Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified.
External Audit Update	An update on the progress of Grant Thornton's audit work and progress.
Anti-Fraud and Corruption Report	Our formal annual review of national fraud risks, our fraud policies and our work to prevent and detect frauds against the County Council.
19 August 2021	
Statement of Accounts	To approve both the County Council's and Pension Fund's accounts, final Annual Governance Statement and Value for Money arrangements.
Risk Management	The regular update on progress in mitigating the highest scoring risks
Debtor Management	The regular performance report on our progress to collect monies owed to the County Council and the causes of outstanding debts.
23 September 2021	
External Audit Update	An update on the progress of the audit as it moves towards a conclusion following the approval of the accounts in July.
Internal Audit Update	The regular progress report from SWAP on the completion of the current Internal Audit Plan, highlighting any high risks that have arisen from their work.
Advisory opinion audit update	To receive an update on the Highways Maintenance – duplicate payment requests audit.
Partial Audit and Risks	To review any completed internal audits that have only received a Partial Assurance, where the dates in the agreed Action Plan show progress should have been

	made.
Value For Money Tracker	An update on SCC's progress against the recommendations made by Grant Thornton.
Review of Internal Audit	For members to consider a review carried out by officers, with independent validation, into the effectiveness of the SWAP internal audit function in the current year.
18 November 2021	
External Audit Update	An update on Grant Thornton's work and planning progress, and an update from the audit sector in general.
Internal Audit Update	The regular progress report from SWAP on the completion of the current Internal Audit Plan, highlighting any high risks that have arisen from their work.
National Audit Office report	For members to consider a report from the NAO that looks at the governance requirements of transformational projects.
Partial Audit and Risks	To review any completed internal audits that have only received a Partial Assurance, where the dates in the agreed Action Plan show progress should have been made.
Risk Management	The regular update on progress in mitigating the highest scoring risks
Debtor Management	The usual update report on collection of monies owed to the County Council, and an update on management progress against the latest SWAP audit.