

Audit Committee (Advisory Board meetings only from 19 January 2022 onwards)

Thursday 10 March 2022

10.00 am Virtual Meeting held using MS Teams



To: The Members of the Audit Committee (Advisory Board meetings only from 19 January 2022 onwards)

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. Ms J Whitten – Independent Member

All Somerset County Council Members are invited to attend meetings of the Cabinet and Scrutiny Committees.

Issued By Scott Wooldridge, Strategic Manager - Governance and Democratic Services – 1 March 2022

For further information about the meeting, please contact Neil Milne at NDmilne@somerset.gov.uk or 01823 357628 or Andrew Rundell - arandell@somerset.gov.uk or 01823 357628

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 Regulation 4 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

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



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AGENDA

Item Audit Committee (Advisory Board meetings only from 19 January 2022 onwards) -
10.00 am Thursday 10 March 2022

*** 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 **Notes of the meeting held on 27 January 2022** (Pages 9 - 16)

The Committee is asked to confirm the notes are accurate.

4 **Public Question Time**

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

5 **External Auditors Progress Report** (Pages 17 - 24)

To consider this report.

6 **External Auditors Annual Report on Somerset County Council and Somerset Pension Fund** (Pages 25 - 58)

To consider this report.

7 **Internal Audit update report** (Pages 59 - 74)

To consider this report.

8 **Internal Audit Plan and Audit Charter** (Pages 75 - 94)

To consider this report.

Item Audit Committee (Advisory Board meetings only from 19 January 2022 onwards) -
 10.00 am Thursday 10 March 2022

9 **Committee Future Workplan** (Pages 95 - 96)

To consider this report

10 **Any other urgent items of business**

The Chairman may raise any items of urgent business.

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General Guidance notes for Somerset County Council advisory virtual meetings

1. **Advisory Virtual Council Public Meetings**

Please be advised that this an Advisory Board meeting and as a consultative meeting without any decisions to be made. It is not a meeting as defined under the Local Government Act 1972 or Local Government Act 2000 and therefore can take place virtually.
2. **Inspection of Papers**

Any person wishing to inspect minutes, reports, or the background papers for any item on the agenda should contact Democratic Services at democraticservices@somerset.gov.uk or telephone 01823 357628.

They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers.
3. **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 on the council website at [Code of Conduct](#).
4. **Minutes of the Meeting**

Details of the issues discussed, and recommendations made at the meeting will be set out in the minutes, which the Advisory Board will be asked to approve as a correct record at its next meeting.
5. **Public Question Time**

If you wish to speak, please contact Democratic Services by 5pm 3 clear working days before the meeting. Email democraticservices@somerset.gov.uk or telephone 01823 357628.

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

At the Chair's invitation you may ask questions and/or make statements or comments about any matter on the Board's agenda – providing you have given the required notice. You may also present a petition on any matter within the Board's remit. The length of public question time will be no more than 20 minutes in total.

You must direct your questions and comments through the Chair. You may not take a 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 particular 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 to three minutes only.

In line with the council's procedural rules, if any member of the public interrupts a meeting the Chair will warn them accordingly. If that person continues to interrupt or disrupt proceedings the Chair can ask the Democratic Services Officer to remove them as a participant from the meeting.

6. **Meeting Etiquette**

- Mute your microphone when you are not talking.
- Switch off video if you are not speaking.
- Only speak when invited to do so by the Chair.
- Speak clearly (if you are not using video then please state your name)
- If you're referring to a specific page, mention the page number.
- Switch off your video and microphone after you have spoken.
- There is a facility in Microsoft Teams under the ellipsis button called turn on live captions which provides subtitles on the screen.

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. 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 Meeting 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.

Advisory Board meetings are not recorded by the Council as they are not formal meetings.

8. Operating Principles for Audit Advisory Board 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 Advisory Board

- (a) Recommend approval (but not direct) 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) Recommend approval of the annual accounts of the Council and the Annual Governance Statement, together with considering the Matters Arising from the Accounts Audit.

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AUDIT ADVISORY BOARD

Minutes of a Meeting of the Audit Advisory Board held virtually via Teams, on Thursday 27 January 2022 at 10:00am

Present: Cllr Mike Lewis (Chair), Cllr Mike Caswell (Vice Chair), Cllr Hugh Davies, Cllr Bob Filmer, Cllr P Ham, Cllr Graham Noel, Cllr Liz Leyshon, Cllr Mike Rigby and Jennifer Whitten (Independent Member).

Other Members present: Cllr Mandy Chilcott and Cllr A Kendall.

Officers present: (JV) Director of Finance and Governance, (AS) Service Manager for Investments, (BB) Strategic Manager for Finance Systems and Governance, (LF) Assistant Director of SWAP, (BM) Key Audit Partner-Grant Thornton, (NM) Committee Manager, (AR) Committee Clerk (JH) Committee Administrator, (NB) Unite Branch Secretary.

Apologies for absence – Agenda Item 1

There were no reported apologies for absence.

Declarations of Interest - Agenda Item 2

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

There were no new declarations.

Minutes from the previous meeting - Agenda Item 3

The Audit Advisory Board accepted that the minutes of the meeting held on 30 November 2021.

The Chair reminded the meeting that last week the Monitoring Officer of the Council had confirmed the appointment of a new independent member of the Audit Committee, Ms Jennifer Whitten. On behalf of the Committee, he welcomed Ms Whitten to her first meeting and invited Ms Whitten to introduce herself and she thanked the Board for their warm welcome.

Public Question Time - Agenda Item 4

The Chair invited Mr Nigel Behan to make a statement and ask questions. Mr Behan noted that: " ORG0054 Strategic Risk 2020: Climate Change: SCC fails to take action to mitigate and adapt to climate change. This includes failing to commit adequate resources and/or failing to act early enough" with the

maximum current risk assessment score of 25. The cause being attributed to “At present agreement with the Districts to co-fund key enabling activities is limited to 4 projects. Unless sufficient funding is agreed between the 5 Councils it will not be possible to deliver on all the agreed outcomes and Actions as set out in the Thematic Action Plans”. Mr Behan asked what impact would this have on, for instance, carbon reduction targets if all the agreed outcomes and actions are not met?

Mr Behan reflected that the Climate Change Committee (CCC) noted (December 2021). “The next year is critical for climate action in the UK and internationally. At home, we need to walk the talk and urgently deliver actions in the Net Zero Strategy.” He asked will the Somerset Local Authority(ies) Climate Change agreed actions be revisited urgently (with more practical proposals and actions) and should the next risk review date be much earlier than next Autumn (September 2022)?

The Director of Finance and Governance committed to providing a written response on behalf of the Director of Commissioning ECI following the meeting.

Medium Term Financial Plan Reports - Agenda Item 5

The Chair invited the Strategic Manager for Finance and Systems to present the Medium Term Financial Plan Reports, which focused on the Treasury Management Strategy Statement for 2022/23 and attached in Appendices C and D included the Capital Strategy and MRP Statement 2022/23.

Treasury Management and Prudential Codes were published in December 2021, too late to be wholly incorporated into this year’s written strategy. However, SCC Treasury Management would operate within the letter and the spirit of the revised Codes. Given that Local Government Reorganisation (LGR) in Somerset will see the new unitary Somerset Council starting in April 2023 it is considered more appropriate to defer until 2023-24 when the overall position for the new Council can be clearly set out.

It was explained that £324.55m of debt was held by the Council as part of its strategy for funding previous years’ capital programmes. Of this, £159.05m is Public Works Loan Board (PWLB) debt, £108m is Lender Option Borrower Option (LOBO) debt, and a further £57.5m of fixed rate bank loans. As at 31st December 2021 the average rate paid on all debt was 4.66%.

Members heard that Investment balances for 2021-22 to the 31st December 2021 have ranged between £261m (6th April) to £358m (25th July), averaging £313m. The average included just over £114m of cash held on behalf of others during the period. £114.86m was being held as at 31st December 2021 on

behalf of others, including entities where the Council is the accountable/administering body. An average rate of 0.54% had been achieved, yielding income in excess of £1.27m. Within this figure £45m was invested in Pooled Funds, £15m with the Churches, Charities, Local Authorities (CCLA) Property Fund, £15m with a Royal London Investment Grade Credit Fund, and £15m with the M&G Corporate Bond Fund

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

- A question was raised with respect to Internal borrowing as part of the new Somerset Council, how would this be managed if loans had to be paid back on due dates and loans have to be externalised as part of the LGR process. In response it was noted that table 6 in the report, set out long term debt information, and decisions in respect of the new Council would be made at appropriate times as part of the LGR process.
- It was requested if the MRP amount for the previous 10 years could be provided and it was confirmed this could be supplied following the meeting.
- It was further questioned if significant changes in the strategy were envisaged within the next year? It was explained the strategy was for the current council, to give an overall picture with consideration of ongoing borrowing and internal borrowing and a workstream was underway for the LGR programme to bring finance and capital spending activity together for the new council.
- Revisions of the new code had minimal impact due to no new borrowing undertaken within the last year, there remained the ability borrow additional funding if required.
- Long term borrowing was considered, with PWLB loans no longer available to local authorities planning to purchase investment assets. It was questioned how this worked with the operational boundary limits and ability to borrow and it was noted the New Council would need to develop its own treasury strategy to take into account all borrowing and this would include clarification in relation to District Councils commercial investments.
- The LGR Joint committee on 4th Feb would set out budget proposals for 2022/23 and include all borrowing positions.
- It was clarified that every council is their own sovereign body until 31st March 2023 so could continue to make their own investment decisions until this date.
- The Finance and Assets protocol would be considered at the LGR Joint Scrutiny Committee on 31st January and at the LGR Joint Committee on

4th February, this would apply to this year prior to the new unitary in 2023. This would limit councils' revenue and capital expenditure and would be considered for councils to adopt as part of their budget setting process. The protocol set out that there shouldn't be borrowing for commercial need.

- It was noted that Finance would not form part of the draft Structural Change Order (SCO) as there would be a separate finance order and a section 24 notice which would align with the final government SCO.
- It was questioned if pooled funds were included as commercial investments with CIPFA? It was noted the code required consideration be given to commercial investments and pooled funds before a decision was made to progress borrowing, a reason was needed for keeping investments and going through the decision framework in relation to borrowing as opposed to disposing of investments.
- CIPFA would not force the Council to sell commercial investments, just to justify reasons for not disposing of them if it had an adverse impact on the authority.

The Chair thanked the Strategic Manager for his report. The Audit Advisory Board noted the current Treasury Management Practices attached to Appendix D of the report.

External Audit Committee Progress Report and Sector Update- Agenda Item 6

The Chair invited the Director of Audit for Grant Thornton to present the Progress Report and Sector Update.

The paper provided the Advisory Board with a report on progress in delivering responsibilities as External Auditors.

The report also included:

- A summary of emerging national issues and developments that may be relevant to you as a local authority and:
- A number of challenge questions in respect of emerging issues which the committee could wish to consider.

Progress as at January 2022 was set out with an unqualified opinion set out in the Financial Statements Audit on 30th November 2021. The Value for Money (VFM) for Somerset County Council was due for completion on 28th February 2022. VFM work was in progress and an Auditors Annual Report would be issued prior to the 3-month deadline. Further progress was set out in respect of Certification of Claims and returns and Audit Deliverables. The table of fee's were set out for further information.

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

- It was questioned how Covid-19 had impacted other county councils and the how the Council compared to other county councils. It was recognised some authorities have invested in investment properties which as part of the LGR some of these assets would be inherited.
- There was still some way to go to ensure valuations continued to be robust, with a range of measures introduced to address this, Council officers had remained responsive to any concerns raised.
- Delays on Value for Money (VfM) were questioned, and it was noted this was not an area of concern, the delay was as a result of the amount of work in financial statements which had risen exponentially. There was no significant risk or weakness identified for improvement and no areas of concern.
- VfM would next be considered at the meeting on 10th March. Due to the proximity to the election, it was questioned if officers considered it appropriate for a single item meeting to consider the full report from the external auditor. The report was likely to be available in the next two weeks. Officers were open to views from the Advisory Board but at this stage there appeared to be no concerns.
- The external auditors would need to form their opinion by the end of Feb which was statutory deadline. An extraordinary meeting would be accommodated if required. The VfM report would only be published if there would be an advisory committee scheduled to consider this.
- It was agreed that 10th March would be adequate to review, due to this being an item considered for information and a commitment was made to circulate the VfM report to members before the agenda was published.

The Audit Advisory Board considered and accepted the report.

Internal Audit Update Report - Agenda Item 7

The Chair invited the Assistant Director of The South-West Audit Partnership to present the Internal Audit Update Report.

The January progress update for 2021/22 reported against the plan agreed by the Audit Committee in March 2021. The schedule provided at Appendix D detailed progress made to date and new work agreed.

The assurance opinion ratings had been determined in accordance with the Internal Audit "Audit Framework Definitions" as set out at Appendix A of the document. The Advisory Board were assured that improvement actions had been agreed with management to address each finding reported.

To assist Members in their monitoring and overview role, in those cases where weaknesses had been identified in service/function reviews that were considered to represent significant service risks, a summary of the key audit findings that resulted in the 'limited Assurance Opinion' were listed in Appendix B. There were 3 reported over the period as well as 1 reasonable opinion audit. In total there had been 4 reasonable and 6 limited assurance audits finalised over the year. A significant proportion of limited assurance opinions were expected as the audit plan was focused towards those areas of highest risk to the Council. The implementation of agreed actions had been scheduled during 2022/23 and follow-up audits would then be carried out.

It was noted that the results of follow-up reviews performed in the period were set out in Appendix C of the document. This was to provide evidence that recommendations had been implemented to reduce areas of identified risk. This was found to be the case for 2 reviews, the third would continue to be monitored to gain assurance that the remaining actions would be implemented.

As well as assurance provided by follow-up audits, this year the managers responsible for agreed actions relating to limited assurance audits had provided progress updates to internal audit. The results of those updates were included on page 4 of the report. The total number of overdue actions reported was similar to the previous progress report, however it was noted over the last year there had been a reduction of 21% of overdue actions reported.

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

- The Audit of governance contracts register was questioned. It was explained a lot of work had been undertaken in relation to the contracts register to give assurance that it was a complete and accurate record and the scope of the project had been expanded to include procure to pay contracts.
- The Management of Highways maintenance contract was questioned and it was noted this was monitored as part of all the outstanding actions where recommendations had not been implemented in full by an agreed date. A closer consideration of this could be undertaken at the next meeting alongside Skanska highways contract.

- Reference was made to pages 205 and 207 in relation to the SEND investigation, it was understood one had been completed and an update was requested on further investigations.
- The Board were informed that from April there would be one head of internal audit across both County's and districts this will be Alastair Woodland who would be working together with the current head of Audit this quarter in advance of the next Audit committee meeting to ensure a co-ordinated plan was in place across the Districts.
- The next audit would bring the proposed Audit plan for 2022/23 at the next Audit Advisory Board.
- The Assistant Director, Lisa Fryer, was thanked for all her work undertaken across the Council over a number of years and the clear way she relayed complex information and Members wished her well in her new role.

The Audit Advisory Board considered and accepted the report.

Risk Management Update - Agenda Item 8

The Chair invited the Strategic Manager for Finance and Systems Governance presented the Risk Management Update. The management of risk had a direct link to the Council's Business Plan, the Medium-Term Financial Plan, forms an integral part of the Annual Governance Statement (AGS) and was a major component of the External Auditor's Value for Money Audit.

The Account and Audit Regulations 2015 required the Council to have in place effective arrangements for the management of risk. These arrangements were reviewed annually and reported as part of the Annual Governance Statement (AGS). The report set out the latest information strategic risk information obtained from the risk management system.

It was noted the report did not include the programme and project risks for the LGR. There was a risk management framework (which included identification, management and reporting of risk) in place that was managed by the LGR programme group and reported to the LGR Programme Steering Group and the CEO Programme Board.

While investigations into the replacement of the financial system were ongoing the associated risks were included under ORG0053 attached in Appendix A as well as the LGR risk register. These would be updated as the Discovery phase progressed.

There were 7 strategic risks recorded in JCAD that posed a threat to the achievement of the priorities of the Council. These risks and their current status were attached at Appendix A.

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

It was questioned if the SAP replacement as part of the LGR programme was high risk and why the risk was not reported at the last review date on 5th January. It was understood that this had been discussed at Cabinet as part of a wider risk and the SAP replacement was reported on the LGR risk register as a separate risk and would be in the public papers published with the LGR joint committee.

There was a discussion about business-critical contracts and consideration of which contracts were expiring and reassurance was provided that those would be addressed. It was requested wherever possible to avoid contracts commencing on vesting day to ensure minimal disruption for the new Council. Some contracts could be extended and some could not and this would be a consideration as a future part of LGR work.

The Audit Advisory Board considered and accepted the report.

Committee Future Work Programme - Agenda Item 9

National Audit office report was requested to be removed from the November meeting.

It was requested if the Board would consider the use of framework agreements in procurement exercises, with these requiring a full tender process as a suitable way to letting large contracts. The Finance Director responded that national guidance stated this was an item for consideration at Scrutiny and not Audit.

The Audit Advisory Board noted the work programme that listed future agenda items and reports.

Any Other Urgent Items of Business - Agenda Item 10

After ascertaining that there were no other items of business, the Chair noted that the next Audit Advisory Board meeting will be held on 10 March 2022.

(The meeting ended at 11:44)

CHAIR

Somerset County Council and Pension Fund Audit Progress Report

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Year ending 31 March 2022
10 March 2022



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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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Introduction

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

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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 March 2022

Financial Statements Audit

We undertook our initial planning in March 2021 to inform the Audit Plan.

In June 2021 we issued a detailed audit plan, setting out our proposed approach to the audit of the Council and Pension Fund's 2020/21 financial statements.

The Accounts and Audit (Amendment) Regulations 2021 pushed back the date by which principal authorities needed to publish their draft financial statements to the first working day of August. In 2020 this date was pushed back to 31 August. The Council published their accounts ahead of the deadline.

The date by which authorities were required to publish audited financial statements was 30 September. In 2020 this date was pushed back to 30 November.

We began our work on your draft financial statements in August 2021.

We reported the findings from our work in the Audit Findings Report (AFR) to the Committee in November 2021 and provided an unqualified opinion on the financial statements on 30th 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 (NAO) has updated its guidance to auditors to allow us 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 for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements.

For Somerset County Council the deadline for completion of this work is 28th February 2022.

Our VFM work is now finalised and the Auditors Annual Report is on this meetings agenda.

Progress at March 2022 (cont.)

Other areas

Certification of claims and returns

We also certify the Authority's Teachers Pensions' Return in accordance with procedures agreed with the Teachers' Pension Agency. The certification work for the 2020/21 return was reported on 30th November 2021, in advance of the deadline.

No amendments or significant issues were reported as part of our work.

Meetings

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

We have been working closely with Senior Officers as part of our VFM work and finalising your Auditors Annual Report.

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, which will help 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 Council are set out in our Sector Update section of this report.

Changes to the team

As part of reviewing our portfolios we have made changes to the Audit Manager(s) for both the County Council Audit and the Pension Fund Audit, and the Engagement Lead for the Pension Fund.

The manager of the County Council Audit for the 2021/22 year will be:

Grace Hawkins

Engagement Senior Manager
T 029 2034 7542
E grace.e.Hawkins@uk.gt.com

The Engagement Lead for the Pension Fund Audit for the 2021/22 year will be:

Julie Masci

Engagement Lead
T 029 2034 7506
E Julie.masci@uk.gt.com

The manager of the Pension Fund Audit for the 2021/22 year will be:

Liam Royle

Engagement Manager
T 0117 305 7687
E liam.c.royle@uk.gt.com

We have handover procedures in place to ensure this process is well managed in order to minimise any disruption to the Council.

Audit Deliverables

2020/21 Deliverables

	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2020/21 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.</p>	July 2021	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report was reported to the November Committee.</p>	November 2021	Complete
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	November 2021	Complete
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	February 2022	Complete - On this agenda

2020/21 Audit-related Deliverables

	Planned Date	Status
<p>Teachers' Pension Return – certification</p> <p>This is the report we submit to the Teachers' Pension Agency based upon the mandated agreed upon procedures we are required to perform.</p>	30 November 2021	Complete
<p>IAS19 Assurance Letters to Admitted Body Auditors</p> <p>These are the letters that we provide to the auditors of admitted bodies to the Pension Fund, on request, to provide assurance over the controls in place with the administration of the Pension Fund and the valuations of investments.</p>	Various – depending on specific requests	Complete

2021/22 deliverables

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2021/22 Deliverables

	Planned Date	Status
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed audit plan to the June 2022 Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2021/22 financial statements.</p>	June 2022	Not due yet
<p>Audit Findings (ISA260) Report</p> <p>The Audit Findings Report will be reported to the Audit Committee.</p>	TBC	Not due yet
<p>Auditor's Annual Report</p> <p>The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). The final version of the AAR will be published in line with the timescales to be set out by the National Audit Office. The AAR must be published on your website in line with central requirements.</p>	TBC	Not due yet
<p>Auditor's Report</p> <p>This will include our opinion on your financial statements and our other reporting requirements, as set out in 'The auditor's statutory responsibilities' section of this report.</p>	TBC	Not due yet



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Auditor's Annual Report on Somerset County Council and Somerset Pension Fund

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2020-21

February 2022

Agenda item 11



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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. 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.

Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in Councils arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in the Council's arrangements. Our findings are summarised in the table below.

Criteria	Risk assessment	Finding
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but two improvement recommendation has been made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendation has been made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendation has been made



Financial sustainability

The Authority has a good track record of sound financial management and delivered an underspend of £9m in year; which is in excess of that forecast throughout the year. The Council's financial statements report that overall general fund reserves have increased from £112m to £156m at 31 March 2021, with overall usable reserves increasing from £121m to £170m.

Overall we are satisfied that the Council had appropriate arrangements in place to manage the risks it faced in respect of financial resilience. We have not identified any significant risks of material weakness but have identified opportunities for improvement. These reflect the importance of continually considering the level of reserves in the context of challenges around the delivery and funding of the capital programme and Local Government Reorganisation (LGR). Our findings are set out in further detail on pages 5 to 9.



Governance

We have not identified any risks of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have identified **one** improvement recommendation in relation to the evolving LGR governance arrangements. We have recommended that the savings generated from re-organisation are clearly monitored and reported alongside the costs. This is to ensure that both the costs and benefits are delivered in line with the business plan. Furthermore, we have recommended that as part of the 2022/23 budget setting process that the joint medium term financial challenge be explored and fully understood. Our findings are set out in further detail on pages 10 to 13.



Improving economy, efficiency and effectiveness

We have not identified any risks of significant weaknesses but we have identified three improvement recommendations. These are in relation to including reference to the Council's strategic objective within its partnership register, including an action plan within the procurement strategy and to continue to work with the service departments to understand why contract waivers occur and how they could be reduced. Also, in line with recognised good practice, the Council should consider reporting waivers and breaches to the Council's Audit Committee. Our findings are set out in further detail on pages 14 to 16.



Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 November 2021, following the Audit Committee meeting on 30 November 2021. Our findings are set out in further detail on page 27.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

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All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, and the arrangements in place at the Pension Fund, is set out on pages 5 to 19. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Identifying and addressing financial pressures

Our work has identified that despite the uncertainty regarding funding, the Council has robust arrangements in place for delivering financial sustainability. This is based on an improved track record in recent years that has led to achievement of budgets, delivery of planned savings and increased level of reserves.

The Council has delivered an underspend of £9m in year. This has been largely achieved due to the receipt of additional COVID-19 funding, strong budgetary control and the delivery of £7.5m of savings against an original target of £8.9m. The surplus generated has been transferred to various reserves to enhance financial sustainability. The largest element (£3.3m) has been transferred to the General Fund Reserve. The Council's financial statements report that the revenue reserves have increased from £112m to £146m at 31 March 2021.

The Medium-Term Financial Plan (MTFP) and budget that were approved by Full Council in February 2021 reported a revenue budget gap of £18m over the medium term.

We noted that the Council has robust budget setting, monitoring and reporting arrangements in place, whereby budget holders are challenged on their budgetary requirements each year. Members are involved in the process as part of the challenge meetings held which ensures that the budget setting reflects the Council's strategic objectives. The process in place also ensures that base budgets are not just rolled forward, and that any unrequired budgets, based on prior year outturns and future demands, are removed. Work is currently underway on setting the 2022/23 budget that will finally be agreed by Full Council in February 2022.

The Medium-Term Financial plan was refreshed and taken to Cabinet in October 2021. This reported that the Council has a gap of £7.8m to be closed when setting the 2022/23 budget. The report further sets out that in addition to this a further £21.8m of efficiencies will need to be made by 2024/25. This will need to be considered as part of LGR.

As part of the financial planning process the Council reviewed and updated the key assumptions that underpin the medium-term financial plan.

The key assumptions that drive the budget gap over the medium term are:

- Pay increases of 1% for 2021/22, 1.5% for 2022/23, and 2.0% for 2023/24;
- Pension Costs – have been revised in line with the most recent revaluation;
- Interest Rates – estimated average interest of 0.1% per annum for treasury management;
- Capital Spending – an allowance has been made to fund borrowing costs for new schemes;
- MTFP assumes that the Business Rates reset occurs in 2022/23;
- Funding Review – future years assume a neutral impact of the review of business rates (other than the reset) and Fairer Funding;
- Social Care Grant – assumes that this grant continues at 2021/22 levels of £17.96m;
- Council Tax - increases in tax base of 0.5% in 2022/23 and 1% 2023/24 with a 2.99% increase in the Band D charge; and
- Adult Social Care Precept – no further increases have been factored in beyond 2021/22 Band D charge.

There remains uncertainty over core funding due to the fair funding review being pushed back by a further year.

Financial sustainability

We have reviewed the assumptions used by the Council in setting the medium-term financial plan and, based on the evidence available, and in comparison to other Council's, these appear to be reasonable. The Council continues to review and adjust assumptions in real time and has recently reviewed and updated these assumptions as part of the October 2021 budget report.

The 2021/22 quarter 2 budget report is currently reporting an underspend of £3.0m. However, this is the position after the use of contingencies. Overspends on services are being reported as £2m with the Council forecasting the use of £5m contingency.

Like all public sector bodies, the Council continues to face financial challenge and uncertainty over the medium term, albeit they are well placed to respond to the uncertainty that the delay of the fair funding deal presents. Despite this challenge, we have not identified any risks of significant weaknesses in arrangements as part of our work on financial sustainability. The Council have delivered an in-year surplus and have built up their useable reserves from a very low base over recent years, although the level of earmarked reserves remains well below the average for counties, as illustrated on page 9. The Council have clearly identified the budget gap over the medium term and have made progress in addressing this.

Bridging the gap and delivering sustainable services

The Council have demonstrated that they have a good understanding of the budget gap over the medium term. The 2021/22 budget included a further £7m of savings. At month six £3.2m had been delivered and a further £2.1m were assessed as being achievable. The remaining £1.7m are at risk of not being delivered either in full or in part. The approved MTFP contained a list of saving schemes/income generation to close the gap. The progress against each of these is reported quarterly to Scrutiny and then Cabinet. The Council monitor savings internally through a detailed spreadsheet which clearly sets out proposals, prior year undelivered, and current year agreed savings. Each scheme is RAG rated so that members are informed of the deliverability and risks when approving the budget. This also creates internal challenge and dialogue, at an SLT level, which is useful when agreeing and monitoring performance against budget. Where savings are proposed that impact on service delivery, a qualities impact assessment is completed. This process helps the Council decide if they need to go out to consultation. Benefits delivered through transformation projects are also monitored as part of this process, using both financial and non-financial data.

However, we noted through discussions with officers, that the Council are not progressing any new significant transformation programmes at present due to the imminent Local Government Reorganisation (LGR). Further details on LGR are set out in the Governance section of this report.

Capital Budget

The capital programme for 2020/21 was £153m. This was focused on a number of areas with the largest amounts attributable to schools, highways, and infrastructure, which aligns with the Councils strategic priorities. There was significant slippage during 2020/21 (£55m) due mainly to the impact that Covid-19 had on the supply chain. An area of ongoing focus for the council is the affordability of the capital programme and the level of debt that delivery will drive and resultant revenue implications, such as interest and Minimum Revenue Provision.

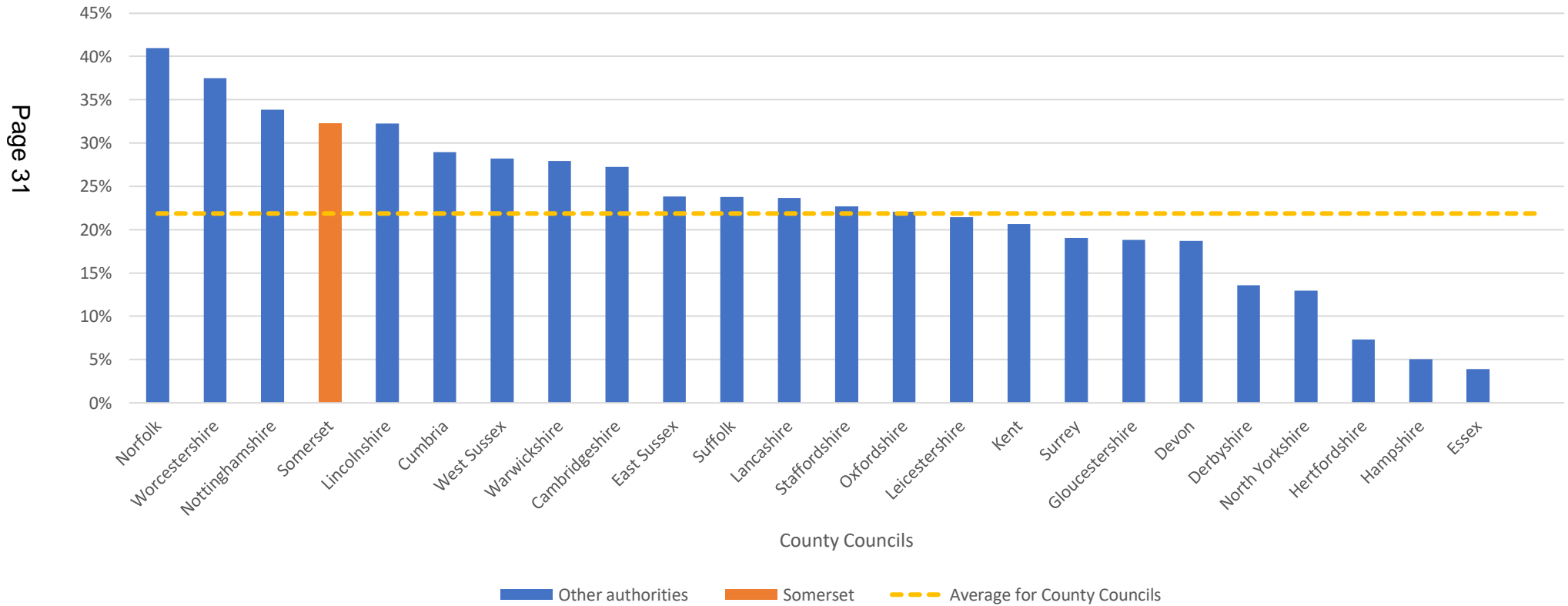
This is demonstrated in the chart (on the following page) which shows long term debt as a percentage of asset values compared to other County Councils. As can be seen, Somerset has a significantly higher proportion of debt to long term assets ratio than the peer group average.

We are aware that the Council are considering this as part of the 2022/23 budget round and as part of LGR, where the Districts have similar debt profiles.

We therefore recommend that the Capital programme, and the funding of this, remain in constant review and to ensure that revenue cost implication is factored into the budget and the MTFP. It is crucial that this exercise is undertaken at both a County Council and the new Unitary level.

Financial sustainability

Long-term borrowing as a proportion of Long-term assets (%)



Financial sustainability

Managing financial resilience

The General Fund Reserve is to cover uncertainties in future years' budgets such as: the possibility of additional savings being required in the future and the potential difficulty in delivering such savings; extraordinary or unforeseen events occurring; potential insurance liabilities; capital commitments in future years being higher than expected; inflationary pressures; and increasing pensions costs. In addition to the General Fund Reserves there are specific General Fund Earmarked Reserves which are set aside for specific purposes.

There are a number of key areas where there has been an element of growth built into plans. The key areas are Adults and Children's services where there have been historic overspends, although we note there were underspends in Children's services in 2020/21. Demand and costs are increasing in these areas and this has been reflected in the figures, with budgets increasing by 14% for Children's and 10% for Adults over the medium term.

The Council's financial statements report that overall revenue reserves have increased from £112m to £146m at 31 March 2021. This is a significant increase in reserves and is reflective of the improved financial management over the past 2-3 years since we issued a qualified Value for Money Conclusion in 2017/18 based on poor budget setting arrangements.

We have noted as part of our work that the Council do not have a formal reserves strategy, which is good practice. However, this is considered as part of agreeing the medium term financial strategy and kept in constant review. The Council have commissioned an external review to look at both the adequacy of the Council's reserves and also those of the new Unitary Authority. This work concluded that the level of reserves was adequate and formed a good base level for the Unitary Authority.

Whilst we recognise that the Council's reserves have increased and acknowledge the conclusions from the review commissioned by the Council, when compared to other County Council's the level of earmarked reserves held is below the peer group average. This is set out in the chart on the following page. This chart is for illustrative purpose only, and does not consider the relative size of each Council.

It is therefore important that the level of reserves continues to be monitored. As set out at the beginning of this section there are a number of factors that can impact on the level of reserves. For Somerset County Council, and the new Unitary, the key consideration that could impact on reserves over the medium term are:

- the funding of the capital programme and the impact on revenue of any increases in debt, and
- that the planned savings arising from LGR are not of the quantum forecasted.

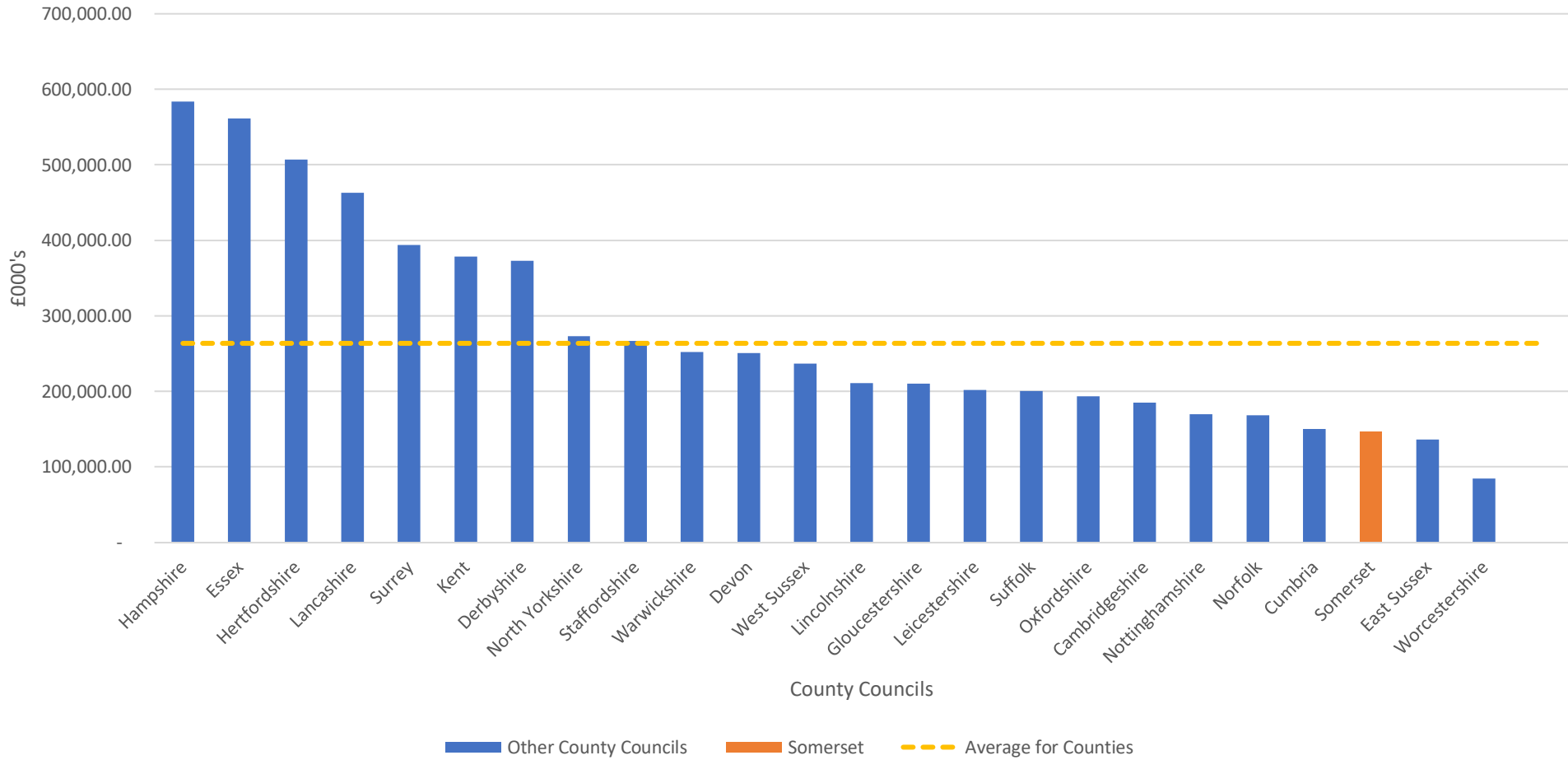
We therefore recommend that these areas remain under constant review.



Financial sustainability

Total general fund and earmarked general fund reserves as at 31 March (£'000s)

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Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Risk Management

Our review of the governance arrangements in relation to risk management has not identified any risks of significant weakness in the 2020/21 financial year. 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.

The Council make a clear distinction between strategic and operational risks. Strategic risks are owned, managed and reviewed by SLT. The Strategic Risk Management Group look at one strategic risk each meeting. The group has representatives from each service to ensure appropriate coverage. The representatives are focused on the operational risks which underpin each of the strategic risks.

The Strategic Risk Management Group report to the Governance Board, which is made up of Service Directors and the Monitoring Officer. Strategic Risks are reported to the Audit Committee on a quarterly basis.

Operational risks are managed within the services by service managers and directors.

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.

The system used for recording the risks is called JCad. This also records actions, timings and risk owner. Risks are RAG rated in line with good practice.

Budget setting, control and monitoring

Our review of the governance arrangements in relation to financial planning has not identified any risks of significant weakness in the 2020/21 financial year. It is clear that the Council has developed a robust financial planning process which involves budget monitoring throughout the year to expose pressures, and these are used to help refresh financial plans throughout the summer. There is regular dialogue between allocated finance staff and the directorates, and this feeds the monthly reporting cycle.

The budget process starts each year with strategic managers who are the budget holders. There are currently around 60 strategic managers. Strategic managers are briefed each year by the Section 151 officer around the level of efficiencies that are required and key objectives. Initial budgets are then built from the bottom up. This process involves some benchmarking to ensure that the budget is based on comparable data, and not based solely on the previous years outturn.

Initial budget estimates are discussed as part of challenge sessions with Directors for Services, s151 Officer and Chief Executive challenging trends and forecasts to understand what can be done to mitigate risks and pressures. For 2022/23 the budget process was further strengthened by Cabinet member for Resources leading the challenge sessions to other Cabinet Members.

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With LGR on the horizon the council have been realistic about what can be achieved regarding savings. Transformational change will take place through Local Government Reorganisation.

There is ongoing engagement with the Senior Leadership Team, as well as challenge sessions with portfolio holders and the finance portfolio holder to add further rigour to the process. These sessions cover key priorities and whilst they are aimed at closing any budget gap, they ensure that service budgets are not completed in silos and that the whole Cabinet position is considered.

The budget is approved each February alongside the Medium-Term Financial Plan, Capital Programme and Treasury Management Strategy. Reserves are also reviewed as part of the integrated budget setting process. Our review found that these were aligned and were representative of the discussions and challenge provided through the challenge sessions and scrutiny.

Performance against the budget is reported to Cabinet monthly, with a more detailed finance and performance report going quarterly. Prior to Cabinet all reports go to Senior Leadership Team and Scrutiny. Cabinet and Scrutiny are public meetings.

These reports are based on information provided at each of the monthly budget monitoring meetings between corporate finance and service directors. These meetings are used to fully understand what is driving costs and look at mitigations. This data is then used to forecast an outturn position. For example, in children's services meetings there were examples of reviewing cost of placements, and population trends to better understand how the costs would behave going forward given the levels of demand. Each director, signs off this process and provides narrative explaining the risks, the opportunities, and the reasoning for the numbers within the report. This helps to ensure ownership is maintained.

Informed decision-making and appropriate challenge

Our review of the governance arrangements in relation to informed decision making has not identified any risks of significant weakness in the 2020/21 financial year. The role of scrutiny to influence and oversee efficient and informed decision-making has become even more important in local government, given the challenges faced by Councils to ensure limited resources are used effectively, particularly in light of the volatility posed by the Covid-19 pandemic. At Somerset County Council, it is evident that members are provided with multiple opportunities to review decisions before they are finalised, through reports which are published and submitted throughout the committee structure. There are specific Scrutiny Committees for the different services which scrutinise the plans and decisions of the Council before recommending them for approval to Cabinet.

Discussions with officers suggests that the 'real added value' with information for decision making are the informal briefings that run alongside the formal structure. This enables members to ask questions, which they might not wish to ask in a public meeting. It is really important that members have this forum to learn as this enables greater scrutiny through increased knowledge although the Council should remain alert to the risk that the extent of questions raised in these pre-meetings does not then reduce the level of questions within the public meetings.

This worked particularly well with LGR decision making and the consultation process, where there were large volumes of information. This process was managed well through informal meetings and through the joint scrutiny committee.

Our review has found that progress towards LGR is progressing well. Throughout the process there is evidence of:

- regular reporting to ensure members and stakeholder are being kept informed,
- wider consultation and engagement with various stakeholders regarding the business case (this continues following approval),
- commissioning experts to inform and challenge the process,
- commissioning LG futures to estimate a medium-term budget for 'One Somerset', and
- engaging with Councils that have experienced LG reorganisation to glean lessons learned.

The 'One Somerset' proposal was approved on 21 July 2021 with a target implementation date of April 2023. Since this date work has continued, as has the regular reporting to members. The change order is expected imminently and final sign off is due to take place in Parliament in February 2022.

A Joint Committee (JC) has been established to oversee the implementation process. This will meet monthly, with its first meeting having taken place on 5 November 2021.

The JC is chaired by the Leader of Somerset County Council and there are representatives from each of the districts and includes five County Councillors. The Leader and the Cabinet will, however, maintain overall responsibility for implementation.

At the first meeting the JC approved the allocation of the £16.5m implementation costs and to agree the governance structures. The key elements of the proposed governance structure and processes that have been put in place are:

- named budget holders for each of the areas of cost,
- monthly reporting to board,
- approval of all budget virements by the board,
- an overall programme board is in place which includes each of the Chief Executives,
- a project steering group, and
- a scrutiny function is currently being established.

We have reviewed the business plan at a high level and have challenged officers around the data included within it. In particular the proposed costs for the implementation of £16.5m and the forecast savings over five years of £52m.

The costs are clearly set out within the business plan. Whilst these costs are supported by detailed work and contain an element of contingency it is essential that these are accurately monitored and reported to ensure they do not escalate and stay in line with the business plan.

The business plan also sets out expected savings of £52m. These are based on the work of LG Futures (a specialist public sector consultancy company), supported by detailed analysis and benchmarking against savings generated as part of other similar reorganisations. Again, it is crucial that these savings are monitored and reported so that they can be clearly measured against the original business plan with a clear and comprehensive analysis and explanation for any variances. Work is currently underway to profile these savings.

Whilst there are areas of uncertainty, financially it is clear that there are a reasonable level of reserves across all authorities. Whilst the initial business plan gave an indication of the reserves levels, work in this area remains in progress, as part of pulling together a joint medium term financial plan. These reserves do however provide some base line financial resilience. The Council has, however, undertaken further analysis to ensure that the new unitary council is financially sustainable at the outset. This has included analysis of each the merging organisations balance sheets, reserves and capital health.

There is a general level of uncertainty around local government funding and bringing together five organisations increases this uncertainty. It is therefore critical that as 2022/23 budgets are pulled together that the joint medium-term position is fully understood.

Based on our review and the work undertaken to date, we have not noted any risks of material weakness in arrangements. However, due to the significance of the reorganisation and the potential impact on both financial sustainability and service delivery and performance, this will remain an area of focus as arrangements evolve.

We recommend that the savings generated from re-organisation are clearly monitored and reported alongside the costs. This is to ensure that both the costs and benefits are delivered in line with the business plan. Furthermore, we recommend that as part of the 2022/23 budget setting process, that the joint medium term financial challenge be explored and fully understood.

Monitoring compliance with regulatory requirements and required standards of behaviour

The Council must ensure that it monitors and ensures appropriate standards such as meeting legislative/regulatory requirements in terms of officer or member behaviour, including in relation to gifts & hospitality or declarations/conflicts of interest. Our review of the Council's Internal Audit reports, committee meeting minutes and discussions with staff did not identify any significant governance issues or breaches of standards in 2020/21.

In order to ensure compliance with regulatory and legal standards, officers in legal services keep abreast of legal updates or changes in legislation as part of their role, which are then used to provide advice and guidance to the service areas as required. The Constitution is updated regularly to reflect any changes in recommended practice. Additionally, Cabinet and committee reports are subject to consultation with the legal service to ensure advice and comments on reports are provided in advance to ensure lawful decision-making. The Monitoring Officer also attends each Senior Leadership Team (SLT) meeting to ensure legality is considered in all decisions.

The Council has appropriate policies and procedures in place including a Code of Conduct, a Whistleblowing Policy, and an Anti-Money Laundering policy all of which have been assessed as clear and reasonable. The policies are held on the staff intranet for ease of access and all staff are made aware of the procedures to be followed. These are also available on the Council's website. The Council has a policy on Gifts & Hospitality and Declarations of Interest.

The Council's Annual Governance Statement (AGS) does not highlight any significant governance issues and this is in line with our understanding from the work we have undertaken. The AGS does highlight five areas of ongoing challenge. These are:

- The overall financial plan and financial sustainability,
- Local Government Reorganisation,
- Covid-19,
- Implementation of Special Education Needs and Disability (SEND) reforms, and
- Development of the Integrated Care System (ICS).

Each of these areas are covered within other sections of this report with the exception of ICS. We have reviewed progress towards this as part of our work and have identified no significant issues. A shadow board is now in place and governance arrangements continue to evolve. Review of documentation highlights that there is a good level of collaboration with health partners and that the 'tone from the top' is strong, with the Chief Executive playing an active role.

Internal audit is provided by Southwest Audit Partnership (SWAP) and their original plan for 2020/21 proposed to cover various reviews across governance, risk, finance, resources, performance and operational compliance. The plan needed to be revised in light of Covid-19 but they were still able to produce several reports and focussed on undertaking sufficient work to be able to provide their Head of Internal Opinion as well as giving adequate assurance on emerging Covid-19 related areas. This concluded that, overall, there was a reasonable level of internal control. Their report identified no significant issues in relation to governance.

Finance team capacity

There has been good continuity and stability in the finance team over the last couple of years. There is no evidence of a lack of capacity with budget monitoring and annual accounts being completed to an overall high standard. There is no evidence of serious or pervasive weaknesses in the Council's processes for preparing its financial statements. This is detailed further in the 'Opinion on the financial statements' section of this report. Unmodified audit opinions have been issued on the 2020/21 and previous financial statements.

Auditor Judgement

We found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have identified **one** improvement recommendations as set out below.

In relation to the evolving LGR governance arrangements we recommend that the savings generated from re-organisation are clearly monitored and reported alongside the costs. This is to ensure that both the costs and benefits are delivered in line with the business plan. Furthermore, we recommend that as part of the 2022/23 budget setting process that the joint medium term financial challenge be explored and fully understood.



Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance management

The Council has a business plan in which it sets out how it will deliver and work with others to meet its 'Vision for Somerset'. In 2020/21, performance against its 2019/20 business plan was reported to Cabinet on a quarterly basis. In 2021/22 the business plan was superseded by the business plan for 2021 to 2023.

The Council has a performance management framework to enable a consistent approach and ensure everyone understands their role in the process.

Performance across the Council is formally assessed monthly, at service level, followed by the Senior Leadership Team before being reviewed by Cabinet on a quarterly basis. This is in line with the Council's performance management framework and enables management to review and ensure accuracy of the information within the reports and provide additional information as required.

Covid-19 has had an impact on arrangements in 2020/21 which included the KPIs not being refreshed in year and service plans updates slipping to June 2021. However, despite these delays, we consider that the arrangements in place enable senior management and members to monitor progress and take action, if required.

Data Quality

The Council gains assurance over the accuracy of data in its performance reports through reliance on the expertise and knowledge of its performance management team and finance staff. The data and KPIs are also reported through the service departments and SLT on a monthly basis, before they are seen by Cabinet at a pre-meeting. They are then published and reviewed by Cabinet on a quarterly basis. The Council also has a data quality policy.

Children's Services

We set out in our Audit Plan that went to Audit Committee in June 2021:

- A risk of significant weakness in relation to a letter from Ofsted to the Council written in April 2020 raising concerns around the implementation of SEND reform. The key concerns were around the speed of implementation, capacity and joint commissioning.

This was on the basis that in April 2020 Ofsted and the Care Quality Commission (CQC) wrote to the Council raising concerns over the implementation of the SEND reforms. As a result of these failings the Council and the CCG had to produce a written statement of action.

The Council and the CCG produced a written statement of action which was approved by CQC and Ofsted in November 2020.

We identified that positive action was being made against the areas identified within the written statement of action and progress was monitored externally by the Department for Education and the NHS on a quarterly basis.

We concluded in our Audit Findings Report in November 2021 that we have not identified any risks of significant weakness in arrangements.

Benchmarking and learning from others

The Council recognises the benefit to be gained from comparing themselves to others and has used benchmarking to compare and monitor performance. In 2020/21 this has been limited to comparisons to support the budget setting process and the business plan for LGR 'One Somerset'. The LGR comparisons were used to provide case studies and to better understand the level of savings that might be achievable from LGR going forward

Benchmarking was undertaken as part of our VfM work. We used our management tool 'CFO Insights' and compared the units costs for a range of services. This exercise did not identify any very high cost areas. The two demand led services adults and children's social care are in line with the average when compared with other county councils. This was based on 2019/20 financial information. We are aware that these two areas have had increases in base budget to ensure that they reflect current levels of demand and that the Council anticipates that demand will increase following the impact of Covid.

Maintaining and managing the escalating costs of children looked after by the Council continues to be a challenge and in 2020/21 the Council began the process of addressing the market provision. The Council explored the possibility of working with a strategic partner to secure residential homes, high needs foster care and therapeutic education. A strategic partner has been identified and was appointed in later 2021.

Significant partnerships

The Council's business plan and quarterly performance reports acknowledge the importance of partnership working and where partnerships contribute to the Council's objectives. The change in governance arrangements which were introduced as a result of Covid were extended to partnerships and virtual meeting arrangements were introduced for:

- Heart of the SW Joint Committee
- Avon and Somerset Police and Crime panel
- Somerset Waste Board

Information on the Councils website can also be found for the Safer Somerset Partnership, Somerset Safeguarding Boards and Drug and Alcohol partnership.

The Council maintains a partnership register. This register is principally concerned with partnerships that are statutory or are fundamental to the delivery of the goals and objectives of the Council. The register includes 75 partnerships and contains a range of information, such as if they are statutory, aims and objectives, membership, operational arrangements, budget and information sharing arrangements and contacts. It does not however, include the objective of the Council to which the partnership contributes/links.

Although there is no evidence of any significant failings in any of the Council's partnerships, we consider arrangements could be improved if the partnership register was extended to include a link to the Council's objective(s).

We are aware that the partnership register is due to be updated prior to reorganisation.

Procurement and contract management

The Council is a Commissioning organisation and has set up an officer Strategic Commissioning Group (SCG). This group includes commissioning specialists, key officers and business partners. The SCG reviews all new proposals for strategic projects, including new contracts and managing commissioning gateway activity.

The Council has a procurement strategy, contract management framework and procurement and contract procures rules within its constitution. The Council intends to update the procurement strategy and contract management framework prior to LGR.

The procurement strategy sets out the following key priorities:

- showing leadership
- behaving commercially
- achieving benefits that fulfil the vision of 'Improving Lives'.

Procurement and contract management (continued)

Within the procurement strategy the Council identifies its current position and its aspirations. However, it does not identify what actions are required to achieve these aspirations or include an action plan.

During the period 24 February 2020 to 13 April 2021 four contract breaches occurred and the Council agreed 54 contract waivers for a total value of some £11m. The waivers varied in duration from one month to 48 months. The two largest contract waivers were for £6m and £1.2m and were for the extension of existing contracts. The Council had followed its contract waiver procedures and obtained legal advice. The reasons for extending these contracts were documented by the Council and appear reasonable.

In 2020/21 the Council had enabled services to retrospectively approve waivers. This practice has now stopped, procedures were tightened and a new contract waiver form issued.

The contract waivers and breaches which occurred in 2020/21 were all reported to the Governance Board, an internal senior officer group. Information was provided on each waiver and breach including a trend analysis on the number of waivers that have occurred since April 2017. However the value of the breached contracts which not reported to the Governance Board.

We consider that the Council should continue to work with the service departments to reduce contract breaches, understand why contract waivers occur and how they could be reduced. Also, in line with recognised good practice, waivers and breaches should be reported to Audit Committee.



Covid-19 arrangements



Since March 2020 Covid-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Response to the pandemic

Our review of the arrangements of how the Council responded to the Covid-19 pandemic have not identified any evidence of significant weaknesses in arrangements.

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 Council held its first virtual committee meetings from 13 May 2020. 'Virtual' internet-based meetings were established for all committees, and these continued throughout 2020/21. In line with the Council's Constitution the Chief Executive and the Leader of the Council were able to take decisions that would otherwise have been taken by Cabinet in the interim period. The Council have established a Recovery Board to drive its recovery response.

Staff were able to work from home and the usual procurement and expenditure controls could continue to operate. Procurement systems could be accessed from home and where urgent procurement needed to be undertaken, for example for PPE, waivers were used using the usual procurement waiver process.

An assessment of the financial impacts of pandemic related costs was regularly undertaken by the Section 151 Officer and reported to the Senior Leadership Team (SLT) and Cabinet meetings. The Council has received over £75 million (plus bought forward balances) through 15 different funding streams from various Government Departments to help fund the Council's coronavirus response and new responsibilities.

Arrangements have been put in place to identify increased costs and lost income as a result of the coronavirus. This was undertaken through a monitor spreadsheet as opposed to setting up separate codes to record the costs. This was because the Council wanted to ensure that costs were recorded within the correct service line. The spreadsheets were designed to allow for the completion of the monthly Delta Covid financial management returns to MHCLG.

During 2020/21, £65m was spent by the Council in its Covid-19 response. The Council also reported a reduction in its budgeted Sales, Fees and Charges income of £5m as a direct result of the national lockdown restrictions.



Covid-19 arrangements

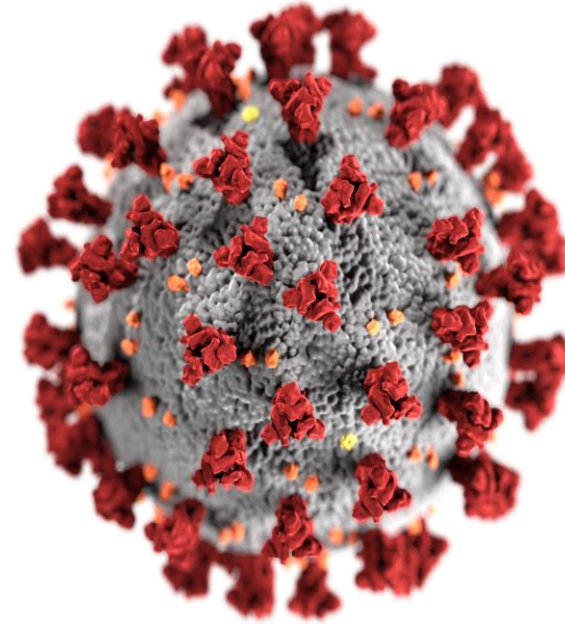
As at 31st March 2021, the Council reported unspent Covid-19 funding of £17.6m. These unspent allocations have been carried forward to future years as earmarked reserves (£6.8m) and receipts in advance (£10.8m) to fund the on-going impact of the pandemic. This has meant that the Council has been able to maintain a healthy level of reserves as at the end of this financial year. As part of our financial statements audit we have tested the accounting treatment of Covid-19 grants and identified no issues.

Throughout the year the Council continued to report performance against budget in line with pre pandemic arrangements. The budget was not reset but rather monitoring was undertaken against the original budget set in February 2020. Therefore, a large proportion of the variances reported throughout the year were related to the pandemic. Key service areas such as Children's and Adult's reported significantly increased costs.

The Council has been active member of a multi-agency partnership responding to the pandemic and regular reporting was undertaken through the covid dashboard. Throughout the majority of 2020/21, SLT 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.

Internal audit carried out a review of the Council's arrangements for responding to the pandemic and gave substantial assurance.

Overall we concluded that the Council's response to the Covid-19 pandemic was appropriate and effective.



Pension Fund arrangements

Our review of the arrangements of the Pension Fund have not identified any evidence of significant weaknesses in arrangements.

The pension fund do not set a budget in the true sense, as a number of the elements are not fully controllable. For example, contributions and benefits payable, which are the main elements going through the fund are driven by decisions that are not controllable by the fund. The pension fund does produce a forecast which is approved by the Pension Committee. This sets out the key assumptions that have been used to produce the forecast. The layout of this forecast is aligned to the Fund Account which allows direct comparison to the financial statements outturn position. There are no legislative requirements for pension funds to produce a budget and this is therefore more an exercise of transparency.

The Pension Committee meet quarterly and at each meeting the following key areas are considered:

- Financial forecast outturn (this sets out variances to initial forecasts and the reason for these),
- Investment performance (including review of KPIs and benchmarking against the wider market performance)
- Business plan update
- Risk register, and
- Administrative, Funding and Cash strategies.

The risk register is discussed at each Pension Committee meeting. This is clearly RAG rated and risk owners are assigned to each risk. The register also sets out the mitigating controls, actions being taken and target dates for completion. This is in line with best practice.

It is clear from discussion with officers that risk forms a fundamental part of the pension funds overall control environment. An example of this was the informal sessions that were held in 2020, outside of the formal committee structure. This was time set aside for officers and members to consider each risk in detail and look at whether or not risks should remain on the register. Brainstorming also formed part of this session to identify areas where there might be additional risks.

Covid-19 was added to the risk register in June 2020 at the request of the committee. This risk was focused on resource availability rather than the potential impact on investments. This is aligned to areas that the Pension Fund can control. The triennial deficit cycle is the key driver for the performance of the fund. The transition to home working was implemented really smoothly and consequently the risk was later removed from the register.

One key area that has been impacted by Covid-19 is the level of training provided to members. The Pension Fund is a very specialised area and training is crucial to facilitate robust challenge. The Pension Fund has a training policy in place to reflect this. Training of members can be challenging due to the electoral cycle and is an area where officers recognise there could be improvement. We also note that the National Scheme Advisory Board has produced a good governance report. It is clear that there is greater emphasis on training and demonstrating knowledge and skills of committee within this report.

We therefore recommend that the Pension Fund review the National Scheme Advisory Board's good governance report and implement the key recommendations. Further to this, we recommend that existing and newly elected members to the pension committee are fully trained prior to the agreement of financial forecasts and governance arrangements each year. Where appropriate the Pension Fund should consider using external providers to support the delivery of training materials for specialist areas, e.g. actuarial valuations. As part of any training, members should be reminded of the importance of meeting attendance.

The Pension Fund has a separate climate change policy to Somerset County Council. This is an area of ongoing challenge with a number of conflicting pressures. The Pension Fund have a duty to maximise the return for its members and needs to balance that with becoming net zero. The Council's policy is to achieve net zero by 2030, whereas the Pension Fund's policy targets 2040. This reflects that the decision-making regarding investments largely sits under Brunel Pension Partnership, where the significant majority of investment activity is undertaken on behalf of the Pension Fund who determine where and when to invest and divest individual investments.



Improvement recommendations



Financial sustainability

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- 1 Recommendation** In comparison to other County Council's the level of long term borrowing is high. We therefore recommend that the Capital programme, and the funding of this, remain in constant review and to ensure that revenue cost implication is factored into the budget and the MTFP. It is crucial that this exercise is undertaken at both a County Council and Unitary level.



Why/impact

The Council has a significant capital programme, and substantial part of which is funded from borrowing. Additional borrowing increases revenue costs and there has a direct impact on the General Fund. We are aware that the Council are considering this as part of the 2022/23 budget round and as part of LGR, where the Districts have similar debt profiles.

Management comment

This is already done. The MTFP process is a fully integrated process that provides a strategic overview by looking at revenue budget, capital programme, reserves and treasury management together. The full costs of financing the capital programme are considered as part of the budget process and built into the budget.

Given the overall debt levels of the 5 councils it will be an area of focus for the new Somerset Council to ensure that it considers as part of budget setting process.

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Financial sustainability

Page 45

2 Recommendation We recommend that the Council's general level of reserves remain under constant review as LGR and other areas of focus progress.

Why/impact

The Council's reserves have increased over the past 2-3 years, however, when compared to other County Councils the level of reserves held is below the peer group average, specifically on earmarked reserves.

There are number of key areas of focus for the Council over the medium term, that if not closely monitored could impact on the level of reserves. For example:

- The funding of the capital programme and the impact on revenue of any increases in debt, and the,
- Impact of not delivering transformational changes through LGR.

There also remains a general level of uncertainty on future LG funding.

Management comment

The councils level of reserves are constantly monitored and reported to Scrutiny and Cabinet through the budget monitoring report on a quarterly basis. The report to LGR Joint Committee on 4 February provided a summary of all 5 councils reserves position and planned use of Reserves during 2022/23. The LGR Joint Committee also approved a joint Finance & Assets protocol to help protect the level of reserves for the new Somerset Council in April 2023. This protocol needs to be adopted by all 5 of the Somerset Councils as part of their 2022/23 budgets setting process and has been by SCC.



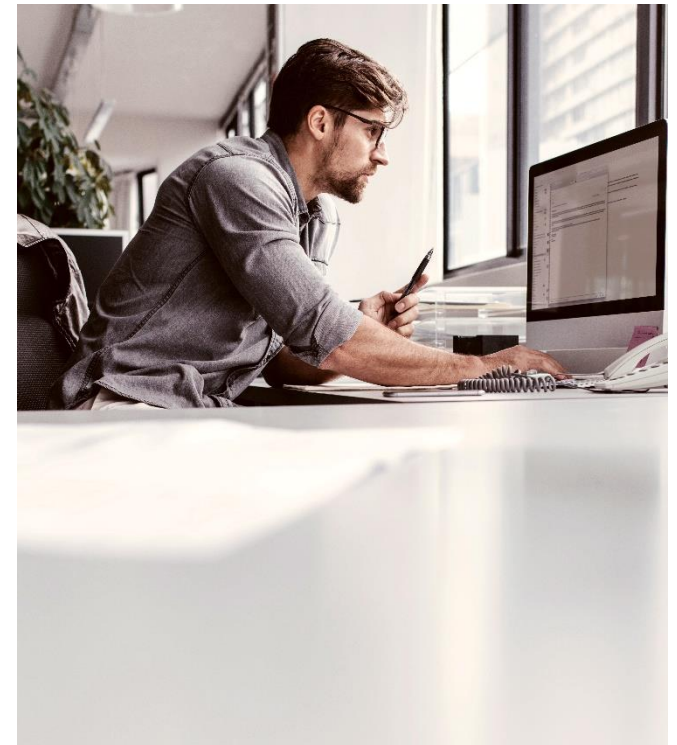
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

Page 46

3 Recommendation	We recommend that the savings generated from re-organisation are clearly monitored and reported alongside the costs. This is to ensure that both the costs and benefits are delivered in line with the business plan. Furthermore, we recommend that as part of the 2022/23 budget setting process that the joint medium term financial challenge be explored and fully understood.
Why/impact	There is a general level of uncertainty around local government funding and bringing together five organisations increases this uncertainty. It is therefore critical that as 2022/23 budgets are pulled together that the joint medium-term position is fully understood. In addition, as part of the business planning process costs and benefits have been identified. It is crucial that progress against these are monitored to fully understand progress against the original business plan and understand where differences might arise.
Management comment	These arrangements are already in place with reporting to the LGR Programme Board and LGR Joint Committee



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

4 Recommendation	The Council should update the partnership register to include a link to the strategic objection to which they contribute.
Why/impact	This will enable the Council to understand and identify the impact and contribution which the partnership makes to the Council's objectives.
Management comment	The recommendation is accepted and will be taken onboard as when we update the partnership register.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

5 Recommendation	The Council should include an action plan within its procurement strategy that will set out the actions required to achieve the aspirations set out within the strategy
Why/impact	An action plan will provide a basis on which improvements and progress can be monitored.
Management comment	The recommendation is accepted and an action plan will be included in the updated procurement strategy.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Page 49

6 Recommendation	The Council should continue to work with the service departments to reduce contract breaches, understand why contract waivers occur and how they could be reduced. Also inline with recognised good practice the Council should consider reporting waivers and breaches to Audit Committee.
Why/impact	Contract breaches will not be compliant with procurement law and would not provide value for money. Although contract waivers are permissible under procurement legislation they will not always provide value for money and their occurrence should therefore be minimised. Introducing formal reporting to Audit Committee would provide greater transparency and ensure greater accountability where waivers and breaches occur.
Management comment	We will incorporate this into future reports to the Audit Committee.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Pension Fund

Page 50

7 Recommendation We recommend that the Pension Fund review the National Scheme Advisory Board's good governance report and implement the key recommendations. Further to this we recommend that existing and newly elected members are fully trained prior to the agreement of financial forecasts and governance arrangements each year. Where appropriate the Pension Fund should consider using external providers for specialist areas, e.g actuarial valuations. As part of any training, members should be remind of the importance of meeting attendance. A skills and knowledge audit would identify specific areas where training is needed.

Why/impact The Pension Fund is a very specialised area and training is crucial to facilitate robust challenge. Without adequate training members will not be able to provide adequate challenge and hold officers to account.

Management comment Officers are committed to working with Pensions Committee and Board members to improve the assessment of training needs and provision of training. It is our expectation that the Government will either provided statutory backing to the Scheme Advisory Board's (SAB) good governance recommendations or produce their own set of requirements in due course. Whilst we are mindful of the SAB's report/recommendations, and will seek to improve our practice in a way that is consistent with the tone of the report. We are expecting an update from the Government during 2022 regarding their regulatory priorities for the LGPS.



The range of recommendations that external auditors can make is explained in Appendix C.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 30 November 2021.

Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report (ISA260) which was published and reported to the Council's Audit Committee on 30 November 2021.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We are not able to complete the work required to issue the WGA Component Assurance until guidance is available from HM Treasury. We therefore continue to be unable to certify the completion of the audit for 2020-21.

Preparation of the accounts

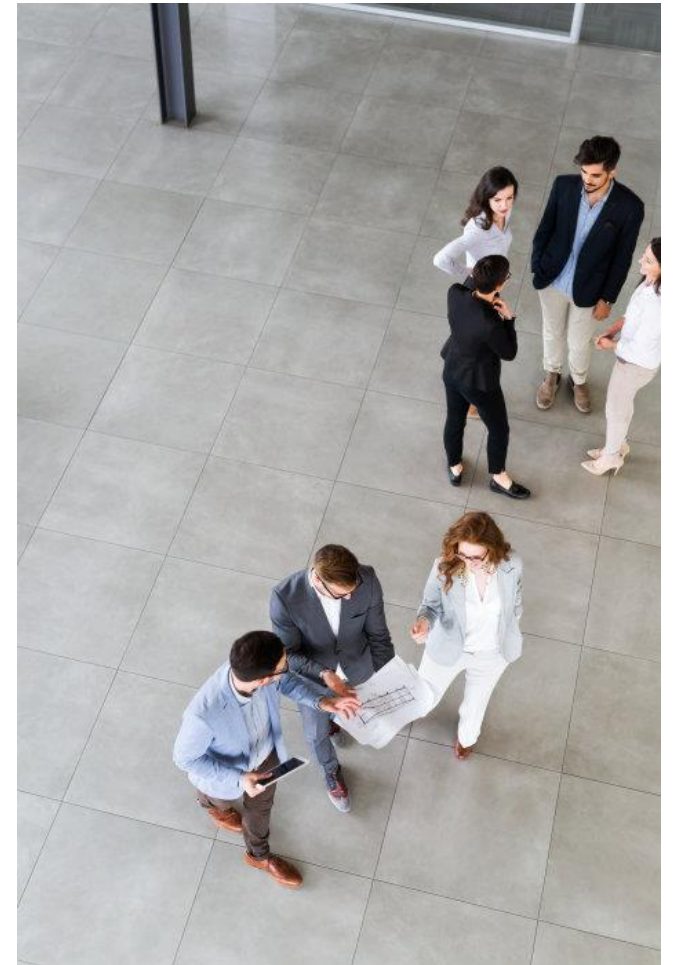
The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support them.

Findings arising from the accounts:

- A recommendation was made for the Council to review access rights and segregation of duties as part of out IT review,
- An improvement recommendation was also made for the Council to review the large number of journal postings to see if these could be reduced. This would help reduce the risk around management override of control.,
- We reported several unadjusted misstatements in relation to our work on Property, Plant and Equipment. These were similar to issues reported in the prior year and related to providing adequate supporting information for key assumptions and indices used as part of the valuations, and
- We identified some improvements that were required to disclosures within the financial statements.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Director of Finance and Governance:

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

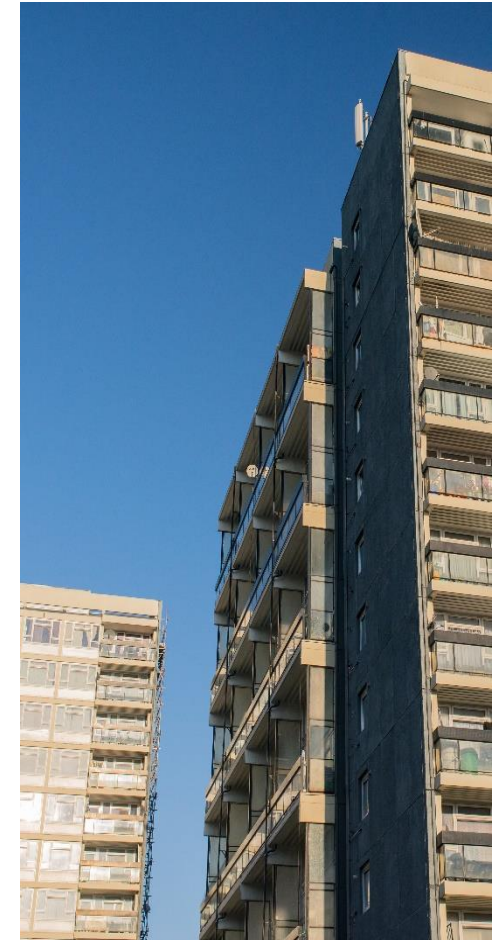
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Director of Finance and Governance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Governance is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Director of Finance and Governance is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings and outcome
Financial sustainability was identified as a potential significant weakness, in our Audit Plan.	<p>In response to this risk and as part of our Financial Sustainability work, we have reviewed progress towards closing the budget gap. Further to this we have:</p> <ul style="list-style-type: none"> discussed financial sustainability with senior management within the Council; reviewed the key assumptions that underpin the 2021/22 medium term financial plan; reviewed in year financial reporting and the outturn position; and reviewed the general arrangements underpinning financial management. 	<p>Like all public sector bodies, the Council continues to face financial challenge and uncertainty over the medium term, albeit they are well placed to respond to the uncertainty that the delay of the fair funding deal presents. Despite this challenge, we have not identified any risks of significant weaknesses in arrangements as part of our work on financial sustainability. The Council have delivered an in-year surplus and have built up their useable reserves. The Council have clearly identified the budget gap over the medium term and have made progress in addressing this.</p>
Local Government Reorganisation (LGR) was identified as a potential significant weakness, in our Audit Plan.	<p>In response to this risk we have:</p> <ul style="list-style-type: none"> Discussed progress with senior officers, and Reviewed the reporting arrangements in place. 	<p>Our work has identified that the Council have made significant progress towards implementing arrangements for LGR. Based on our review, we have not noted any risks of material weakness in arrangements. However, due to the significance of this reorganisation and the potential impact on both financial sustainability and service delivery and performance, this will remain an area of focus as arrangements evolve.</p> <p>We have made the following recommendation:</p> <p>We recommend that the savings generated from re-organisation are clearly monitored and reported alongside the costs. This is to ensure that both the costs and benefits are delivered in line with the business plan. Furthermore, we recommend that as part of the 2022/23 budget setting process that the joint medium term financial challenge be explored and fully understood.</p>

Appendix B - Risks of significant weaknesses - our procedures and findings (continued)

Risk of significant weakness	Procedures undertaken	Findings and outcome
The implementation of SEND reforms was identified as a potential significant weakness, in our Audit Plan.	<p>In response to this risk we have:</p> <ul style="list-style-type: none"> Reviewed the approved written statement of action, and Reviewed progress to addressing each of the agreed priority areas. 	<p>Our work has identified that the Council has taken positive action to address the concerns raised by Ofsted. Following the inspection report a working group was established with the CCG. A written statement of action was produced which set out the nine priority areas of focus. This written statement was approved by Ofsted in November 2020.</p> <p>Our work has highlighted that positive action has been taken in each of the priority areas and this is openly and transparently set out on the Council's website. Progress is also monitored externally by DfE and the NHS on a quarterly basis.</p> <p>Based on our review we have not identified any risks of significant weakness in arrangements.</p>

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

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Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	Not applicable
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	Not applicable
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 20-27

Appendix D - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendation.

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any public interest reports.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not issue any applications to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not issue any judicial reviews.





Somerset County Council






Report of Internal Audit Activity

Progress Report- March 2022

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Agenda item 7

Internal Audit Update – March 2021/22 ‘At a Glance’

The Headlines	
	<p>Opinion based reviews completed in the period</p> <ul style="list-style-type: none"> • Two Limited • Two Reasonable
	<p>Satisfactory progress in relation to plan delivery</p> <ul style="list-style-type: none"> • 32 reviews completed/report stage • 21 reviews in progress • 3 reviews to start
	<p>Additions to the Plan</p> <p>15 new reviews included in the plan.</p>
	<p>Improvements from the implementation of agreed actions</p> <p>A data dashboard has been produced to support management overview. Overdue actions have reduced by 53% during the year-to-date.</p>
	<p>Range of innovations and enhancements made to our internal audit process throughout the year</p> <p>Data analytics continues to drive/support reviews; comparative benchmarking exercises offer useful insight and suggested practices.</p>

Internal Audit Assurance Opinions 2021/22		
	Mar	YTD
Substantial	0	0
Reasonable	2	6
Limited	2	8
No Assurance	0	0
Total	4	14

Internal Audit Agreed Actions 2021/22		
	Mar	YTD
Priority 1	2	9
Priority 2	16	50
Priority 3	11	34
Total	31	93

Summary

As part of our rolling plan reports, we will detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

Lisa Fryer

Assistant Director

lisa.fryer@swapaudit.co.uk

David Hill

Chief Executive

david.hill@swapaudit.co.uk



Summary

This is the March progress update for 2021/22 and reports against the plan agreed by this Committee in March 2021. The schedule provided at **Appendix D** details progress made to date and new work agreed.

The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed at **Appendix A** of this document. The Committee can take assurance that improvement actions have been agreed with management to address each finding reported.

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 the ‘limited Assurance Opinion’ can be found at **Appendix B**. There were two to report over the period as well as two reasonable opinion audits. In total there have been six Reasonable and eight Limited Assurance audits finalised over the year so far. A significant proportion of Limited Assurance Opinions is expected as the audit plan is focused towards those areas of highest risk to the Council. The completion of agreed actions have been scheduled during 2022/23 and follow-up audits will then be carried out.

A follow-up review is performed in respect of all Limited assurance opinion audits. The results of follow-up reviews performed in the period can be found in **Appendix C**. This is important to provide evidence that recommendations have been implemented to reduce areas of risk identified. In respect of the risk management follow-up review that was performed although work was in progress, all actions had yet to be implemented in full. We will continue to monitor progress and risk management will be an area of focus as part of our LGR audit work in 2022/23.

As well as assurance provided by follow-up audits, this year the managers responsible for agreed actions relating to limited assurance audits have provided progress updates to internal audit. The results can be seen on page 4 of this report. The total number of overdue actions has reduced over the period and taking the year as a whole, there has been a reduction of 53% of overdue actions reported.

Internal Audit Plan Update

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation’s risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.



SWAP audit plan coverage, changes to the plan, and performance measures

The table below maps audit work to SCC’s key strategic risks to provide assurance of coverage. As the year builds and more work is completed, coverage across the key risk areas has increased. ‘Adequate’ coverage reflects delivery of planned assurance levels. Over the period the Climate Change audit has needed to be deferred to 2022/23 due to a combination of resource and timing issues.

Risk Universe	Coverage
Climate Change	No coverage - audit deferred to 2022/23
Organisational resilience	<ul style="list-style-type: none"> Business continuity Emergency Planning Data centre & back-ups
New - Adults Sufficiency and Capacity	<ul style="list-style-type: none"> Adults commissioning community support
Supplier Disruption	<ul style="list-style-type: none"> Commissioning governance Adults commissioning community support
Sustainable MTFP	<ul style="list-style-type: none"> School deficit/surplus balances SEND costed packages
Safeguarding Children	<ul style="list-style-type: none"> Schools safeguarding follow-up. Safeguarding complaints and concerns Children’s social care recruitment and training
Local Government Reorganisation	<ul style="list-style-type: none"> Org. resilience/MTFP audits (above) Business Recovery – post Covid Commissioning governance
Market Management and development	<ul style="list-style-type: none"> Contract register Contract management advisory review

	Good coverage complete
	Adequate coverage complete
	Coverage in progress
	No coverage to date

Internal Audit Plan Update

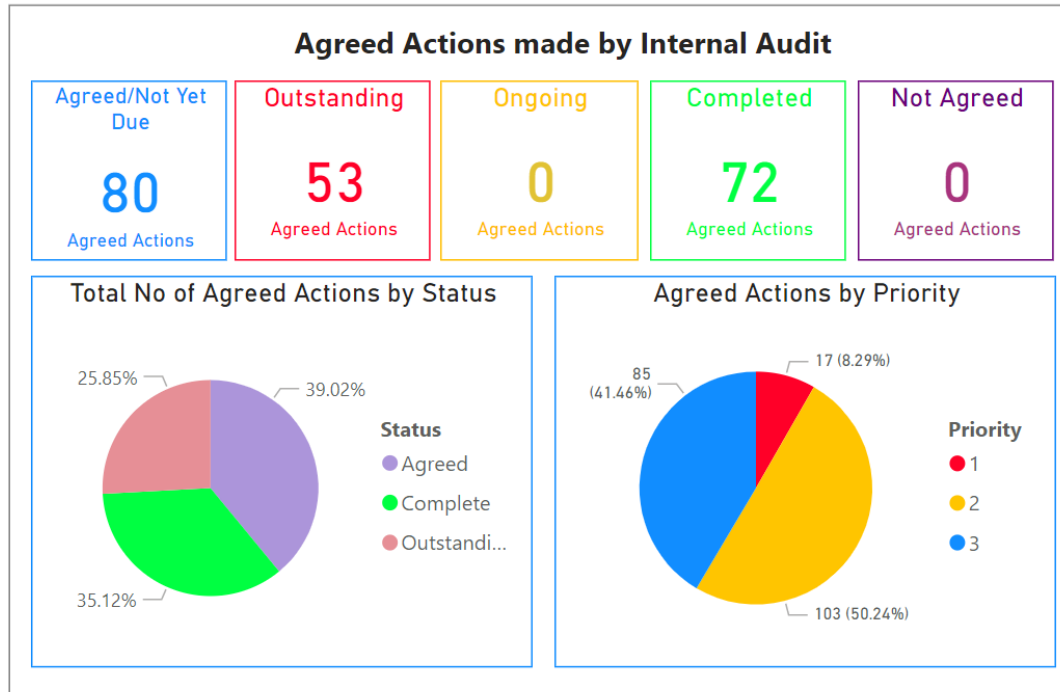
Follow up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.



Implementation of Agreed Management Actions

As well as assurance provided by follow-up audits, managers responsible for agreed actions relating to limited assurance audits have provided progress updates to internal audit. The results of the latest update is shown in the summary below.


The table below shows a total of 53 overdue actions remain, compared to 88 in January. There were 113 overdue actions in the September update, giving an overall reduction of 53% during the year to date.




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.

Definition of Corporate Risks	
Risks	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.

	Audit Objective		Priority Actions			
Management of School Balances	To verify whether Local Authority processes for identifying and supporting schools with budget deficits and surpluses are robust and are being consistently applied.	Limited	1	2	3	Total
			2	4	2	8
<p>The School Funding and Accountancy Team are responsible for monitoring school’s budget management in line with their allocated funding and expenditure. The Education service reviews school performance via Quality Performance Review Meetings (QPRM).</p> <p>QPRM is a developing process and provides an opportunity for a more consistent and co-ordinated approach for raising, discussing, and agreeing the actions required for schools with budget surplus and deficit issues. We found there is currently no clear framework for the identified issues to be channelled through to QPRM’s, to ensure that appropriate and timely intervention can take place.</p> <p>Summary of Findings</p> <ul style="list-style-type: none"> • There is no formal procedure for how school budget issues should be escalated, which causes delays to concerns being addressed and budget plans being approved. • There is only a light touch requirement for schools to provide information about the intended use and timescale for spending a surplus budget, regardless of the value or age of the issue. • For many schools with deficit budgets, the requirements for a deficit recovery plan represents no additional information to what is ordinarily required. • Current documented guidance for schools is out of date and includes Local Authority optional actions which are not used. • There is a lack of proactive monitoring and intervention for schools with a risk of budget issues. <p>All agreed audit actions are due by the end of July 2022.</p>						

Strategic Commissioning	Audit Objective		Priority Actions			
	To establish whether there is an effective corporate approach for commissioning.		1	2	3	Total
		Limited	0	5	2	7

This audit reviewed the strategic commissioning framework, rather than actual commissioning activity by services. During the audit we conducted benchmarking with SWAP partners and LACAN authorities. We received limited responses but have shared the results with Commissioning Development.

Summary of Findings

- Though the Operating Model is reasonable, it requires update to reflect new Business Plan priorities for commissioning. Lead commissioners are developing a new People and Place approach which will encourage further joint commissioning, but this has not yet been formalised.
- While the Strategic Commissioning Group (SCG) is responsible for overseeing the Commissioning Gateway process, items tend to only be presented at decision stage, meaning opportunities may be missed. SCG has limited oversight over the rest of the gateway points. SCG has no decision-making powers.
- There is a limited corporate commissioning pipeline in place. The council has been developing the Integr8 system, which would provide a corporate overview of all activity, but this has now been delayed due to Local Government Reorganisation (LGR).
- A commissioning skills framework is in place but has not been widely shared with commissioners and now requires update. There is no up-to-date organisational assessment of commissioning skills held against this framework.

We will need to conduct a follow up audit to confirm the agreed actions have been implemented as agreed, by April 2023. It is acknowledged that implementation will be subject to decisions made during the Local Government Review.

Follow up Audit	Scope and Objective	Progress assessment				
		Completed	In progress	Not Started	Total	
Risk Management	To provide assurance that agreed actions to mitigate against risk exposure identified within the 2019-20 partial opinion audit of risk management have been implemented.	Priority 1	-	-	-	-
		Priority 2		2	2	4
		Priority 3		1	1	2
		Total		3	3	6

This is a second follow up audit on Risk Management. The original audit was completed in July 2019 and received a partial (limited) assurance opinion. That audit report emphasised the importance of the significant weaknesses identified being addressed, and risk owners taking more responsibility for the regular review of risks in the corporate risk register.

The first follow up audit was performed in December 2020 and found that six of the twelve audit actions had been completed and the remaining six were in progress. This report contains seven new audit actions, two of which are priority 2 and five priority 3. It is important that the target dates assigned are met so that risk management performance does not deteriorate.

This report has been shared with the Strategic Risk Management Group (SRMG). In view of the number of incomplete actions, a full audit of Risk Management will be needed – this is likely to be part of a larger review of all the Somerset Councils as part of the Local Government Review.

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Complete							
Operational	Accounts Payable - Vendor Management	Final	Limited	5		3	2
Operational	School Exclusion Data	Final	Limited	6		5	1
ICT	Data Centre and Back-up Review	Final	Limited	5		3	2
Operational	Adults – Commissioning Community Support	Final	Reasonable	5		2	3
Follow-up	Highways Application for Payment – Follow-up	Final	N/A				
Grant	BDUK Grant certification	Final	Certified				
Advisory	New – Updated Contract Management Framework	Final	N/A				
Advisory	New – Anti-Fraud and Corruption Policy Review	Final	N/A				
Governance	Hybrid Working	Final	Reasonable	3			3
Governance	Business Continuity	Final	Reasonable	9		2	7
Advisory	New – Fraud Risk Assessment	Final	N/A				
Follow-up	Safeguarding in Schools	Final	N/A				
ICT	Secondary Data Centre Review – Advisory	Final	N/A				
Operational	Economic Recovery – Post Covid 19	Final	Reasonable	4		2	2
Operational	SEND Costed Packages	Final	Limited	5		4	1
Operational	Adults – Quality Assurance Framework	Final	Limited	8	2	5	1

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
	1	2	3				
Operational	New – Berkley School Financial Audit	Final	Limited	14	5	8	1
Follow-up	Apprenticeship Scheme	Final	N/A				
Follow-up	Transfer of Public Health Nursing Services	Final	N/A				
Follow-up	Compliance with Corporate Purchasing Policy	Final	N/A				
Grant	New - Additional Dedicated Home to School and College Transport Grant	Final	Certified				
Grant	New - Bus Subsidy Ring fenced (revenue) Grant	Final	Certified				
Governance	Contracts Register	Final	Reasonable	3		1	2
ICT	Incident Management	Final	Reasonable	4	0	0	4
Operational	School Surplus and Deficit Balances	Final	Limited	8	2	4	2
Governance	Strategic Commissioning	Final	Limited	7	0	5	2
Follow-up	Risk Management	Final	N/A				
Investigation	New – Project Management Investigation	Final	N/A	7	0	6	1
Reporting							
Operational	Children’s Safeguarding – Complaints and Concerns	Draft					
Operational	New – Children’s Social Care Safe Recruitment and Training	Draft					
Governance	Property Condition – Schools	Draft					
Advisory	New – Whistleblowing Policy Review	Draft					

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
	1	2	3				
In Progress							
Operational	New - Transport – Governance/Budgets/Financial Control	In Progress					
Operational	Adults – Safeguarding (Eclipse System)	In Progress					
Governance	Emergency Planning	In Progress					
Advisory	New – Adopt South-West	In Progress	Audit lead by Devon Audit Partnership				
Advisory	New – S.151 Financial Assurance Map	In Progress					
Advisory	New – Committee Decision Paper Benchmarking	In Progress					
Follow-up	Supplier Resilience	In Progress					
Follow up	Lone Working	In Progress					
Follow-up	Health and Safety – Premises Management	In Progress					
Follow-up	Healthy Organisation	In Progress					
Follow up	Children’s Education, Health and Care Plans	In Progress					
Follow up	Corporate Management of Health and Safety	In Progress					
Follow-up	Adults Mental Health – Financial Decision Making	In Progress					
Follow-up	Adults Mental Health – Care Plans & Reviews	In Progress					
Grant	Local Transport Capital Block Funding Grant	In Progress					

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
	1	2	3				
Grant	Covid Related Bus Services Support Grant Restart Tranche 3/4/5	In Progress					
Grant	New - Covid Community Testing Funding Grant	In Progress					
Advisory	Recommendation Tracking	Ongoing					
Grant	Supporting Families Claims	Ongoing					
Advisory	CIFAS – Blue Badges	Ongoing					
Advisory	Somerset Unitary preparations	Ongoing					
Waiting to Go Live							
ICT	Follow-up - Cyber Security Framework Review	Not Started					
Follow-up	Role of the Somerset Manager	Not Started					
Grant	New - Emergency Active Travel Fund Grant	Not Started					
Deferred							
Governance	Election Delivery	Deferred	Elections deferred; audit moved to Q1 22/23				
Governance	Capital Accounting	Deferred	Audit deferred to release days for Fraud/Policies review				
Operational	Property – Compliance with Regulations	Deferred	Audit deferred and replaced with Project Management Investigation				
Operational	Property – Corporate Landlord Model	Deferred	Audit deferred and replaced with Project Management Investigation				

Audit Type	Audit Area	Status	Opinion	No of	1 =	↔	3 =
				Rec	Major		Medium
				Recommendation			1
Governance	ECI – Budget Management	Deferred	Reviewed Children’s & Adults in recent plans both reasonable. Deferred to release days for release days for Fraud/Policies review				
Operational	CDM Regulations (Construction Design Management) Maintenance and Infrastructure Highways	Deferred	Replaced with Street Works Permitting. Audit moved to 22/23				
Operational	Schools - SFVS	Deferred	Replaced with higher risk work				
Operational	Schools – Procurement Cards	Deferred	Replaced with higher risk work				
Follow-up	Cash Handling	Deferred	Request to defer to 22/23				
Operational	Adults – Workforce Planning	Deferred	Request to defer to 22/23				
Follow-up	Adults – FAB Assessments	Deferred	Deferred to 22/23 due to delayed implementation of new FAB system				
Operational	New – Street Works Permitting	Deferred	Recent external review undertaken and request to delay to 22/23				
Follow-up	Community Learning Partnerships	Deferred	Reschedule for 22/23 in line with implementation of agreed actions				
Follow-up	Career Development & Pathways	Deferred	Reschedule for 22/23 in line with implementation of agreed actions				
Operational	Delivering Democratic Arrangements using virtual and/or hybrid meetings	Removed	Arrangements in place – removed to release days for higher risk audit work				
Operational	Project Management – Implementation of the Children’s Early Help Module	Removed	Removed to release days for Safeguarding review ahead of OFSTED inspection				
Governance	Climate Change	Deferred	Request to defer to 22/23				
Governance	Project Management – Benefits Realisation	Deferred	Request to defer to 22/23				

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
ICT	Follow-up – ICT Governance	Deferred	Request to defer to 22/23				
Follow-up	Creditors	Deferred	Request to defer to 22/23				

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Somerset County Council

2022-23 Internal Audit Plan and Internal Audit Charter

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Agenda item 8

The Internal Audit Plan: Summary

The internal audit plan provides a summary of the audit approach that the internal audit team will follow to deliver the 2022/23 internal audit plan. This includes a detailed plan for the first quarter of the year.

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

Introduction and Objective of the Internal Audit Plan

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

SWAP, in conjunction with senior management, agree a proposed audit approach to deliver an internal audit plan. The objective of our planning process and subsequent programme of work agreed is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

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

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

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

The Internal Audit Plan: Approach

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

Approach to Internal Audit Planning 2022/23

The factors considered in putting together the 2022/23 internal audit plan have been set out below:



The above factors are used to identify the areas of highest risk across the Council, in line with our risk-based approach. For the 22/23 plan Local Government Review has been a major consideration.

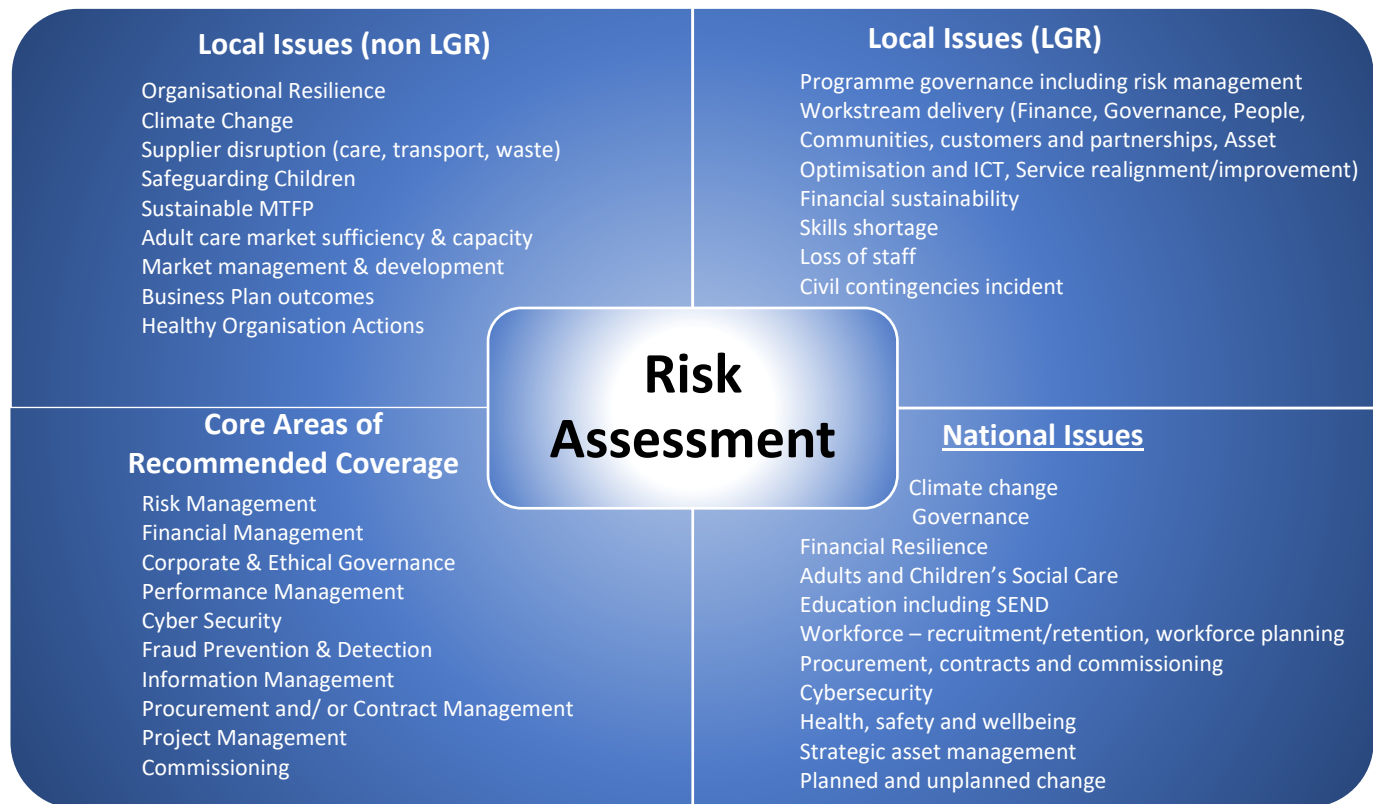
The Internal Audit Plan: Risk Assessment

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

Internal Audit Annual Risk Assessment

Our 2022/23 internal audit programme of work is based on a documented risk assessment, which SWAP will re-visit regularly, this will be at least on a quarterly basis.

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



The Internal Audit Plan: Risk Assessment

Following our SWAP Risk Assessment above, we have set out how the proposed 2022/23 quarter 1 plan presented in Appendix A provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

Internal audit is only one source of assurance and should be considered in this context.

Internal Audit Coverage in 2022/23

Our aim is to produce an agile, risk-assessed work plan, containing key areas of coverage. For 2022/23 it therefore follows that LGR will need to be a key driver of audit work. Given the rapid pace of change to vesting day and beyond we recognise that the IA plan needs to be more flexible than ever before. This means that instead of agreeing an annual plan we are going to move to a quarterly one.

We already maintain a rolling plan that is continually updated as new areas of work are agreed. New audits are risk assessed and added to the rolling plan meaning lower risk audits roll back to be delivered at a point in the future. The rolling plan will be the basis of each quarterly plan, with audits agreed with services according to risk.

A huge amount of LGR development work is needed ahead of vesting day across the six workstreams that are now operating. Initial meetings have already been held with workstream leads to explore potential areas of audit involvement. The IA plan includes the allocation of resource across these workstreams to provide support across the year as required. It is expected that this will be achieved through a combination of assurance and advisory work.

The quarterly planning approach means that the 2022/23 audit plan is flexible to respond to new and emerging risks as and when they are identified. We have set out the proposed quarter 1 plan in Appendix A and the current rolling plan in Appendix B. As well as the inclusion of LGR related work there is coverage across the Authority's revised corporate objectives and strategic risks, as well as our core areas of recommended audit activity.

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

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 25 public sector partners, providing services throughout the UK.

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

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

Your Internal Audit Service

Conformance with Public Sector Internal Audit Standards

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

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed conformance with the Public Sector Internal Audit Standards. An annual self-assessment process confirms ongoing compliance.

Conflicts of Interest

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

Consultancy Engagements

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

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Internal Audit Charter

The nature, role, responsibility, status and authority of internal auditing within Somerset County Council and an outline of the scope of internal audit work is provided in the Charter at Appendix C.

The Internal Audit Plan: Approach

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

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

Our Reporting

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

Internal Audit Performance:

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

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

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

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Link to Corporate Objective/ Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
County Infrastructure <i>That drives recovery, supports economic prosperity, productivity and sustainable public services.</i>	ECI – Highways Application for Payment Review To follow-up previous limited assurance review. Audit to include review of new payments module within the Highways Management System, CONFIRM.	Lead Director of ECI and Commissioning
Natural Environment <i>Safe vibrant and well-balanced communities able to enjoy and benefit from the natural environment whilst addressing climate change.</i>	To follow in a later quarter – see Appendix B.	
Fairer Life Chances and opportunity for all	Children Missing from Education Risks have increased due to the pandemic. Links to Children’s safeguarding strategic risk. Children’s School Exclusion Data This follow-up follows the 21/22 limited assurance review.	Director of Children’s Services
Improved Health and Wellbeing <i>As well as more people living healthy and independent lives for longer</i>	Public Health – Reaching Areas of Deprivation To include collection and analysis of data relating to hard to reach groups.	Director of Public Health
Local Government Reorganisation (LGR)	LGR Workstreams: <ul style="list-style-type: none"> • Finance • Governance • People • Communities, Customers and Partners • Asset and ICT Optimisation 	Programme Director

Link to Corporate Objective/ Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
	<ul style="list-style-type: none"> • Service Realignment/Improvement Audit Support to be provided across all workstreams. Advisory and Assurance work will be agreed throughout the year. <p>LGR Risk Management A particular focus on risk management arrangements for the new unitary authority.</p> <p>LGR General Advice and Support As required through the year. Likely to include project governance arrangements such as oversight of gateway reviews to support the annual opinion.</p>	
<p>Corporate Governance <i>Corporate Governance refers to the strategic management practices and values and beliefs by which the Council operates.</i></p>	<p>Election Delivery To follow May elections.</p>	<p>Director of Finance and Governance</p>
<p>Financial Management <i>Effective Financial Management is the bedrock of any successful organisation and is vital to the ongoing ability of local authorities to deliver services that the public wants.</i></p>	<p>Establishment Control Review controls around management of posts ahead of the move to unitary.</p>	<p>Director of Finance and Governance</p>
<p>Risk Management <i>Organisations which operate under a structured and active risk management approach, are far more likely to be able to focus</i></p>	<p>Covered within LGR section.</p>	

Link to Corporate Objective/ Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
<i>upon their key priorities and outcomes and, in doing so, take informed and robust decisions.</i>		
Performance Management <i>Performance management provides a transparent platform upon which the service is accountable to its citizens and service users for the effectiveness of its service provision and delivery of its objectives.</i>	No specific audits scheduled.	
Commissioning & Procurement <i>Assessing Procurement & Commissioning activity of a Local Authority is a critical determinant in establishing its effectiveness in both being able to deliver benefit for its community, but also in showing whether it can maximise value for money for its taxpayers.</i>	Contract Management Review of contract management arrangements in relation to key contracts.	Director of Finance and Governance
ICT/Information Management <i>Effective ICT will facilitate and support effective working, better decision-making, improved customer service and business transformation.</i>	Payment Card Industry Digital Security Standards (PCIDSS) Compliance Review scheduled across Somerset to assess compliance ahead of vesting day.	HR and OD Director
Programme & Project Management	To follow in a later quarter – see Appendix B.	

Link to Corporate Objective/ Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
<p><i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus their efforts and successfully achieve the delivery of anticipated outcomes.</i></p>		
<p>People Management <i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus resources against key priorities and, as a direct result, deliver improved outcomes.</i></p>	<p>To follow in a later quarter – see Appendix B.</p>	
<p>Asset Management <i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus resources against key priorities and, as a direct result, deliver improved outcomes.</i></p>	<p>To follow in a later quarter – see Appendix B.</p>	
<p>Grant Certification <i>As required by funding stream.</i></p>	<p>Troubled Families Internal audit requirement of DCLG to review claims submitted. Expect to audit six claim periods per year.</p> <p>BDUK Audit Certification Annual certification is a requirement of BDUK to access funding.</p> <p>Covid Contain Outbreak Management Fund</p>	<p>Director of Children’s Services</p> <p>Lead Director of ECI and Commissioning</p> <p>Director of Public Health</p>

Link to Corporate Objective/ Healthy Organisation Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
	<p>Requirement for certification by Internal Audit.</p> <p>Track and Trace Requirement for certification by Internal Audit.</p> <p>Emergency Active Travel Fund Grant Requirement for certification by Internal Audit.</p>	<p>Director of Public Health</p> <p>Lead Director of ECI and Commissioning</p>
Counter-fraud Related	<p>Cifas (National Fraud Prevention Service) Proactive fraud prevention work. To include blue badges and other areas including Adult Social care.</p> <p>Fraud Related Members and Officers Training To follow May elections.</p> <p>Fraud Related Advice To include support with unitary transition as appropriate.</p> <p>Reactive Fraud Work Investigative work as required.</p>	<p>Director of Finance and Governance</p>
Advice and Support	<ul style="list-style-type: none"> • Audit Advice and Planning including Head of Internal Audit role. • Committee Reporting and attendance at other corporate meetings. • Recommendation tracking to give assurance that recommendations are being progressed. 	

These reviews form part of our rolling plan for 2022/23. The plan will continue to be added to as the year progresses to reflect current organisational risks, particularly those associated with LGR. Ahead of each quarter a risk assessment will be undertaken to determine the priority areas to include in the plan.

Corporate Objective/ HO Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
County Infrastructure	<p>ECI – CDM Regulations (Construction Design Management) Maintenance and Infrastructure Highways Compliance in new projects - focus on maintenance and infrastructure improvement in Highways/Transport Commissioning/IGP.</p>	Lead Director of ECI and Commissioning
Natural Environment	<p>Climate Change A joint strategy with districts is in place. High Strategic Risk.</p>	Lead Director of ECI and Commissioning
Fairer Life Chances and opportunity for all	<p>Children’s Safe Recruitment – Part 2 Follow-up previous limited assurance and expand into wider audit on all HR checks including references.</p> <p>Children's - Recruitment of School Head Teachers and Staff The focus of this audit is specifically on school staff.</p> <p>Children’s Follow-ups</p> <ul style="list-style-type: none"> • SEND - costed packages • Community Learning partnerships (CLPs) • School balances • Effectiveness of schools forum • Berkley School Financial Controls <p>Adults Workforce Planning Review how the workforce is aligned with priorities. (Included below in human resources also). Relates to Adults high corporate risk around sufficiency and capacity.</p>	<p>Director of Children’s Services</p> <p>Director of Adult Services</p>

Corporate Objective/ HO Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
	<p>Adults Financial Assessment Previous limited assurance. Full audit as new system has now been implemented.</p> <p>Adults Follow-up</p> <ul style="list-style-type: none"> Quality Assurance 	
Improved Health and Wellbeing	Covered in Appendix A.	
Local Government Reorganisation (LGR)	Covered in Appendix A.	
Corporate Governance	<p>Members Development Strategy Review of Updated Scheme.</p> <p>Whistleblowing Review of effectiveness of updated scheme.</p>	Head of Finance and Governance
Financial Management	<p>Charging for Services Review how charges are set and agreed.</p> <p>Capital Accounting Review of key controls.</p> <p>Schools Financial Management Standards (SFVS) Review of compliance with the updated standards.</p>	Head of Finance and Governance

Corporate Objective/ HO Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
	Finance Follow-ups <ul style="list-style-type: none"> • Creditors • Debt Management • Cash Handling • Changes to Vendor Data 	
Risk Management	Covered in Appendix A.	
Performance Management	Covered in Appendix A.	
Commissioning & Procurement	Follow-ups <ul style="list-style-type: none"> • Supplier Resilience • Compliance with corporate purchasing policy 	Director of Finance and Governance
ICT/Information Management	ICT Audit Reviews Likely to focus on areas associated with LGR.	Head of HR and OD
Programme & Project Management	Project Management – Benefits Realisation Evaluation of how the benefits management system is being used to improve the realisation of benefits. Follow-ups Commissioning and delivery of new schools	Strategic Managers – Business Change Lead Director of ECI and Commissioning/Director of Children’s Services
People Management	Follow-ups <ul style="list-style-type: none"> • Career Development and Pathways • Corporate Management of Health and Safety 	Head of HR and OD

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Corporate Objective/ HO Theme	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
	Also included above as part of corporate priorities – Adults Workforce Planning	
Asset Management	Property Compliance with Regulations Covering regulations such as gas safety requirements, servicing checks.	Head of ECI and Commissioning
Grant Certification	Local Transport Capital Block Funding including the Pothole Action Fund Annual requirement for certification by Internal Audit.	
Counter-fraud Related	Fraud Baseline Assessment of Maturity in Relation to Fraud - Follow-up To follow-up previous 20/21 Amber assessed review (controls assessed to be partially in place - requires improvement). Fraud Recruitment and Selection Review of existing controls and recommendations for strengthening these.	Head of Finance and Governance

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Purpose

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

Approval

This Charter was last approved by the Audit Committee on 11th March 2021 and is reviewed each year to confirm it remains accurate and up to date.

Provision of Internal Audit Services

The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by Somerset County Council in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the organisation, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the organisation's level of contribution to SWAP. This is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

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

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

Responsibilities of Management, Audit Committee and Internal Audit

Management¹

Management is responsible for ensuring SWAP:

- has the support of management and the organisation; and
- has direct access and freedom to report to senior management, including the Chief Executive and the Audit Committee
- is notified of suspected or detected fraud, corruption or impropriety.

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

Audit Committee²

The audit committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function,

¹ In this instance Management refers to the Senior Management Team and Statutory Officers.

² In this instance the Audit Committee relates to "The Board" referred to in the PSIAS.

and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director, as Head of Internal Audit, is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work.

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

Internal audit is responsible for conducting its work in accordance with the mandatory elements of 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) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to be in Conformance with the Standards.

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

Relationship with the External Auditors/Other Regulatory Bodies

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

Status of Internal Audit in the Organisation

*The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP, the Executive Director and Assistant Director also report to the Section 151 Officer, and reports to the Audit Committee as set out below.

The Assistant Director will be the first and primary point of contact for the organisation for all matters relating to the Audit Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of Somerset County Council.

Scope and authority of Internal Audit work

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

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

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;

- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values, investigating where necessary.
- at the specific request of management, internal audit may provide consultancy services (including fraud investigation services) provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources the work.
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

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

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

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

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought.

The Assistant Director will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within Somerset County Council, based on the internal audit work conducted during the previous year.

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

Audit Committee Work Programme

Future Agenda Items	Notes
16 June 2022	
Internal & External Audit update report	To consider reports from the Council's Auditors
Risk Management update	To review the Strategic Risk Register
Debtor Management report	To consider the performance of collecting monies owed to the County Council
28 July 2022	
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
External Audit Plan for the Council and Pension Fund	To approve the external auditors audit plans for the Council and the Pension Fund
22 September 2022	
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
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
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
Tba - November 2022	Pre-Committee meeting SofA briefing/training
24 November 2022	
Statement of Accounts	To approve both the County Council's and Pension Fund's accounts, final Annual Governance Statement and Value for Money arrangements
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