

Audit Committee

Thursday 28 July 2022

10.30 am Luttrell Room - County Hall,
Taunton



To: The Members of the Audit Committee

Cllr D Ruddle (Chair), Cllr A Sully (Vice-Chair), Cllr L Baker, Cllr S Carswell, Cllr M Caswell, Cllr N Cavill, Cllr M Chilcott, Cllr P Clayton, Cllr H Davies, Cllr H Farbahi, Cllr T Kerley, Cllr M Lewis, Cllr J Snell and Mrs J Whitten.

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

Issued By Scott Wooldridge, Head of Governance & Democratic Services - 20 July 2022

For further information about the meeting, please contact Pam Pursley:
ppursley@somerset.gov.uk or 01823 357628 or Stephanie Gold:
stephanie.gold@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 - 10.30 am Thursday 28 July 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 **Minutes from the last meeting** (Pages 9 - 14)

The Committee is asked to confirm the minutes are accurate.

4 **Public Question Time**

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

5 **Annual Audit Opinion from SWAP** (Pages 15 - 36)

To consider this report.

6 **Internal Audit Update** (Pages 37 - 54)

To consider this report.

7 **External Audit Update** (Pages 55 - 78)

To consider this report.

8 **External Audit Plan for the Council and Pension Fund** (Pages 79 - 124)

To consider this report.

9 **Risk Management Update** (Pages 125 - 176)

Item Audit Committee - 10.30 am Thursday 28 July 2022

To consider this report.

10 **Draft Annual Governance Statement (AGS)** (Pages 177 - 208)

To consider this report.

11 **Committee Future Work Programme** (Pages 209 - 210)

To consider this report.

12 **Any other urgent items of business**

The Chairman may raise any items of urgent business.

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Guidance notes for the meeting

1. Inspection of Papers

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

They can also be found here: www.somerset.gov.uk/agendasandpapers

2. Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership. The Code of Conduct can be viewed at:

<http://www.somerset.gov.uk/organisation/key-documents/the-councils-constitution/>

3. Minutes of the Meeting

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

4. Public Question Time

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

At the Chair of the Committee's invitation you may ask questions and/or make statements or comments about any matter on the Committee's agenda – providing you have given the required notice. You may also present a petition on any matter within the Committee's remit.

The length of public question time will be no more than 30 minutes in total.

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

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

If there are many people present at the meeting for one item, the Chair may adjourn the meeting to allow views to be expressed more freely. If an item on the Agenda is

contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group.

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

5. Exclusion of Press & Public

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

6. Committee Rooms & Council Chamber and hearing aid users

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

7. Recording of meetings

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

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

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

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

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

8. Operating Principles for Audit Committee

Reports

- i. The reports should be clearly and concisely written. The report template available to officers on the intranet will be used.
- ii. Reports should highlight issues for Member consideration, no matter how difficult or complex, for example:
 - All reports should detail current performance levels.
 - All reports should identify cost implications.
- iii. No report should contain a recommendation "to note" the report.
- iv. Any report, which outlines clear priorities for improvement, should contain recommendations and a detailed action plan with timescales and resources.

Members

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

9. The Role of the Audit Committee

- (a) Approves (but not directs) internal audit's strategy, plan and performance;
- (b) Reviews summary internal audit reports and the main issues arising, and seeks assurance that action has been taken where necessary;
- (c) Considers the reports of external audit and inspection agencies;
- (d) Ensures that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- (e) Ensures that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process and effective financial governance is actively promoted;

(f) Reviews the financial statements, external auditor's opinion and reports to Members, and monitors management action in response to the issues raised by external audit;

(g) Approves the annual accounts of the Council and the Annual Governance Statement, together with considering the Matters Arising from the Accounts Audit.

AUDIT ADVISORY BOARD

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

Present: Cllr Mike Lewis (Chair), Cllr Mike Caswell (Vice Chair), Cllr Hugh Davies, Cllr Bob Filmer, Cllr Graham Noel, Cllr Liz Leyshon and Cllr Mike Rigby.

Other Members present: Cllr Mandy Chilcott and Cllr T Munt.

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, (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 Committee agreed that the minutes of the meeting held on 27 January 2022 were accurate.

Public Question Time - Agenda Item 4

The Chair was notified that there had been no requests to speak at this meeting, but took the opportunity to thank all public speakers and questioners for their interest and input to our meetings throughout the quadrennium.

External Audit Progress Report - Agenda Item 5

The Chair invited the Director of Audit for Grant Thornton to present the report.

An Update was provided in relation to the Financial Statements Audit in which an unqualified opinion was provided on the Financial Statements on 30th

November 2021. The Value for Money exercise as part of the new Audit code of practice in place from April 2020 had been completed and has been included as an agenda item.

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

- No comments and questions were raised.

The Chair thanked the External Audit Director for his report.

That the Audit Advisory Board consider and comment on the report, which has been done.

External Audit Annual Report- Agenda Item 6

The Chair invited the Director of Audit for Grant Thornton to present the External Audit Annual Report

The paper provided the Advisory Board with the External Audit Annual Report providing the Executive Summary, Commentary on the Councils arrangements to secure economy, efficiency and effectiveness in its use of resources. The responsibilities of the Council and Improvement recommendations were set out for comment in Appendix A. Appendix B detailed the risks of significant weaknesses, procedures and findings.

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

- The report was praised by the Advisory Board for its format and content.
- It was questioned if there was an expectation that internal audit will look at these recommendations and how this would link to the detailed work of the council.
- Following up recommendations as part of 21/22 review of value for money work, it was confirmed colleagues from SWAP will be incorporating these findings in their work.
- The relationship between external and internal would work much closer in the future. There wouldn't be any duplication of work external audit would be undertaking.
- Referencing Pages 31 and 33, concerns were expressed that there was no mention of Wiltshire or Cornwall as a comparison, and it was questioned why this had been missed. This had been benchmarked as other county

councils and not Unitary Councils. Going forward this would be done on a Unitary basis following the formation of the New Council. Using comparisons to Unitary and County Councils would be taken on board following the meeting.

- It was requested if there was any way of detailing the trajectory of different councils and presenting this as part of future reports.
- Concerns were expressed in relation to rising costs as a result of recent world events and how this would impact services.
- On behalf of the Advisory Board, the Chair thanked the Audit Director and Service Manager for their reports and ongoing work.

The Audit Advisory Board noted the report.

Internal Audit Update Report - Agenda Item 7

The Chair invited the Chief Executive of The South West Audit Partnership to present the Internal Audit Update Report.

The March progress update for 2021/22 reported against the plan agreed by this Committee in March 2021. The schedule provided at Appendix D detailed 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.

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

- Children Services and transport pressures on school places were requested to be considered as part of future risk auditing work.
- The South West Audit Partnership met quarterly with SLT to consider high risk areas and take into account the risk profile ensuring adequate coverage of high risk areas.
- It was clarified that the existing review was looking at financial arrangements for school's transport.

The Audit Advisory Board noted the report

Internal Audit Plan and Charter - Agenda Item 8

The Chair invited the Internal Audit Manager who presented the Internal Audit Plan and Charter to the Advisory Board.

Internal audit provided 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 the planning process and subsequent programme of work agreed provided 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.

As part of the report the approach to Internal Audit was set out alongside Risk Assessment and Internal Audit Coverage in 2022/23. Appendix A and B set out Audit Planning and the Appendix C set out the Internal Audit Charter.

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

- Consideration of blue light services as part of civil contingencies was requested.
- It was questioned if South West Audit Partnership would be looking at this post vesting day. There would be a new charter in place post vesting day in April 2023.
- The advisory board thanked Lisa Fryer and gave their appreciation for all the work that she has undertaken in support of the Advisory Board.

The Audit Advisory Board requested that the Section 151 Officer accepts the Internal Audit Plan for 2022-23 and the updated Audit Charter

Committee Future Work Programme - Agenda Item 9

The Strategic Manager for Finance Systems (Ben Bryant) introduced the Work Programme.

Proposed Looking at 23rd or 30th June for the first meeting but hold the date of 16th June for training for members of the committee.

Debtor Management Reporting was part of quarterly Budget monitoring but a 1 year summary was proposed for the meeting in June which would be an annual update. This is considered in the year when Audit present the Annual report to Full Council, this would be considered in respect of its timing on the forward Plan for future years.

The Audit Advisory Board:

Noted the work programme that listed future agenda items and reports.

Any Other Urgent Items of Business - Agenda Item 10

The Chair thanked the committee, officers and Governance Specialist for all their support

The Vice-Chair thanked the Chair for all his hard work in conducting the Committee

After ascertaining that there were no other items of business, the Chair noted that the next Audit Advisory Board meeting will be held on 16 June 2022, following the May election.

(The meeting ended at 10:55am)

CHAIR

Somerset County Council

Internal Audit Annual Opinion Report 2021/22

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Agenda item 5

Internal Audit Annual Opinion – 2021/22: ‘At a Glance’

Annual Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

The Headlines

	No high corporate risks reported in the year
	Plan substantially delivered <ul style="list-style-type: none"> • 47 reviews finalised • Three reviews at draft stage • Two reviews in progress
	Follow-ups Nine completed. Evidence for all that risks reduced sufficiently and no further follow-up work needed for six of the reviews.
	Healthy Organisation follow-up The Healthy Organisation audit was also followed up and work was found to have started in relation to almost all of the agreed actions.
	Improvements from the implementation of agreed actions A data dashboard has been produced to support management overview. Overdue actions have reduced by 56% over seven months.

Internal Audit Assurance Opinions 2021/22

Substantial	0
Reasonable	8
Limited	11
Medium (HO)	Ongoing

Internal Audit Agreed Actions 2021/22

Priority 1	15
Priority 2	63
Priority 3	52
Total	130

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



Purpose

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

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

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

Executive Summary

Three Lines Model

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

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

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

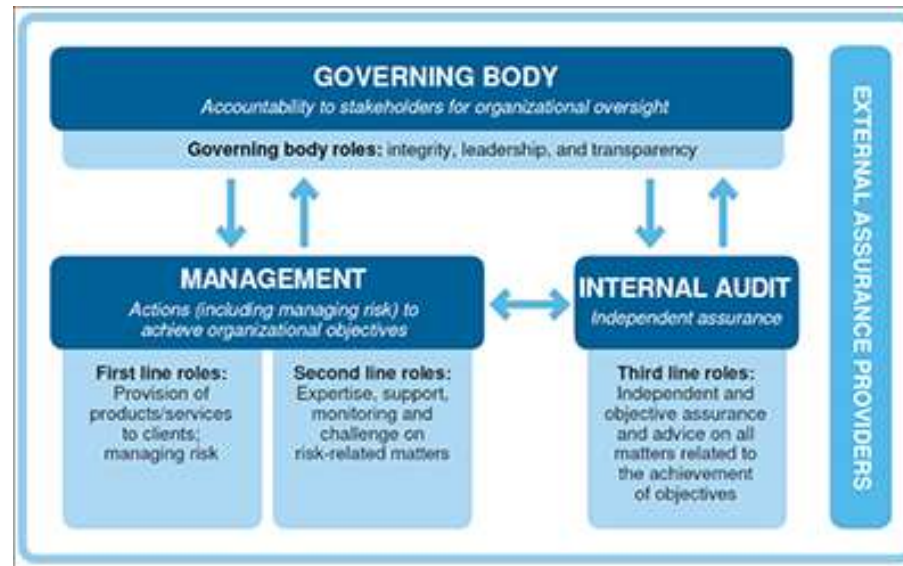


Background

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

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2021/22 year.

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



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



Annual Opinion

On the balance of our 2021/22 audit work for Somerset County Council, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

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

The Annual Opinion is made based on the following sources of information:

- Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Grant certification work.
- Significant/material risk where management has not accepted the need for mitigating action.
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure.
- Assurances from other providers, including third parties, regulator reports etc.

In terms of breadth of coverage, audit work has been performed across the Council's key services and in relation to its strategic risks. A summary of audit work carried out against the Council's strategic risk areas is provided in the next section on page 6.

Healthy Organisation is a review of the corporate control framework and a key source of assurance. We conducted our most recent Healthy Organisation review at Somerset County Council during the previous year in 2020/21 and provided a Medium Assurance opinion. In this year's plan a follow-up audit was undertaken and showed that the council had started addressing or had addressed most of the Areas for Attention. Local Government



Summary of Audit Work 2021/22

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

Page 20

Reorganisation (LGR) is the key reason most areas remain in progress, as the council needs to review many of its current strategies and procedures as part of this work. Refer to page 9 for further detail.

Over the year, the Internal Audit Team have found Senior Management of Somerset County Council to be generally supportive of Internal Audit findings and responsive to the recommendations made. In addition, there is a good relationship with Management whereby they approach Internal Audit where they perceive to be potential problems. This can be demonstrated by the ongoing updates and requests for advisory work that were made to the plan during the year. This has increasingly involved work associated with Local Government Reorganisation and it is encouraging that Internal Audit have been involved from an early stage in this work.

We follow a risk-based approach to our audit work which means that there is an ongoing focus on areas of the Council where there are uncertainties in relation to controls in place, in areas of change for example. This approach does mean that lower assurance levels are more likely and our follow-up work very important to demonstrate that improvements in the control framework have taken place.

The plan is substantially complete, with only two audits remaining in progress and three waiting to be finalised. In relation to completed audits, 19 have opinions with eight having received Reasonable Assurance and the remaining given Limited assurance. As stated above the internal audit plan is focused towards high risk areas.

Nine other follow-up audits were carried out during the year and generally, the follow up work confirms the implementation of agreed recommendations to mitigate exposure to areas of significant risk. For six of the nine audits completed the risks have been judged to have been reduced sufficiently for recommendation tracking to cease completely. For the other three audits work was found to be in progress and there were reasons why the implementation of recommendations was taking longer. For one of these the introduction of a new system was a major contributing factor and for the other two Local Government Reorganisation has meant that action to be taken has needed to be re-evaluated.

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 11 of this report. The total number of overdue actions has reduced since monitoring started at the beginning of September, with an overall reduction of 53% of overdue actions reported.



Summary of Audit Work 2021/22

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

To summarise, I believe that the Senior Management of Somerset County Council cooperate with the audit process, with our audit findings and recommendations agreed. The Council is also open about risks they are facing which enables us to produce a plan that is risk based and enables us to focus on the high risks of the council. The Healthy Organisation follow-up review demonstrates ongoing progress at a corporate control level. The ongoing limited assurance audits reviews has highlighted areas of risk to be addressed. The evidence overall from our follow-up work and monitoring of actions agreed demonstrates that actions agreed to reduce these risks are generally being taken.



Summary of Audit Work 2021/22

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



Audit Coverage by Strategic Risk

The table below maps audit work to SCC's key strategic risks to provide assurance of coverage. 'Adequate' coverage reflects delivery of planned assurance levels.

Strategic Risk	Coverage
Climate Change	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 related audits (above) Business Recovery – post Covid Commissioning governance PCI DSS (Unitary)
Market Management and development	<ul style="list-style-type: none"> Contract register Contract management advisory review

Table Key	
	Good internal audit coverage
	Adequate internal audit coverage
	Coverage in progress
	Proposed internal audit coverage removed

Summary of Audit Work 2021/22

Definitions of Corporate Risk

High Risk

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

Medium Risk

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

Low Risk

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



Significant Corporate Risks

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



Summary of Audit Work 2021/22

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

Assurance Definitions

No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.



Summary of Audit Opinion

Table 1: Summary of Audit Opinions

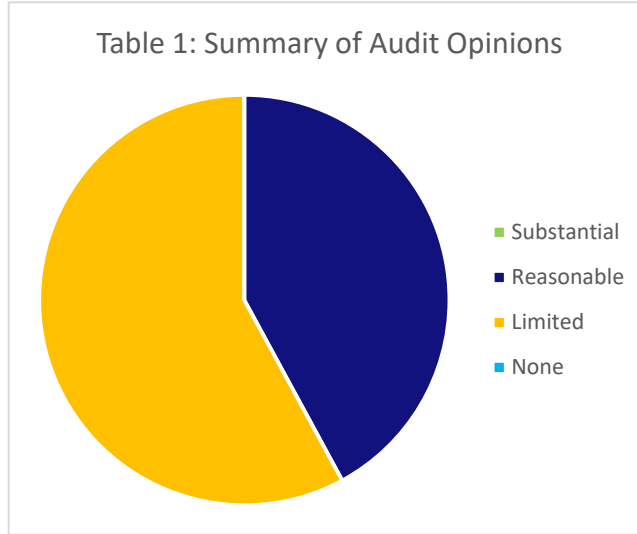


Table 2: Audit Work by Type

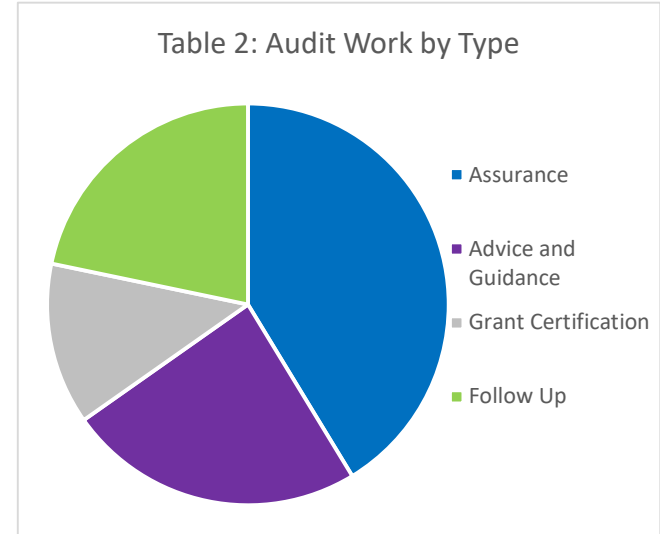


Table 1 above indicates the spread of assurance opinions across our work during the past year.

Table 2 indicates the audit work by type.



Summary of Audit Work 2021/22

Healthy Organisation

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



Healthy Organisation Follow-up

Across nine corporate themes this review contributes towards an overall assessment and understanding of the council as a 'Healthy Organisation.' We conducted our most recent Healthy Organisation review in 2020/21. We provided a Medium Assurance opinion.

A follow up review was carried out to determine whether there is evidence that the council has taken action to mitigate the Areas for Attention we identified in 2020/21.

Theme	2020/21 RAG	Total Areas for Attention	Complete	In Progress	Not Started
Corporate Governance	Green	7	3	4	0
Financial Management	Green	7	1	6	0
Risk Management	Amber	4	0	3	1
Performance Management	Green	5	0	5	0
Commissioning & Procurement	Amber	6	3	3	0
Programme & Project Management	Green	2	0	2	0
Information Management	Amber	6	0	6	0
People Management	Green	2	0	2	0
Asset Management	Amber	3	1	2	0
TOTAL		42	8	33	1

We found that the council had started addressing or had addressed almost all of the Areas for Attention. Local Government Reorganisation (LGR) is the key reason most areas remain in progress. As part of its preparations for LGR, the council is reviewing many of its current strategies and procedures, either within services or as part of a defined LGR workstream. In addition, the council has postponed some activity, such as developing the Integr8 system, until more about the new council is known. Considering the significant level of change due to take place over the next year, we believe this is reasonable.

Healthy Organisation continued

There have been several positive developments since the last review. This includes the introduction of a new Contract Management Framework and Social Value Policy, and update of the Contract Procedure Rules. The No PO No Pay project has also resulted in a new Purchase Order Policy intended to ensure there is greater pre-authorisation of expenditure. While there continues to be pressure on demand-led service budgets and the High Needs block, the council is expecting a small revenue budget underspend at outturn, and it has set a balanced budget for its final year of operations.



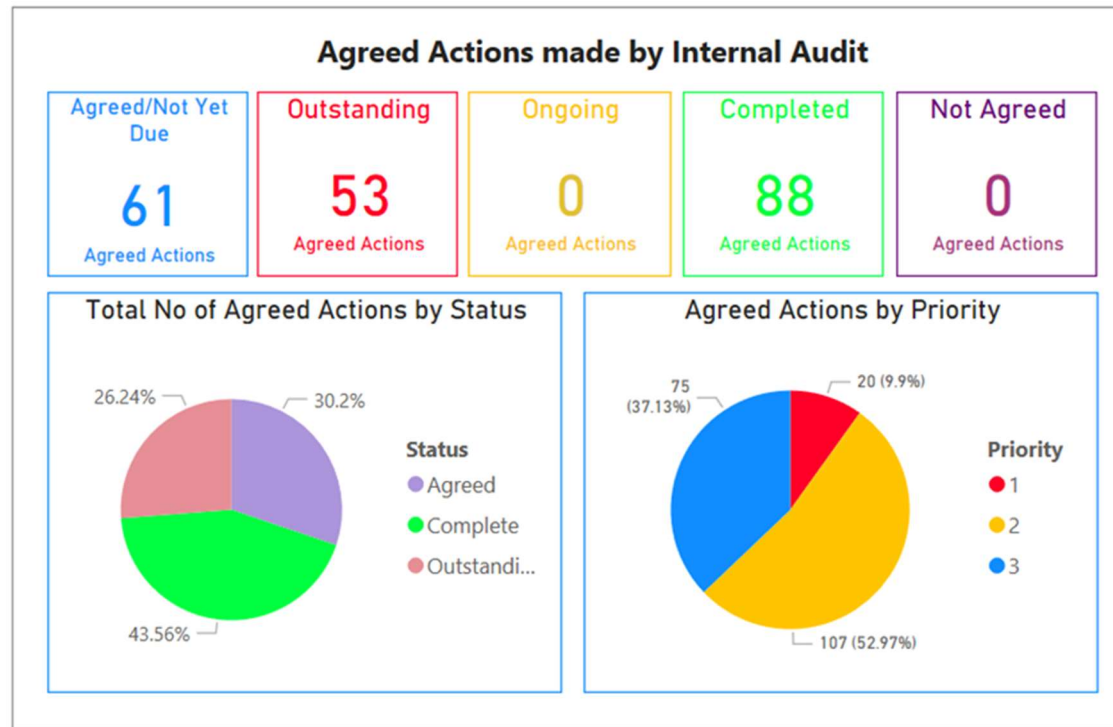
Summary of Audit Work 2021/22

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

Healthy Organisation Follow-up

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 53 overdue actions remain. This is the same as reported in March. There were 113 overdue actions in the September update, giving an overall reduction of 53% over a seven month period.



Added Value

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



Added Value

Throughout the year, SWAP strives to add value wherever possible going beyond the standard expectations of an assurance audit. The following are examples of this:

Cross Partner Work

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

- Committee Decision Making
- SEND Costed Packages
- Safeguarding Complaints and Concerns

During the Business Continuity (BC) audit we facilitated a discussion between SCC and Dorset so SCC could start planning their approach to BC during and after LGR.

Fraud Related

- SWAP paid the annual subscription for 2021/22 to enable Somerset County Council to be part of CIFAS. This data matching service will help the Council to both detect and prevent fraud. SWAP is working with both CIFAS and the Council to facilitate data matching work in relation to blue badges, to help identify whether badges issued remain valid by checking badge holders to the deceased database.
- SWAP's Counter Fraud team issues alerts and newsletters to key officers in the Council.

Other

Our regular update SWAP News Round-up.

- In March we agreed a replacement audit management system, Auditboard. Once implemented in 2022/23 it will increase the efficiency of our audit process, provide better management information and allow partners to interact directly with the system.

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



SWAP Performance

SWAP’s performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for Somerset County Council for 2021/22 year are:

Performance Target	Performance
<u>Audit Plan – Percentage Progress</u>	
Final, Draft and Discussion 90%	98%
In progress/Review	2%
Yet to complete	0%
<u>Customer Satisfaction Questionnaire</u>	
Feedback 95%	100%

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

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

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

Summary of Internal Audit Work 2021/22

Appendix A

Page 30

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Complete							
Operational	Accounts Payable - Vendor Management	Final	Limited	5	0	3	2
Operational	School Exclusion Data	Final	Limited	6	0	5	1
ICT	Data Centre and Back-up Review	Final	Limited	5	0	3	2
Operational	Adults – Commissioning Community Support	Final	Reasonable	5	0	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	0	0	3
Governance	Business Continuity	Final	Reasonable	9	0	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	0	2	2

Plan Performance 2021/22

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Operational	SEND Costed Packages	Final	Limited	4	0	1	3
Operational	Adults – Quality Assurance Framework	Final	Limited	8	2	5	1
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	0	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
Operational	Children’s Safeguarding – Complaints and Concerns	Final	Limited	8	2	3	3

Plan Performance 2021/22

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Operational	New – Children’s Social Care Safe Recruitment and Training	Final	Limited	5	2	2	1
Advisory	New – Whistleblowing Policy Review	Final	N/A				
Operational	Adults – Safeguarding (Eclipse System)	Final	Reasonable	4	0	1	3
Governance	Emergency Planning	Final	Reasonable	10	0	3	7
Advisory	New – Adopt South-West	Final	Audit lead by Devon Audit Partnership				
Advisory	New – Committee Decision Paper Benchmarking	Complete	N/A				
Follow-up	Lone Working	Final	N/A				
Follow-up	Healthy Organisation	Final	N/A				
Follow-up	Children’s Education, Health and Care Plans	Final	N/A				
Grant	Covid Related Bus Services Support Grant Restart Tranche 3/4/5	Final	Certified				
Grant	New - Covid Community Testing Funding Grant	Final	Certified				
ICT (Advisory)	New – Payment Card Industry Data Security Standard - PCI DSS (Unitary)	Final	N/A				
Advisory	Recommendation Tracking	Complete	N/A				
Grant	Supporting Families Claims	Complete	Certified				
Advisory	CiFAS – Blue Badges	Complete	N/A				

Plan Performance 2021/22

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Advisory	Somerset Unitary preparations	Complete	N/A				
Operational	New - Transport Budget Governance	Draft	Limited	10	2	4	4
Reporting							
Governance	Property Condition – Schools	Draft					
Follow-up	Supplier Resilience	Draft					
Follow-up	Adults Mental Health – Financial Decision Making, Care Plans & Reviews	Draft					
In Progress							
Grant	Local Transport Capital Block Funding Grant	In Progress	Awaiting last pieces of evidence				
Advisory	New – S.151 Financial Assurance Map	In Progress	N/A				
Audits Deferred/Removed							
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				

Plan Performance 2021/22

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
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				

Plan Performance 2021/22

Audit Type	Audit Name	Status	Opinion/Other	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
Governance	Project Management – Benefits Realisation	Deferred	Request to defer to 22/23				
ICT	Follow-up – ICT Governance	Deferred	Request to defer to 22/23				
Follow-up	Creditors	Deferred	Request to defer to 22/23				
ICT	Follow-up - Cyber Security Framework Review	Deferred	Replaced with PCI DSS (Unitary)				
Follow-up	Role of the Somerset Manager	Deferred	Deferred to 22/23				
Grant	New - Emergency Active Travel Fund Grant	Deferred	Expenditure not yet complete – defer to 22/23				
Follow up	Corporate Management of Health and Safety	Deferred	Deferred to 22/23				








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Somerset County Council

Report of Internal Audit Activity 2021/22

July 2022

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

The Headlines	
	<p>Opinion based reviews completed in the period</p> <ul style="list-style-type: none"> • Three Limited • Two Reasonable
	<p>Plan substantially delivered</p> <ul style="list-style-type: none"> • 47 reviews finalised • Three reviews at draft stage • Two reviews in progress
	<p>Follow-ups in the period</p> <p>Three completed. Evidence for all that risks reduced sufficiently and no further follow-up work will be undertaken.</p>
	<p>Healthy Organisation Follow-up in the period</p> <p>Work was found to have started in relation to almost all of the agreed actions.</p>
	<p>Additions to the Plan</p> <p>15 new reviews included in the plan over the year.</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 56% over seven months.</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		
	Jul	YTD
Substantial	0	0
Reasonable	2	8
Limited	3	11
No Assurance	0	0
Total	5	19

Internal Audit Agreed Actions 2021/22		
	Jul	YTD
Priority 1	2	15
Priority 2	4	63
Priority 3	4	52
Total	27	130

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:

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Summary

This is the July 2022 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 three to report over the period as well as two reasonable opinion audits.

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. Three follow-up reviews were completed in the period, all of which we reported sufficient progress in implementing the actions agreed and no further audit work will be required. The Healthy Organisation audit was also followed up and work was found to have started in relation to almost all of the agreed actions. Many of these were found to be in progress, due to the need to re-evaluate action to be taken due to Local Government Reorganisation.

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 since monitoring started at the beginning of September, with an overall 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 against strategic risks

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. The planned climate change audit has needed to be deferred to 2022/23 due to a combination of resource and timing issues.

Strategic Risk	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 related audits (above) Business Recovery – post Covid Commissioning governance PCI DSS (Unitary)
Market Management and development	<ul style="list-style-type: none"> Contract register Contract management advisory review

	Good coverage
	Adequate coverage
	Coverage in progress
	No coverage

Internal Audit Plan Update

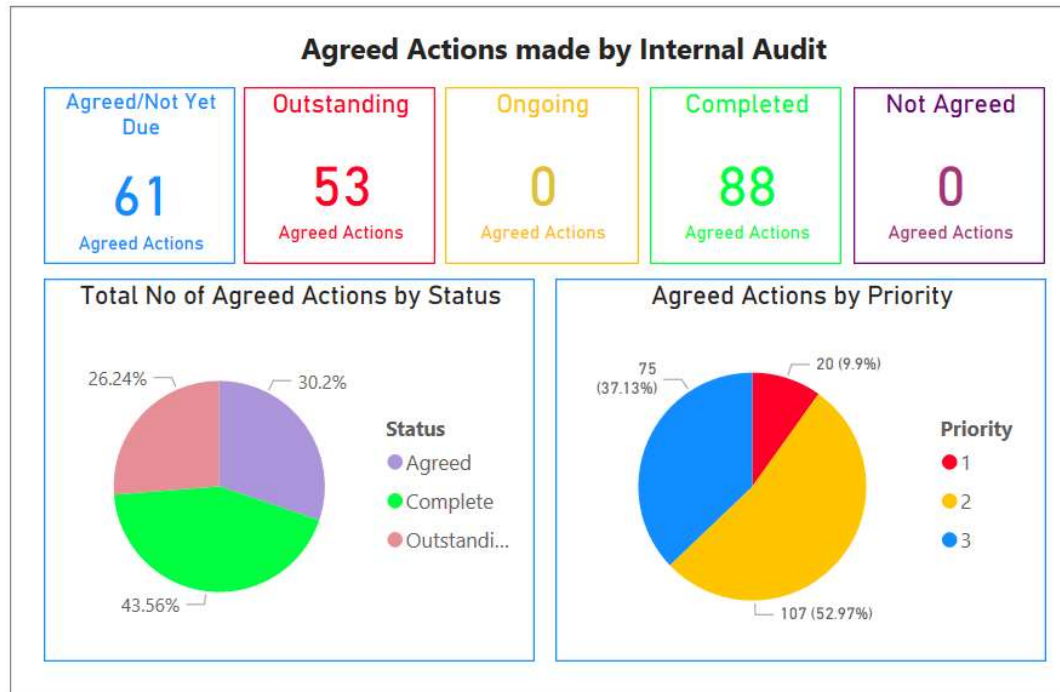
Follow up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.



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 53 overdue actions remain. This is the same as reported in March. There were 113 overdue actions in the September update, giving an overall reduction of 53% over a seven month period.




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.


Children’s Social Care – Safe Recruitment and Training	Audit Objective	 <p>Limited</p>	Priority Actions			
	To verify the effectiveness of processes to ensure all social care staff have the required disclosure and barring clearance, a current registration with Social Work England and up to date child protection training.		1	2	3	Total
This audit has been undertaken in preparation for an Ofsted inspection.						
<p>Summary of Findings</p> <ul style="list-style-type: none"> • SCC policy requires that a Disclosure and Barring Service (DBS) application is completed as part of the recruitment and selection process to ascertain the individual’s suitability for the post. For specific roles, a new DBS check is required every three years. There is no centralised monitoring function in place to ensure that renewals are completed where required and that all employees have current clearance at the appropriate level for their role. • There is a lack of evidence that all employees have completed current Child Protection training. • The Organisational Management Team run a report of current staff in Child Social Care (CSC) roles, which is used by HR to check against the Social Work England website for annual registration renewals. This report is not currently shared with CSC and their records were found to be incomplete in relation to Social Worker registration, including expired or blank registration dates and Social Worker numbers. • Due to differences in job role titles used within the e-DBS system used by HR and the CSC compliance data, there is no cohesion between HR and Children’s Social Care records. <p>During the audit guidance was approved by Children’s Social Care (CSC) County Managers, to review compliance data at bi-monthly CSC County Managers meetings and once appointed, the Principal Social Worker will maintain oversight of compliance.</p> <p>In terms of records keeping a main issue reported is the lack of cohesion between the records used by HR and Children’s Social Care. This has been acknowledged and HR are now looking towards a single centralised record as part of wider Local Government Review work.</p> <p>All agreed audit actions are due by the end of July 2022.</p>						

Education Safeguarding Complaints and Concerns	Audit Objective		Priority Actions			
	To establish whether there are effective processes in place for resolving safeguarding complaints and identifying emerging safeguarding issues.		1	2	3	Total
		Limited	2	3	3	8

Summary of Findings

- Although we saw evidence that the Education Safeguarding Service (ESS) had taken reasonable action to respond to the education safeguarding concerns and complaints we tested, there is currently a lack of clarity on the pathway to follow for complaints and concerns. The ESS has started developing a recording and monitoring process to highlight trends but service development is being impeded by long-running resource issues.
- There are two recording systems in use. We identified inconsistent and inaccurate recording in the ESS Complaints Received Log (CRL). We could not confirm all iCasework complaints were also recorded in the CRL. The ESS had difficulty providing all the evidence we requested, which indicates weaknesses in recording and storage.
- There is no quality assurance process in place for reviewing how education safeguarding complaints are handled and ensuring that all actions are followed through to completion. There may be opportunities for team training on expected investigation processes and completion of records.

All agreed audit actions are due by the end of September 2022.

Transport Budget Governance	Audit Objective		Priority Actions			
	To establish the extent to which transport budgets are governed and controlled effectively.		1	2	3	Total
		Limited	2	4	4	10

Summary of Findings

- The council has overspent its combined home to school transport budgets for the last five years. There is no strategy for controlling this expenditure.
- Responsibility and accountability for transport sourcing and expenditure is fragmented. While Inclusion determines whether a child is eligible for transport, they have little or no involvement in agreeing the transport subsequently procured. Therefore, they have little direct control over expenditure.
- There are significant concerns about Capita EMS system data. Management do not have ready access to a report that includes clear financial and contractual information for all routes. There are anomalies in route and forecasting reports which may impact on budget monitoring. Further investigation is needed to identify and address the root causes.
- The council is replacing the transport management systems, Capita EMS and Trapeze, with a new combined system, MTC. This was expected to be in place by April 2022 but has been delayed until mid-2023. Finance has not been involved in this project to date.

All agreed audit actions are due by September 2023.

Follow up Audit	Scope and Objective	Progress assessment					
		2020/21 RAG	Completed	In progress	Not Started	Total	
Healthy Organisation	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.	Corporate Governance	Green	3	4	0	7
		Financial Management	Green	1	6	0	7
		Risk Management	Amber	0	3	1	4
		Performance Management	Green	0	5	0	5
		Commissioning & Procurement	Amber	3	3	0	6
		Programme & Project Management	Green	0	2	0	2
		Information Management	Amber	0	6	0	6
		People Management	Green	0	2	0	2
		Asset Management	Amber	1	2	0	3
Total			8	33	1	42	

The Healthy Organisation review framework assesses nine corporate themes. Together, these themes contribute towards an overall assessment and understanding of the council as a ‘Healthy Organisation.’ For each theme, we assess the strength of the management control framework in place against a benchmark model by identifying the presence or absence of key controls. We conducted our most recent Healthy Organisation review at Somerset County Council (SCC) in 2020/21. We provided a Medium Assurance opinion.

The purpose of this follow up review was to determine whether there is evidence that the council has taken enough action to fully mitigate the Areas for Attention we identified in 2020/21. We have not provided an updated assurance opinion or RAG rating for each theme because we have not tested each theme in full. This is the final Healthy Organisation review for SCC before it is replaced by the new unitary Somerset Council in April 2023.

We found that the council had started addressing or had addressed almost all of the Areas for Attention. Local Government Reorganisation (LGR) is the key reason most areas are in progress. As part of its preparations for LGR, the council is reviewing many of its current strategies and procedures, either within services or as part of a defined LGR workstream. This includes the Financial Regulations, Financial Procedures, ICT Strategy, Performance Management Framework, workforce plans and more. In addition, the council has postponed some activity, such as developing the Integr8 system, until more about the new council is known. Considering the significant level of change due to take place over the next year, we believe this is reasonable.

There have been several positive developments since the last review. This includes the introduction of a new Contract Management Framework and Social Value Policy, and update of the Contract Procedure Rules. The NO PO No Pay project has also resulted in a new Purchase Order Policy intended to ensure there is greater pre-authorisation of expenditure. While there continues to be pressure on demand-led service budgets and the High Needs block, the council is expecting a small revenue budget underspend at outturn, and it has set a balanced budget for its final year of operations.

Follow up Audit	Scope and Objective	Progress assessment				
		Completed	In progress	Not Agreed	Total	
Lone Working	To provide assurance that agreed actions to mitigate against risk exposure identified within the partial opinion audit have been implemented.	Priority 1	0	0	0	0
		Priority 2	4	1	1	6
		Priority 3	2	0	0	2
		Total	6	1	1	8

The council has procured a corporate personal safety monitoring system, Peoplesafe, that can be used by lone workers. Lone workers now have access to a variety of personal safety devices and benefit from 24/7 emergency support. As part of the system rollout, services have had to compile lone worker lists. Services are expected to make use of these tools in addition to any procedures they already have in place.

The Working Alone Safely Policy has been reviewed and updated to incorporate most of our suggestions. The policy requires managers to develop processes that allow lone workers to communicate with colleagues and be located if they are at risk. It also refers to the use of lone working personal safety devices and gives examples of roles that may be at higher risk from lone working.

The Health, Safety and Wellbeing Steering Group (HSWSG) have agreed to implement mandatory risk assessment training for managers. The Corporate Health and Safety Unit (CHSU) are developing a risk assessment module that will be hosted on the Learning Centre.

Based on the progress made, we will cease recommendation monitoring.

Follow up Audit	Scope and Objective	Progress assessment				
		Completed	In progress	Not Started	Total	
Health and Safety – Premises Management	To provide assurance that agreed actions to mitigate against risk exposure identified within the partial opinion audit have been implemented.	Priority 1	1	0	0	1
		Priority 2	1	1	0	2
		Priority 3	2	0	0	2
		Total	4	1	0	5

Health and safety reminders are regularly issued through Core Brief. The Health, Safety and Wellbeing Steering Group (HSWSG) has regularly reminded Delegated Senior Managers (DSMs) to include health and safety as a standing agenda item at service and team meetings. A reminder was also included in Core Brief.

Facilities Management (FM) developed a learning centre module used to re-induct employees to SCC premises after the changes caused by Covid-19. This was mandatory for all staff wishing to work from SCC premises. CHSU also run premises management training that new facilities managers must complete. Premises managers are ensuring routine legionella testing is performed at the required frequency.

The council is in the process of introducing a new system, Tech Forge, that will replace the Atrium and RAMIS systems from December 2022. Premises risk assessments will be stored in Tech Forge.

Based on the progress made, we will cease recommendation monitoring.

Follow up Audit	Scope and Objective	Progress assessment				
		Completed	In progress	Superseded	Total	
Children’s – Education, Health and Care Plans (EHCPs)	To provide assurance that agreed actions to mitigate against risk exposure identified within the partial opinion audit have been implemented.	Priority 1	2	0	0	2
		Priority 2	3	2	0	5
		Priority 3	3	1	1	5
		Total	8	3	1	12

There has been considerable progress since we conducted the original review. The council has invested in additional staffing for the service. There has been a review of the team structure and staff are now split between distinct functions and age ranges. Management responsibilities have been reviewed and each hub has a Senior Assessment and Review Officer (SARO) dedicated to staff performance management. Case supervisions take place fortnightly. While the number of EHCPs in the county continues to rise, new approaches to case allocation mean there is more flexibility for officers. The council has worked with partners to reduce delays in receiving professional advice. These actions have allowed the council to improve its performance against statutory timescales to 60%. This is in line with the national average (58%).

While the service has introduced a more formal induction process that includes mandatory training, officers acknowledged more work is needed to ensure that staff complete all required training and records are kept up to date.

The SEND team is developing a quality assurance framework that will define expectations and supply an assessment framework. The SEND team has produced a Quality Assurance Plan that outlines planned Quality Assurance (QA) activity for 2022. This includes practice evaluation of randomly selected EHCPs. Planned QA work is expected to start in July 2022.

Based on the progress made, we intend to cease monitoring implementation of the remaining actions.

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Complete							
Operational	Accounts Payable - Vendor Management	Final	Limited	5	0	3	2
Operational	School Exclusion Data	Final	Limited	6	0	5	1
ICT	Data Centre and Back-up Review	Final	Limited	5	0	3	2
Operational	Adults – Commissioning Community Support	Final	Reasonable	5	0	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	0	0	3
Governance	Business Continuity	Final	Reasonable	9	0	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	0	2	2
Operational	SEND Costed Packages	Final	Limited	5	0	4	1
Operational	Adults – Quality Assurance Framework	Final	Limited	8	2	5	1

Audit Type	Audit Name	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	0	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
Operational	Children’s Safeguarding – Complaints and Concerns	Final	Limited	8	2	3	3
Operational	New – Children’s Social Care Safe Recruitment and Training	Final	Limited	5	2	2	1
Advisory	New – Whistleblowing Policy Review	Final	N/A				
Operational	Adults – Safeguarding (Eclipse System)	Final	Reasonable	4	0	1	3
Governance	Emergency Planning	Final	Reasonable	10	0	3	7

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Advisory	New – Adopt South-West	Final	Audit lead by Devon Audit Partnership				
Advisory	New – Committee Decision Paper Benchmarking	Complete	N/A				
Follow up	Lone Working	Final	N/A				
Follow-up	Health and Safety – Premises Management	Final	N/A				
Follow-up	Healthy Organisation	Final	N/A				
Follow up	Children’s Education, Health and Care Plans	Final	N/A				
Grant	Covid Related Bus Services Support Grant Restart Tranche 3/4/5	Final	Certified				
Grant	New - Covid Community Testing Funding Grant	Final	Certified				
ICT (Advisory)	New – Payment Card Industry Data Security Standard - PCI DSS (Unitary)	Final	N/A				
Advisory	Recommendation Tracking	Complete	N/A				
Grant	Supporting Families Claims	Complete	Certified				
Advisory	CIFAS – Blue Badges	Complete	N/A				
Advisory	Somerset Unitary preparations	Complete	N/A				
Operational	New - Transport Budget Governance	Complete	Limited	10	2	4	4
Reporting							
Governance	Property Condition – Schools	Draft					
Follow-up	Supplier Resilience	Draft	N/A				

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Follow-up	Adults Mental Health – Financial Decision Making, Care Plans & Reviews	Draft	N/A				
In Progress							
Grant	Local Transport Capital Block Funding Grant	In Progress	Awaiting last pieces of evidence				
Advisory	New – S.151 Financial Assurance Map	In Progress	Fieldwork has commenced				
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				
Governance	ECl – 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				

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
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				
ICT	Follow-up – ICT Governance	Deferred	Request to defer to 22/23				
Follow-up	Creditors	Deferred	Request to defer to 22/23				
ICT	Follow-up - Cyber Security Framework Review	Deferred	Replaced with PCI DSS (Unitary)				
Follow-up	Role of the Somerset Manager	Deferred	Deferred to 22/23				
Grant	New - Emergency Active Travel Fund Grant	Deferred	Expenditure not yet complete – defer to 22/23				
Follow up	Corporate Management of Health and Safety	Deferred	Deferred to 22/23				

External Audit Plan

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Somerset County Council
June 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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Key matters

Factors

Infrastructure Assets

The CIPFA Code of Practice on Local Authority Accounting prescribes the accounting treatment and disclosure requirements for infrastructure assets and requires these to be reported in the Balance Sheet at depreciated historical cost (i.e., historic cost less accumulated depreciation and impairment). Nationally, this has become an area of regulator interest, with CIPFA and the NAO also reviewing this issue, as there is a risk that where authorities have incurred expenditure on the replacement or enhancement of existing infrastructure assets, they may not readily be able to identify the original assets being replaced or enhanced. This could result in an overstatement of both gross book values and accumulated depreciation, and potentially also net book values where assets lives have not been assessed regularly and on an appropriate basis.

Climate Change

Somerset County Council, along with the four district councils in Somerset, declared a climate change emergency in 2019. Working together, the council have developed a strategy to address the challenge of climate change 'Towards a Climate Resilient Somerset – Somerset's Climate Emergency'. This sets out four key goals:

- To decarbonise local authorities, the wider public sector estates and reduce our carbon footprint
- To work towards making Somerset a Carbon Neutral County by 2030
- To have a Somerset which is prepared for, and resilient to, the impacts of Climate Change

These are ambitious goals which are likely to have financial as well as operational impact upon the Council.

Audit Quality

On 29 October 2022, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year.

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Value for Money

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Council "has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources."

Our initial risk assessment has built on our understanding of your arrangements, taking into account any findings from previous work on value for money. We will report our findings against the following reporting criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Our response

- We will review the Council arrangements in respect of accounting for infrastructure assets in line with the current guidance and in response to the current consultation and will report on any issues identified.
- We will review the Council plans for addressing the climate change emergency including its financial assumptions and commitments
- We will assess whether the Council has appropriate arrangements in place for identifying the potential future costs to its operations as a result of climate change
- We will monitor the Councils arrangements for implementing the actions within its joint strategy
- The results of the recent FRC review are outlined on page 5 and 6 of this Audit Plan
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, will be agreed with the Director of Finance and Governance.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Where recommendations have been identified through previous audit work, these will be followed up this year.
- We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to the Council.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council [and group]'s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

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

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

Significant risks

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

- Revenue transactions include fraudulent transactions – specifically for Fees, Charges and Other Service Income (the remaining sources of income are rebutted)
- Management override of controls
- Valuation of Land and Buildings
- Valuation of Pension Fund Net Liability

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

Materiality

We have determined planning materiality to be £13.5m (PY £12.3m) for the Council, which equates to 1.5% of your prior year gross expenditure for the year. We are required to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.675m (PY £0.615m).

Value for Money arrangements

We have identified two risks of significant weakness from our initial planning work, in relation to:

- Arrangements for transition to the new Unitary Authority
- Risk to the delivery of the financial plan

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

Audit logistics

Our interim visit took place in March 2022 and our final visit will take place from July 2022. Our audit work will be delivered through a combination of on-site work as well as working remotely, to ensure the most efficient, effective and timely audit. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit for 2021-22 is detailed on page 19. In the prior year it was £126,752 for the Council. The fee will be subject to the Council delivering a good set of financial statements and working papers.

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

Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October 2021, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits last year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. As auditors we have had to reflect on the significant challenges faced by our colleagues working at the front line in delivering vital public services whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Income from Fees, Charges and Other Service Income	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For Somerset County Council, we have concluded that the greatest risk of material misstatement relates to 'Fees, Charges, and Other Service Income'. We have therefore identified the occurrence of 'Fees, Charges, and Other Service Income' as a significant risk, which is one of the most significant assessed risks of material misstatement.</p> <p>We have rebutted this presumed risk for the other revenue streams of the Authority because:</p> <ul style="list-style-type: none"> • Other income streams are primarily derived from grants or formula based income from Central Government and tax payers; and/or • opportunities to manipulate revenue recognition are very limited. 	<p>For 'Fees, Charges and Other Service Income' we will:</p> <ul style="list-style-type: none"> • evaluate the group's accounting policy for recognition of income from fees, charges, and other service income for appropriateness; • gain an understanding of the authority's system for accounting for income from fees, charges, and other service income and evaluate the design of the associated controls; • agree, on a sample basis, amounts recognised as income from fees, charges and other service income in the financial statements to supporting documents. <p>For all other revenue streams, having considered the risk factors set out in ISA240, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Somerset County Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular: journals, management estimates, and transactions outside the course of business; as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Land and Buildings (Rolling Revaluation)	<p>The council revalue its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified the appropriateness of the specific inputs and assumptions that drive the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own valuer to assess the instruction to the authority's valuer, the authority's valuer's report and the assumptions that underpin the valuation • test revaluations made during the year to see if they had been input correctly into the group's asset register • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
Valuation of Pension Fund Net Liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. • obtain assurances from the auditor of the pension fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuations of Infrastructure assets	<p>The Council owns infrastructure assets with a net book value of £490m (as at 31 March 2021).</p> <p>The CIPFA Code of Practice on local authority accounting (the Code) states that infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment.</p> <p>There is a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.</p> <p>The Council should consider whether the carrying value remains appropriate, or whether there are any indications of significant impairments and also the replacement of assets that have not been fully depreciated and the subsequent derecognition of the replaced assets, such as highways and street lighting.</p>	<p>We will:</p> <ul style="list-style-type: none">• review and challenge the arrangements that the council has in place around impairment of infrastructure assets• evaluate management’s processes and assumptions for the calculation of the estimate• evaluate the competence, capabilities and objectivity of any management expert relied upon• challenge the information and assumptions used to inform the estimate• consider whether there has been any replacement of assets that have not been fully depreciated and evaluate the subsequent derecognition of the replaced assets.

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

Accounting estimates and related disclosures

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

Introduction

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

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

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

Specifically do Audit Committee members:

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



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

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

- Valuations of land and buildings
- Depreciation
- Impairment of Infrastructure Assets and replacement of assets that have not been fully depreciated
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 investments
- PFI Liabilities

The Council's Information systems

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

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

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

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

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



Estimation uncertainty

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

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

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

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

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

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

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

Planning enquiries

As part of our planning risk assessment procedures we have made inquiries of management.

Further information

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

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

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

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

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £13.500m (PY £12.300m) for the Council, which equates to 1.5% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £20,000 for Senior officer remuneration.

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

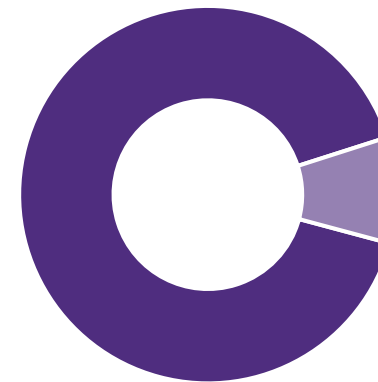
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.675m (PY £0.615m).

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

Prior year gross operating costs

£900m Council
(PY: £820m)



- Prior year gross operating costs
- Materiality

Materiality

£13.5m
Council financial statements materiality
(PY: £12.3m)



£0.675m
Misstatements reported to the Audit Committee
(PY: £0.615m)

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
GAP	Financial reporting	<ul style="list-style-type: none">Streamlined ITGC design assessment [Limited Scope Roll-forward procedures]

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

Risks of significant VFM weaknesses

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

Risks of significant weakness

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

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Arrangements for transition to the new Unitary Authority

Local Government reorganisation in Somerset will result in an end to the current two-tier system from 1 April 2023, with a single Unitary Authority taking responsibility for service delivery across the county. There is a risk that arrangements are not in place to support a successful transition.

In order to address this potential risk of significant weakness we will:

- consider the arrangements that have been put in place to support a successful transition across key financial and governance workstreams;
- assess how the Council is working with its partners to support the change.

We anticipate being able to achieve this by reviewing meeting papers and minutes and interviewing those officers responsible for transition workstreams.



Financial Sustainability - Risk to the delivery of the Financial Plan

Whilst the Council has built up a healthier level of reserves and has strengthened its delivering of financial targets and savings in recent years, financial challenge and uncertainty continues to increase. In setting the 2021/22 budget and Medium Financial Strategy, the Council has identified the need to make a further savings.

In order to address this potential risk of significant weakness we will:

- further review progress towards delivering savings and additional income and assess the reasonableness of the assumptions that underpin the Council's Medium Term Financial Strategy.
- We will review the delivery of the 2021/22 budget as well as how the Council has developed its financial plan.
- Further, we will consider potential funding gaps in financial planning that could substantially threaten the delivery of the plan.

Audit logistics and team

Planning and risk assessment

Interim audit
February – March
2022

April 2022

Audit Plan

Year end audit
July – September 2022

Audit committee
November 2022

Audit Findings Report

Audit committee
November 2022

Auditor's Annual Report



Barrie Morris, Engagement Lead

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



Grace Hawkins, Audit Manager

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



Oscar Edwards, Audit In-charge

Oscar's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently. Oscar supervises and coordinates the on-site audit team.

Audited body responsibilities

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

Our requirements

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

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

Audit fees

In 2012, PSAA awarded a contract of audit for Somerset County Council beginning with effect from 2018/19. The fee agreed in the contract was £76,902. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 10 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. As in previous years, we are discussing the extent of fee variations for the audit of the current years' financial statements. These discussions are still ongoing and therefore, at this time, we are not able to provide a proposed fee. We will communicate this to you in a future progress report, once it has been agreed with the Director of Finance and Governance.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Scale Fee	£76,902	£76,902	£82,902
Additional Fee	£65,270	£49,850	£60,713
Total audit fees (excluding VAT)	£142,172	£126,752	£143,615

Assumptions

In setting the fees, we assume that the Council will:

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

Relevant professional standards

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

Audit fees – detailed analysis - Council

Scale fee published by PSAA	£82,902
Ongoing increases to scale fee first identified in 2019/20	
Increased challenge, complexity and lower materiality	£5,625
Enhanced audit procedures for Property, Plant and Equipment including our own audit expert	£4,938
Enhanced audit procedures for Pensions	£750
Recurring Audit fee 2019/20	£94,215
Ongoing increases to scale fee first identified in 2020/21	
Additional work on Value for Money (VfM) under new NAO Code	£19,000
Increased audit requirements of revised ISAs	£13,900
Recurring Audit fee 2020/21	£127,115
Additional Review for Major Local Authorities	£1,500
Infrastructure	£5,000
Remote Working*	£10,000
Total audit fees (excluding VAT)	£143,615

*The pandemic has led to considerable changes to how we all work and how we have carried out our audits over the last two years. Many local authorities are exploring new ways of working to support its officers, through use of remote and hybrid working environments. We see the positive benefits this can bring to the Council, and its workforce, both in providing more flexibility and reducing its environmental impact. Whilst there are many efficiencies to remote working, having the ability to work together with officers face to face in conducting our audit work provides many advantages to the timely progression of the audit; both in minimising inefficiencies in gathering audit evidence, and in discussing key issues with officers and resolving and concluding outstanding queries.

As part of our planning for 2021/22, we have been engaging with the Council to explore completing some elements of our work on-site over the summer. With Covid restrictions now lifted, this is the appropriate thing to do. We have been discussing this with PSAA and propose that where councils continue to have a preference to undertake audits remotely, either fully or in part, that audit fees would be uplifted to reflect the inefficiencies that this would cause. For Somerset County Council, we estimate this uplift to be in the region of £10,000.

Independence and non-audit services

Auditor independence

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

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

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

Other services

The following other services provided by Grant Thornton were identified.

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

None of the services provided are subject to contingent fees.

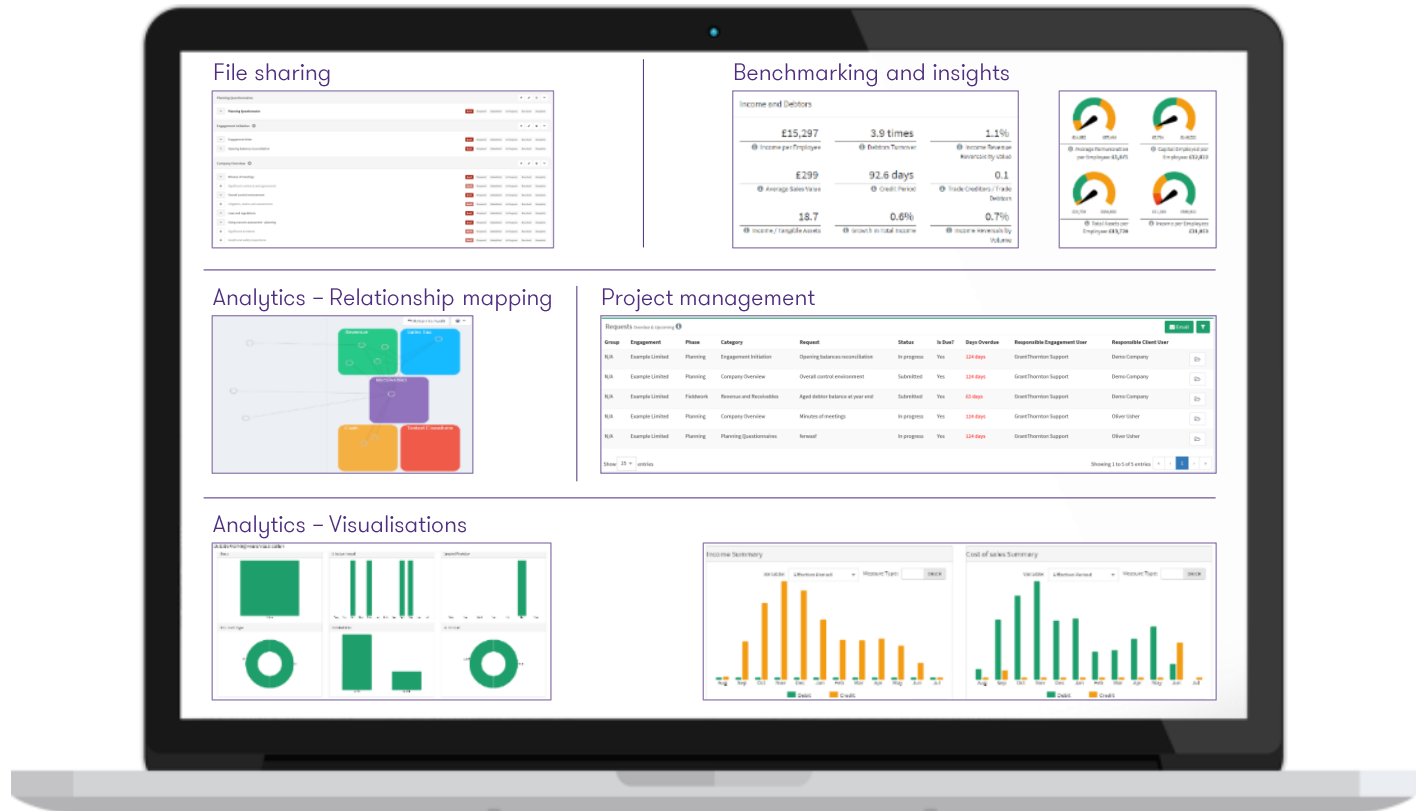
Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teachers' Pension	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

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Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data

File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work

Project management

- Facilitates oversight of requests
- Access to a live request list at all times

Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



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External Audit Plan

Page 79 **Year ending 31 March 2022**

Somerset County Council
June 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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Key matters

Factors

Infrastructure Assets

The CIPFA Code of Practice on Local Authority Accounting prescribes the accounting treatment and disclosure requirements for infrastructure assets and requires these to be reported in the Balance Sheet at depreciated historical cost (i.e., historic cost less accumulated depreciation and impairment). Nationally, this has become an area of regulator interest, with CIPFA and the NAO also reviewing this issue, as there is a risk that where authorities have incurred expenditure on the replacement or enhancement of existing infrastructure assets, they may not readily be able to identify the original assets being replaced or enhanced. This could result in an overstatement of both gross book values and accumulated depreciation, and potentially also net book values where assets lives have not been assessed regularly and on an appropriate basis.

Climate Change

Somerset County Council, along with the four district councils in Somerset, declared a climate change emergency in 2019. Working together, the council have developed a strategy to address the challenge of climate change 'Towards a Climate Resilient Somerset – Somerset's Climate Emergency'. This sets out four key goals:

- To decarbonise local authorities, the wider public sector estates and reduce our carbon footprint
- To work towards making Somerset a Carbon Neutral County by 2030
- To have a Somerset which is prepared for, and resilient to, the impacts of Climate Change

These are ambitious goals which are likely to have financial as well as operational impact upon the Council.

Audit Quality

On 29 October 2022, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year.

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Value for Money

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Council "has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources."

Our initial risk assessment has built on our understanding of your arrangements, taking into account any findings from previous work on value for money. We will report our findings against the following reporting criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Our response

- We will review the Council arrangements in respect of accounting for infrastructure assets in line with the current guidance and in response to the current consultation and will report on any issues identified.
- We will review the Council plans for addressing the climate change emergency including its financial assumptions and commitments
- We will assess whether the Council has appropriate arrangements in place for identifying the potential future costs to its operations as a result of climate change
- We will monitor the Councils arrangements for implementing the actions within its joint strategy
- The results of the recent FRC review are outlined on page 5 and 6 of this Audit Plan
- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, will be agreed with the Director of Finance and Governance.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Where recommendations have been identified through previous audit work, these will be followed up this year.
- We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to the Council.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council [and group]'s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

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

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

Significant risks

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

- Revenue transactions include fraudulent transactions – specifically for Fees, Charges and Other Service Income (the remaining sources of income are rebutted)
- Management override of controls
- Valuation of Land and Buildings
- Valuation of Pension Fund Net Liability

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

Materiality

We have determined planning materiality to be £13.5m (PY £12.3m) for the Council, which equates to 1.5% of your prior year gross expenditure for the year. We are required to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.675m (PY £0.615m).

Value for Money arrangements

We have identified two risks of significant weakness from our initial planning work, in relation to:

- Arrangements for transition to the new Unitary Authority
- Risk to the delivery of the financial plan

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

Audit logistics

Our interim visit took place in March 2022 and our final visit will take place from July 2022. Our audit work will be delivered through a combination of on-site work as well as working remotely, to ensure the most efficient, effective and timely audit. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit for 2021-22 is detailed on page 19. In the prior year it was £126,752 for the Council. The fee will be subject to the Council delivering a good set of financial statements and working papers.

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

Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October 2021, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits last year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. As auditors we have had to reflect on the significant challenges faced by our colleagues working at the front line in delivering vital public services whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Income from Fees, Charges and Other Service Income	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For Somerset County Council, we have concluded that the greatest risk of material misstatement relates to 'Fees, Charges, and Other Service Income'. We have therefore identified the occurrence of 'Fees, Charges, and Other Service Income' as a significant risk, which is one of the most significant assessed risks of material misstatement.</p> <p>We have rebutted this presumed risk for the other revenue streams of the Authority because:</p> <ul style="list-style-type: none"> • Other income streams are primarily derived from grants or formula based income from Central Government and tax payers; and/or • opportunities to manipulate revenue recognition are very limited. 	<p>For 'Fees, Charges and Other Service Income' we will:</p> <ul style="list-style-type: none"> • evaluate the group's accounting policy for recognition of income from fees, charges, and other service income for appropriateness; • gain an understanding of the authority's system for accounting for income from fees, charges, and other service income and evaluate the design of the associated controls; • agree, on a sample basis, amounts recognised as income from fees, charges and other service income in the financial statements to supporting documents. <p>For all other revenue streams, having considered the risk factors set out in ISA240, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Somerset County Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular: journals, management estimates, and transactions outside the course of business; as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Land and Buildings (Rolling Revaluation)	<p>The council revalue its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified the appropriateness of the specific inputs and assumptions that drive the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own valuer to assess the instruction to the authority's valuer, the authority's valuer's report and the assumptions that underpin the valuation • test revaluations made during the year to see if they had been input correctly into the group's asset register • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
Valuation of Pension Fund Net Liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. • obtain assurances from the auditor of the pension fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuations of Infrastructure assets	<p>The Council owns infrastructure assets with a net book value of £490m (as at 31 March 2021).</p> <p>The CIPFA Code of Practice on local authority accounting (the Code) states that infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment.</p> <p>There is a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.</p> <p>The Council should consider whether the carrying value remains appropriate, or whether there are any indications of significant impairments and also the replacement of assets that have not been fully depreciated and the subsequent derecognition of the replaced assets, such as highways and street lighting.</p>	<p>We will:</p> <ul style="list-style-type: none">• review and challenge the arrangements that the council has in place around impairment of infrastructure assets• evaluate management's processes and assumptions for the calculation of the estimate• evaluate the competence, capabilities and objectivity of any management expert relied upon• challenge the information and assumptions used to inform the estimate• consider whether there has been any replacement of assets that have not been fully depreciated and evaluate the subsequent derecognition of the replaced assets.

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

Accounting estimates and related disclosures

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

Introduction

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

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

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

Specifically do Audit Committee members:

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



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

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

- Valuations of land and buildings
- Depreciation
- Impairment of Infrastructure Assets and replacement of assets that have not been fully depreciated
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 investments
- PFI Liabilities

The Council's Information systems

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

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

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

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

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



Estimation uncertainty

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

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

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

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

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

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

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

Planning enquiries

As part of our planning risk assessment procedures we have made inquiries of management.

Further information

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

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

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

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

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £13.500m (PY £12.300m) for the Council, which equates to 1.5% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £20,000 for Senior officer remuneration.

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

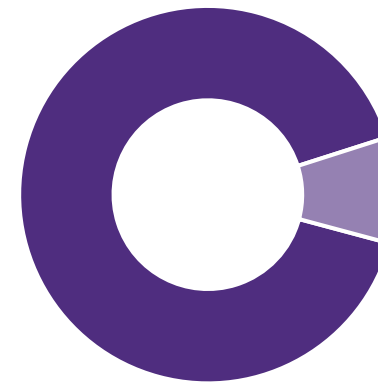
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.675m (PY £0.615m).

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

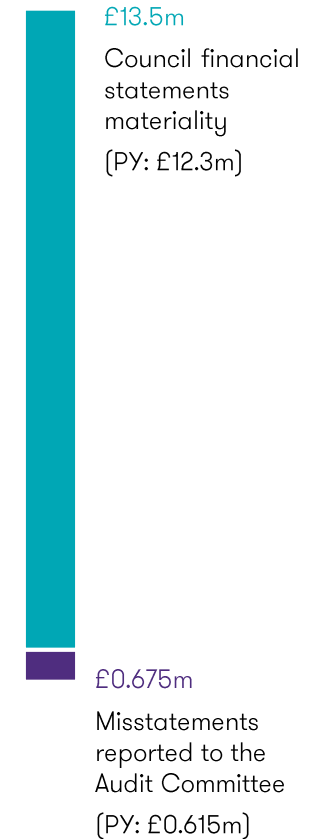
Prior year gross operating costs

£900m Council
(PY: £820m)



- Prior year gross operating costs
- Materiality

Materiality



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
GAP	Financial reporting	<ul style="list-style-type: none">Streamlined ITGC design assessment [Limited Scope Roll-forward procedures]

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

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Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

Risks of significant VFM weaknesses

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

Risks of significant weakness

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

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Arrangements for transition to the new Unitary Authority

Local Government reorganisation in Somerset will result in an end to the current two-tier system from 1 April 2023, with a single Unitary Authority taking responsibility for service delivery across the county. There is a risk that arrangements are not in place to support a successful transition.

In order to address this potential risk of significant weakness we will:

- consider the arrangements that have been put in place to support a successful transition across key financial and governance workstreams;
- assess how the Council is working with its partners to support the change.

We anticipate being able to achieve this by reviewing meeting papers and minutes and interviewing those officers responsible for transition workstreams.



Financial Sustainability - Risk to the delivery of the Financial Plan

Whilst the Council has built up a healthier level of reserves and has strengthened its delivering of financial targets and savings in recent years, financial challenge and uncertainty continues to increase. In setting the 2021/22 budget and Medium Financial Strategy, the Council has identified the need to make a further savings.

In order to address this potential risk of significant weakness we will:

- further review progress towards delivering savings and additional income and assess the reasonableness of the assumptions that underpin the Council's Medium Term Financial Strategy.
- We will review the delivery of the 2021/22 budget as well as how the Council has developed its financial plan.
- Further, we will consider potential funding gaps in financial planning that could substantially threaten the delivery of the plan.

Audit logistics and team


Planning and risk assessment


Interim audit
February – March
2022

April 2022

Audit Plan


Year end audit
July – September 2022


Audit committee
November 2022
Audit Findings Report


Audit committee
November 2022
Auditor's Annual Report



Barrie Morris, Engagement Lead

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



Grace Hawkins, Audit Manager

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



Oscar Edwards, Audit In-charge

Oscar's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently. Oscar supervises and coordinates the on-site audit team.

Audited body responsibilities

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

Our requirements

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

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

Audit fees

In 2012, PSAA awarded a contract of audit for Somerset County Council beginning with effect from 2018/19. The fee agreed in the contract was £76,902. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 10 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. As in previous years, we are discussing the extent of fee variations for the audit of the current years' financial statements. These discussions are still ongoing and therefore, at this time, we are not able to provide a proposed fee. We will communicate this to you in a future progress report, once it has been agreed with the Director of Finance and Governance.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Scale Fee	£76,902	£76,902	£82,902
Additional Fee	£65,270	£49,850	£60,713
Total audit fees (excluding VAT)	£142,172	£126,752	£143,615

Assumptions

In setting the fees, we assume that the Council will:

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

Relevant professional standards

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

Audit fees – detailed analysis - Council

Scale fee published by PSAA	£82,902
Ongoing increases to scale fee first identified in 2019/20	
Increased challenge, complexity and lower materiality	£5,625
Enhanced audit procedures for Property, Plant and Equipment including our own audit expert	£4,938
Enhanced audit procedures for Pensions	£750
Recurring Audit fee 2019/20	£94,215
Ongoing increases to scale fee first identified in 2020/21	
Additional work on Value for Money (VfM) under new NAO Code	£19,000
Increased audit requirements of revised ISAs	£13,900
Recurring Audit fee 2020/21	£127,115
Additional Review for Major Local Authorities	£1,500
Infrastructure	£5,000
Remote Working*	£10,000
Total audit fees (excluding VAT)	£143,615

*The pandemic has led to considerable changes to how we all work and how we have carried out our audits over the last two years. Many local authorities are exploring new ways of working to support its officers, through use of remote and hybrid working environments. We see the positive benefits this can bring to the Council, and its workforce, both in providing more flexibility and reducing its environmental impact. Whilst there are many efficiencies to remote working, having the ability to work together with officers face to face in conducting our audit work provides many advantages to the timely progression of the audit; both in minimising inefficiencies in gathering audit evidence, and in discussing key issues with officers and resolving and concluding outstanding queries.

As part of our planning for 2021/22, we have been engaging with the Council to explore completing some elements of our work on-site over the summer. With Covid restrictions now lifted, this is the appropriate thing to do. We have been discussing this with PSAA and propose that where councils continue to have a preference to undertake audits remotely, either fully or in part, that audit fees would be uplifted to reflect the inefficiencies that this would cause. For Somerset County Council, we estimate this uplift to be in the region of £10,000.

Independence and non-audit services

Auditor independence

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

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

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

Other services

The following other services provided by Grant Thornton were identified.

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

None of the services provided are subject to contingent fees.

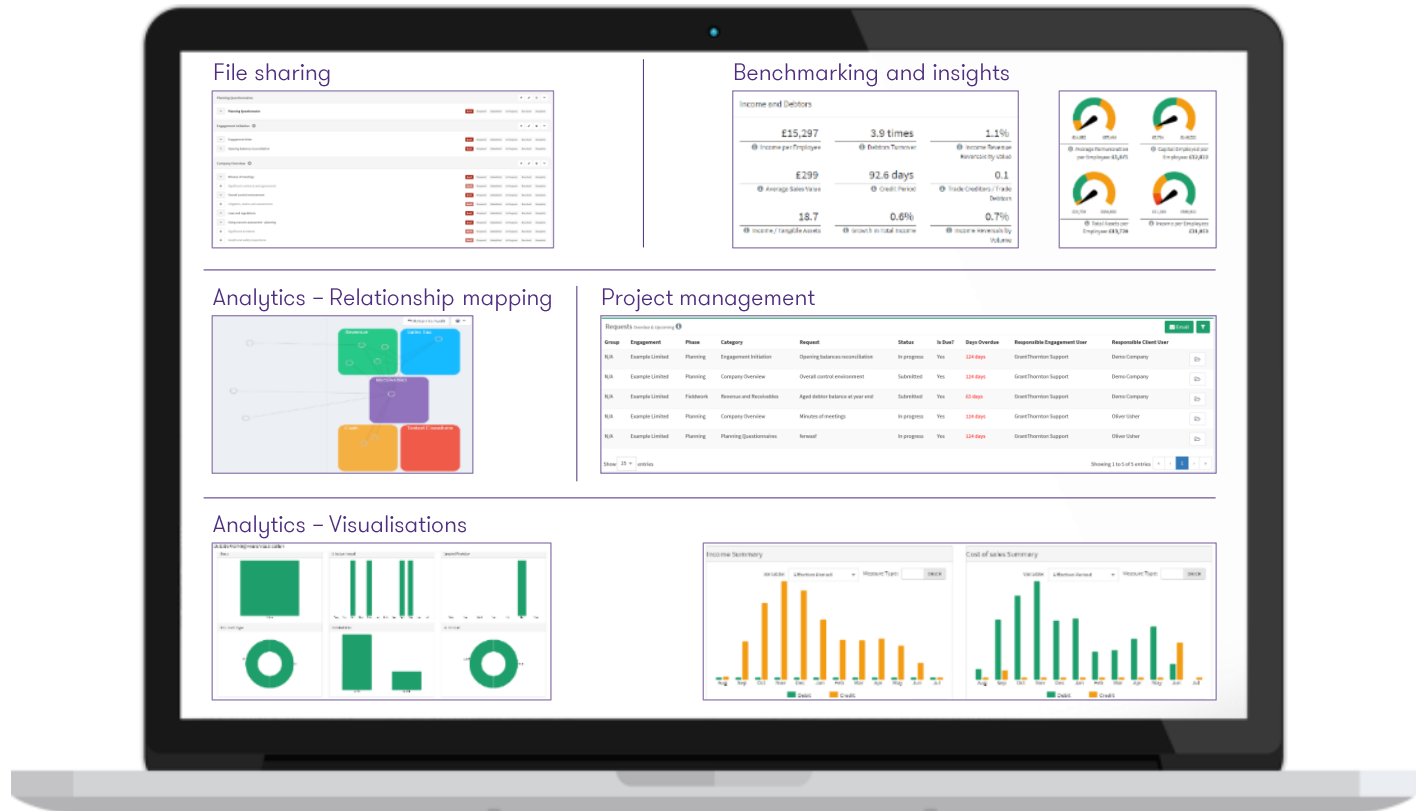
Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teachers' Pension	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

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Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



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Somerset Pension Fund audit plan

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Year ending 31 March 2022

Somerset Pension Fund

7 July 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 Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

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Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Key matters

Factors

Pension Fund developments

Like other pension funds, Somerset's asset values declined sharply at the end of March 2020 with the onset of the Covid-19 pandemic. In 2020-21, the Fund's asset values demonstrated a strong recovery from the pandemic, with the fund balance recovering from just over £2bn to £2.6bn as at 31 March 2021. As at 31 December 2021, asset values had continued to increase to approximately £2.95bn. However, with the growing cost of living crisis and the global impact of the war in Ukraine, asset values at the year end date had declined, and the outturn position as at 31 March 2022 was £2.845bn.

In line with its long-term strategy, the Fund has continued to transfer its assets to the Brunel Pension Partnership (BPP), of which it is part-owner along with other pension funds in the region. At the year end the majority of assets (approximately 93%) are managed by BPP.

On 18 March 2022, the Secretary of State made the Somerset Structural Changes Order 2022, following which the new unitary Somerset Council will be established beginning on 1 April 2023. From this date, the new Somerset Council will be the administering authority for the Pension Fund.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Director of Finance.
- We will continue to provide you with sector updates via our Audit Committee updates.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

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

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

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

Significant risks

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

- revenue and expenditure recognition (rebutted);
- management override of controls;
- valuation of the IAS26 pension liability, and;
- valuation of level 3 investments.

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

Materiality

We have determined planning materiality to be £26.19m (PY £20.5m) for the Pension Fund, which equates to 1% of your prior year net assets as at 31 March 2021. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.3m (PY £1m).

Audit logistics

Our interim visit will take place in March 2022 and our final visit will take place in July 2022. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £34,596 (PY: £30,121) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

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

Significant risks identified

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

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

Significant risks identified (cont.)

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

Significant risks identified (cont.)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Fund has chosen Option A in disclosing the actuarial present value of promised retirement benefits. As such, the Fund's liability, as reflected in its Net Asset Statement, represents a significant estimate in the financial statements.</p> <p>The pension fund is a Local Government Pension Scheme, administered by Somerset County Council. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£4,933 million in the Net Asset Statement) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We have therefore identified valuation of the Fund's liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Fund's liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the valuation; • assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • test the consistency of the disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Accounting estimates and related disclosures

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

Introduction

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

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

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

Specifically do Audit Committee members:

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



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

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

- Valuation of level 2 and level 3 investments
- Valuation of the IAS 26 actuarial net present value

The Pension Fund's Information systems

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

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

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

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

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



Estimation uncertainty

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

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

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

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

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

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

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

Planning enquiries

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

Further information

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

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

Other matters

Other work

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

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

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- [We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

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

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £26.19m (PY £20.55m), which equates to 1% of your prior year net assets as at 31 March 2021.

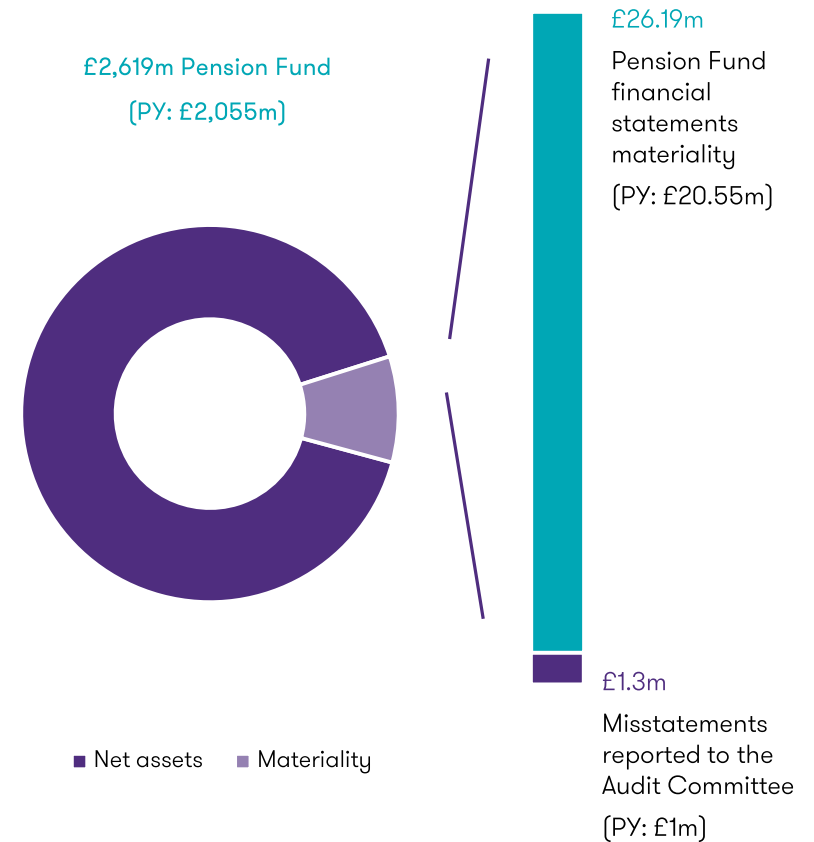
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.3m (PY £1m).

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

Prior year net assets as at 31 March 2021



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
PAP	Financial reporting	<ul style="list-style-type: none"> Streamlined ITGC design assessment [Limited Scope Roll-forward procedures]

Audit logistics and team

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Opinion



Julie Masci, Key Audit Partner

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



Liam Royle, Audit Manager

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



Oscar Edwards, Audit Incharge

Oscar's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and coordinates the on-site audit team.

Audited body responsibilities

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

Our requirements

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

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

Audit fees

PSAA awarded a contract of audit for Somerset Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £18,371. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 12 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22, as set out below, is detailed overleaf and has been agreed with the Section 151 Officer.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Somerset Pension Fund Audit (scale fee)	£18,371	£18,371	£18,371
Additional fees	*£5,750	*£11,750	*£16,225
Total audit fees (excluding VAT)	£24,121	£30,121	**£34,596

* This does not include £7,000 charged to the Pension Fund for Pension Assurance Letters to other auditors

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

Assumptions

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

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

Relevant professional standards

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

Audit fees – detailed analysis

Scale fee published by PSAA	£18,371
<i>Ongoing increases to scale fee first identified in 2019/20 and 2020/21</i>	
Raising the bar/regulatory factors	£3,125
Enhanced audit procedures for Investments and derivatives	£2,500
Increased audit requirements of revised ISAs	£5,600
<i>New issues for 2021/22</i>	
Remote working	£5,000
Total audit fees (excluding VAT)	£34,596

Independence and non-audit services

Auditor independence

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

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

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

Other services

The other services provided by Grant Thornton were identified as per the table to the right.

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

None of the services provided are subject to contingent fees.

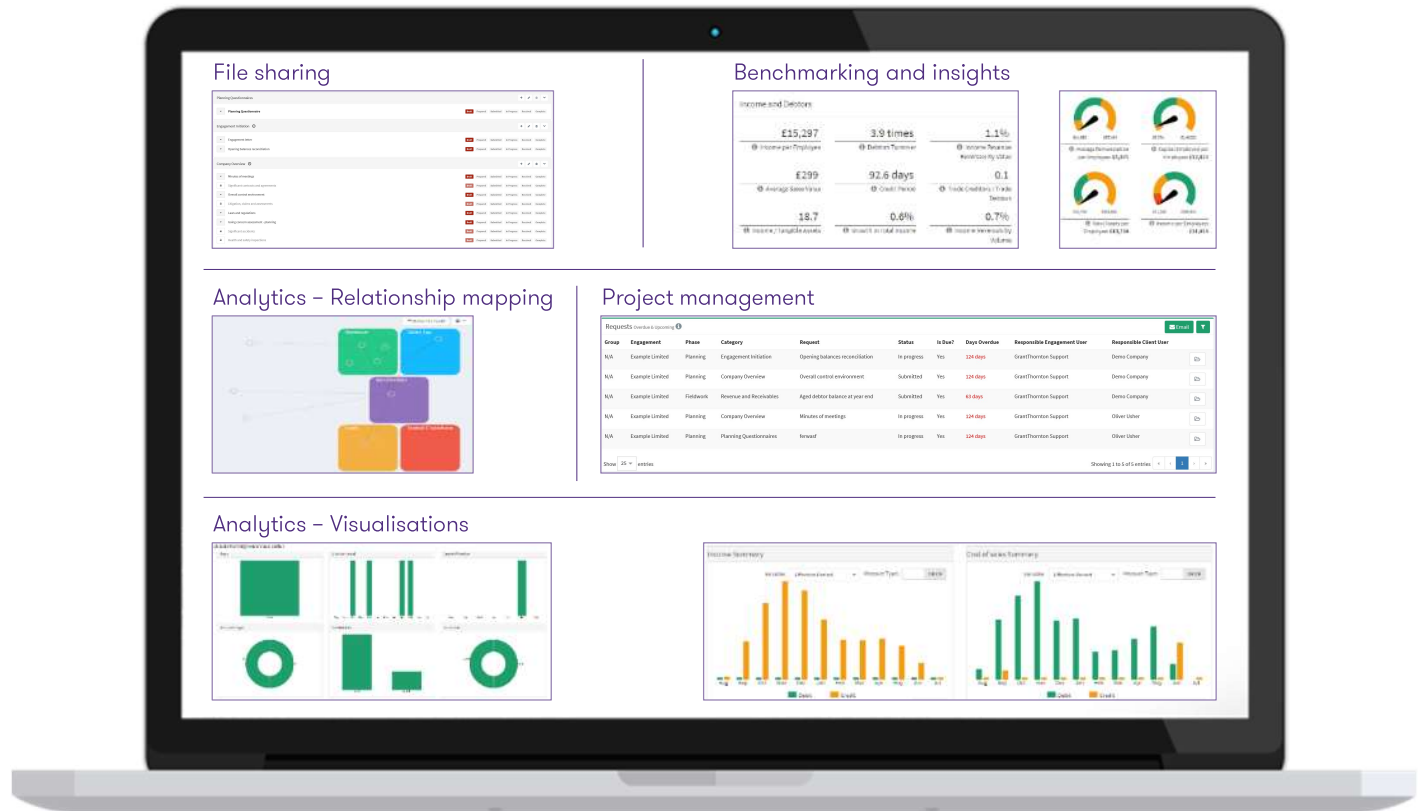
Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	7,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,000 in comparison to the total fee for the audit £34,596 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Audit of Brunel Pension Partnership Limited (BPP)	40,000	None	We do not consider the audit of BPP to be a threat to our independence in relation to Somerset Pension Fund, as the Fund cannot exercise control over BPP. The audit of BPP is carried out by a specialist team, authorised by the Financial Conduct Authority.
Total	47,000		

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Page 122

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



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Somerset County Council

Audit Committee 28 July 2022

Risk Management Update

Lead Officer: Jason Vaughan, Director of Finance & Governance

Author: Pam Pursley, Governance Specialist/SCC Risk Manager

Contact Details: 01823 359062, ppursley@somerset.gov.uk

Lead Member: Member Risk Champion – to be confirmed

1. Summary / link to the County Plan

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

2. Items for consideration

- 2.1. Committee members are asked to familiarise themselves with the Management of Risk Pathway documentation as set out in, **Appendix A Strategy, Appendix B Policy, and Appendix C Process.**
- 2.2. The current strategic risks to Somerset County Council are reported in **Appendix D**

3. Background

- 3.1. Strategic risk management is a solution that helps organisations understand the full range of risks in a logical and consistent way. The Risk Management Pathway documentation provides the tools and guidance that addresses those risks which could threaten the council's ability to achieve the objectives and outcomes identified in the Business Plan.
- 3.2. **The Management of Risk Pathway documentation** supports the Council in effective management of risk. The Pathway suite of documents include:

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

The Chief Executive is responsible for the risk management process but delegates this responsibility to the Director of Finance & Governance/Section 151 officer.

- 3.3. The Management of Risk Strategy (Appendix A)** provides the strategic direction for the management of risk, to secure the objectives and outcomes in the Councils Business Plan which, is delivered by the Medium-Term Financial Plan (MTFP)
- 3.4 The Management of Risk Policy (Appendix B)** The policy is intended to provide a framework for the management of risk and to increase overall awareness of risk throughout the council. The policy is to empower and enable managers and those responsible for risk reporting, to better identify, assess and control risks within their areas.
- 3.5 Management of Risk Process (Appendix C)** explains how we manage risk by following a four-step process.
- 1. Risk identification and assessment;** Looking at SCC objectives to determine and priorities, via assessment, how the risks should be managed, if at all
 - 2. Risk treatment:** the selection, design and implementation of options that support achievement of intended outcomes and manage risks to an acceptable level
 - 3. Risk monitoring:** how often, is progress being made, is the risk reducing or is it increasing
 - 4. Risk reporting:** timely and accurate reporting to enhance the quality of decision-making and to support management in meeting their responsibilities.

The process document further covers the process for escalating risks through the tiers of management and committee's and the use of JCAD Core which, is the Council's risk management system that is used to record strategic, operational and programme/project risks across all service areas.

- 4.0 Strategic Risk.** The strategic risk report is attached as **Appendix D**. This report is drawn from the information recorded in JCAD Core. Each strategic risk is owned by the relevant SLT Director. Each Director is responsible for reviewing their strategic risk(s), in many cases this is in conjunction with the Council's Risk Manager, the purpose being to assure themselves that the actions for mitigation are appropriate and delivering the expected outcome.

5 Appended documents

Appendix A – Management of Risk Strategy Pathway

Appendix B – Management of Risk Policy Pathway

Appendix C – Management of risk Process Pathway

Appendix D – Strategic Risk Report

6 Implications for new unitary council

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

There are no financial implications arising from this report, but if the risk management process is not consistent in the run up to and after vesting day, the new authority will be open to additional risks with potential for additional costs.

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Management of Risk

Strategy Pathway

2019



Strategy Pathway

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

Background

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

Corporate Direction:

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

Infrastructure:

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

Resources:

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

SLT to identify Risk Champions from their business area

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

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

Signed: Patrick Flaherty Chief Executive Officer	
Date	
Sheila Collins Director Finance & Section 151 Officer	
Date	

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Management of Risk Policy Pathway

2019

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



denotes an update or addition to the policy and process

Policy Pathway

INTRODUCTION

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

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

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

Risk management processes shall be structured to include:

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

The Purpose of the risk management policy

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

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

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

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

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

What isn't covered by this policy

This policy does not cover:

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

The rationale for risk management

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

The Council's risk management aims are

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

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

The Council's risk management objectives are:

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

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

MANAGEMENT of RISK PROCESS PATHWAY

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

Risk Assessment Matrix

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

Risk Response



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

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

The Process Pathway will explain these in more detail.



JCAD Core®™

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

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

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



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



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



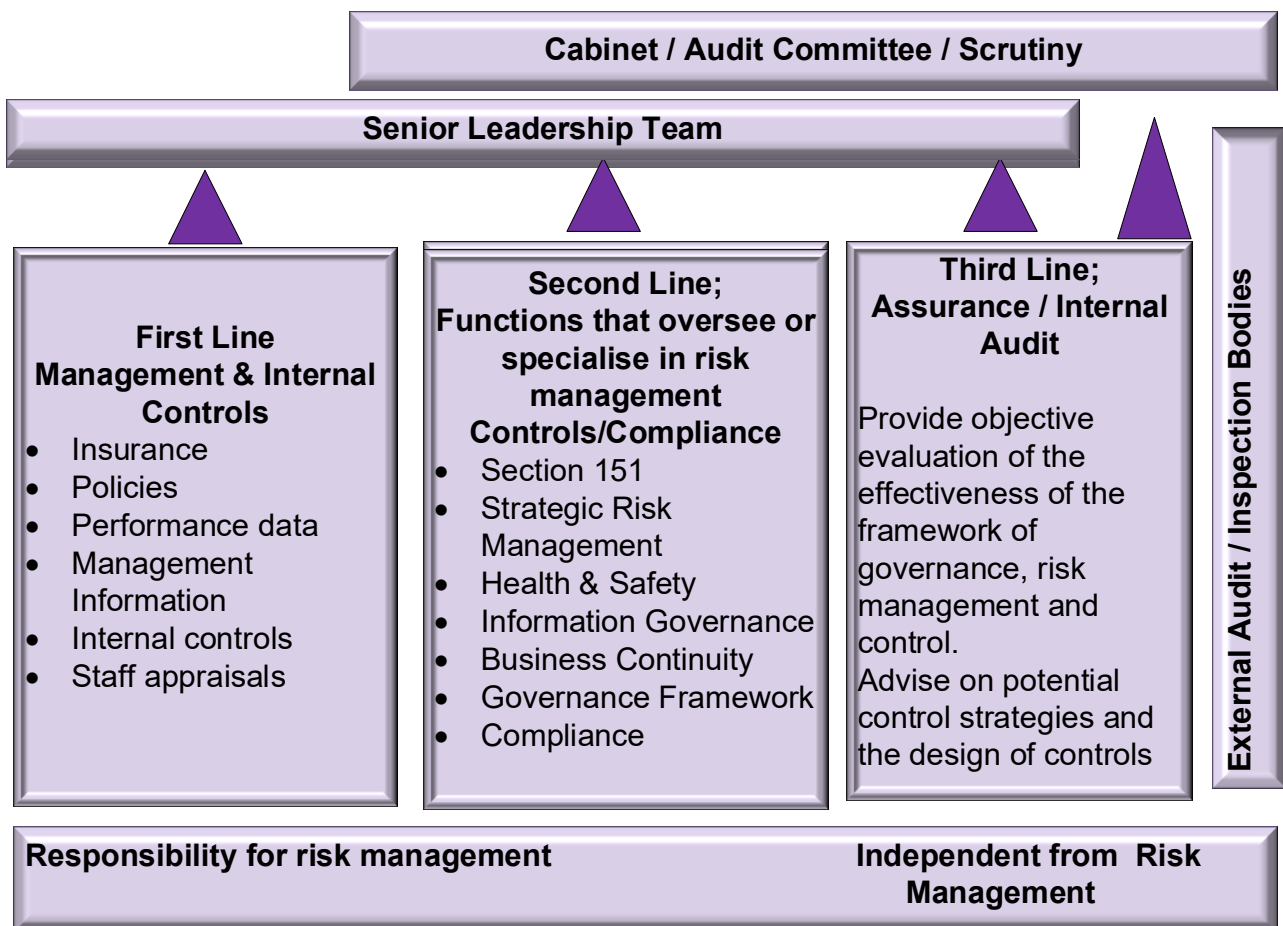
Senior Risk Owner: Each risk must have an individual Senior Risk Owner. For Strategic Risks this will be a Director for BAU risks and programme / project risks this will be a Service Manager or above. The SRO is responsible for ensuring that all controls are appropriate and will have a positive effect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



Three Lines of Defence

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

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



First line of defence

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

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

Second line of defence

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

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

Third line of defence

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

External assurance

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

Appendix B

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

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

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

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

Roles and Responsibilities

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

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

Chief Executive Officer

Responsible for establishing the overall risk management framework

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

Senior Leadership Team

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

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

Individual Directors

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

Strategic Risk Manager

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

Strategic Risk Management Group

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

Strategic and Service Managers

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

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

Risk Escalation



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

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

Risk financing

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

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

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

RISK REPORTING

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

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

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

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

Reporting Frequency

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

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

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

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

5.2. Strategic Risk Management Group (SRMG)

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

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

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

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

Risk Reporting timescales

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

Training and awareness

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

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

Embedding risk management into organisational culture and business processes

Staff involvement

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

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

Directors, strategic and service managers should;

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

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

Management of Risk Process Pathway

2019

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

Management of Risk – Process Pathway

Main Principles

The Management of Risk processes shall be structured to include:

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

The Management of Risk process wheel



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

Risk Identification and Assessment

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

Risk Identification:

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

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

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

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

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

Write the risk description, keep it concise.

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

All risks need to be written following the format below

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

Ask the following questions;

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

This simple table could help with the identification process.

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

Assessment:

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

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

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

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

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

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

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

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

Fig 1.

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

The **risk owner** is required to:

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

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

Fig 2.

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

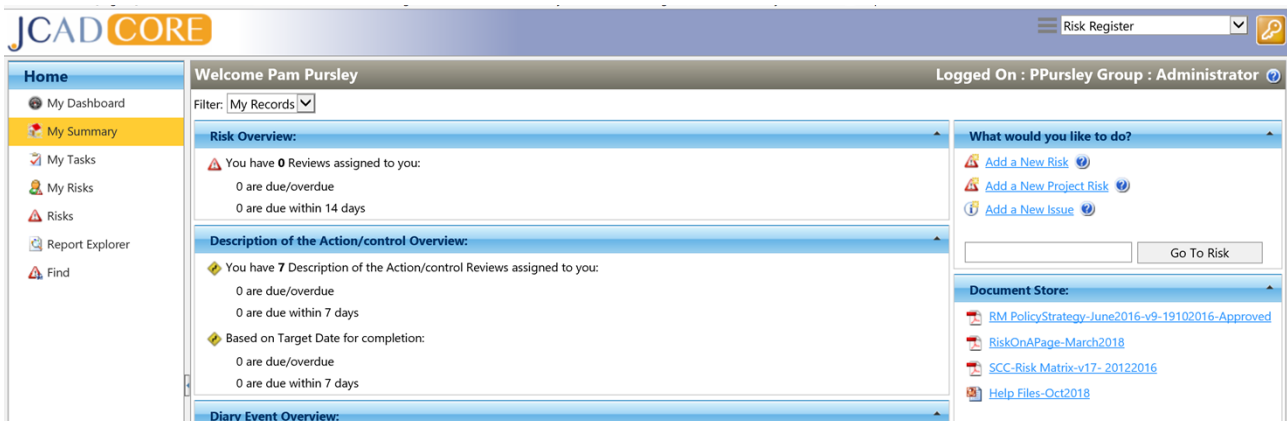
reflect the level of risk the service is able to accept/tolerate in the forthcoming financial year. Fig 1.

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

Current risk score:

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

The Risk Assessment Grid and guidance are available from the ‘Document Store’ on the “My Summary” screen in JCAD or at the end of this document.



Risk Treatment

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

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

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

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

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



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

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

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

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

Fig 2.

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

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

Fig 3.

Risk Monitoring

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

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

Recording and reporting aims to:

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

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

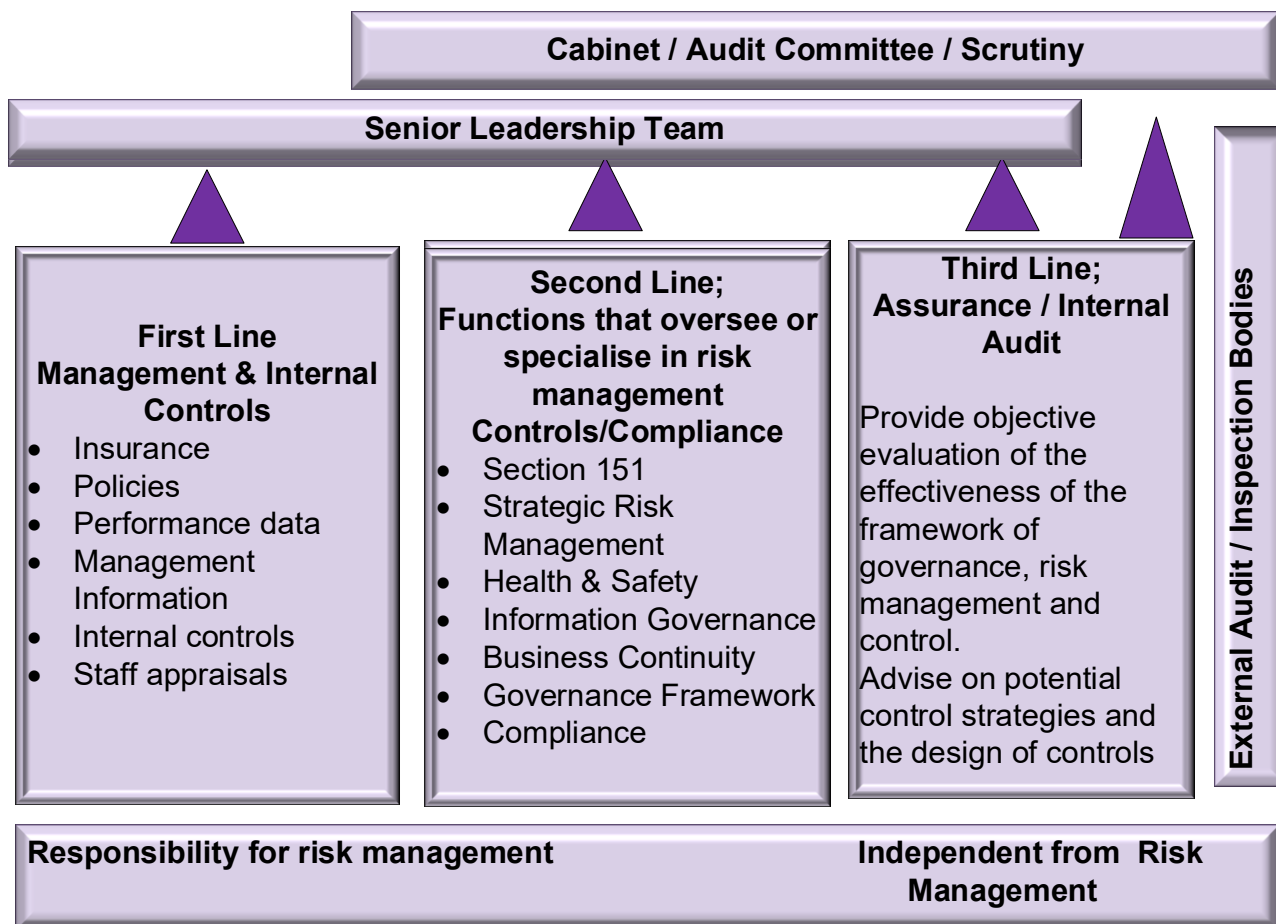
- Very High / High, Red or orange – Monthly review
- Medium, yellow – quarterly review
- Low / very low, green – at least once a year. The use of JCAD for this level of risks is optional, but a record of the risk must still be kept and monitored.

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

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

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

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



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

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

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

Risk Reporting

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

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

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

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

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

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

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

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

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

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

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

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

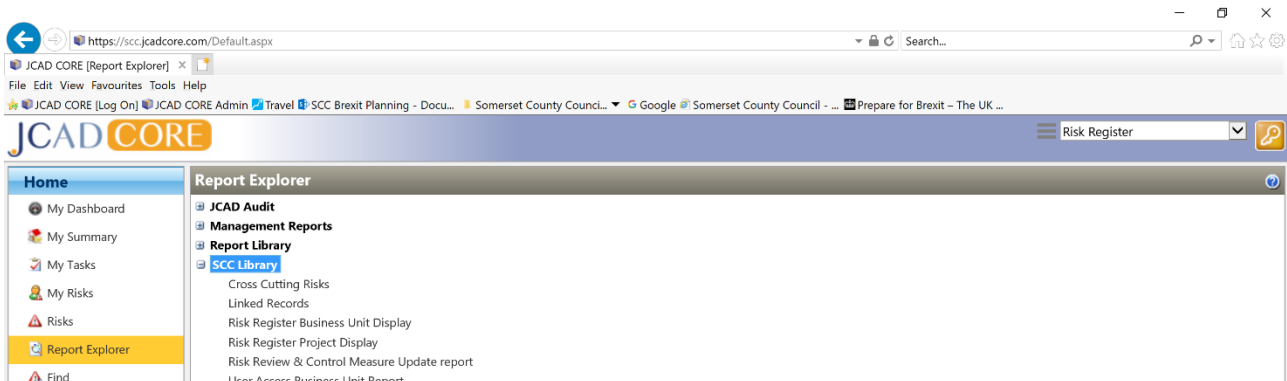


Fig 4.

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

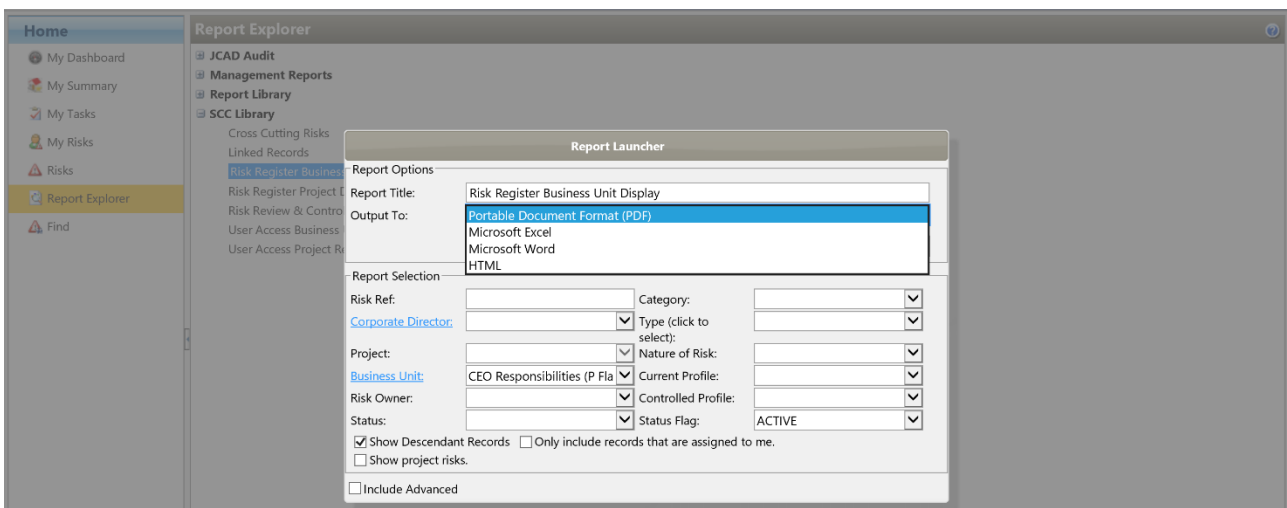


Fig5.

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

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

Risk Report

Somerset County Council
08 September 2019

Risk Report - CEO Responsibilities (P Flaherty)

	Risk Ref	Risk	Uncontrolled Risk	Action Required (In progress Only)	Control Owner Review Date Target Date	Current Risk Score	Controlled Risk Assessment for Financial Year	Comments
- CEO Responsibilities (P Flaherty) - ICT Training Team	ICTTT0001	Risk Description: Risk of... Risk Owner: Christian Surname Cause: ... Next Risk Review Date: 10/09/2019 Consequence: ...	Likelihood: 4 Impact: 3 12 Yellow - Medium Risk			Likelihood: 4 Impact: 3 12 Yellow - Medium Risk	Likelihood: 4 Impact: 3 12 Yellow - Medium Risk	10/06/2019 As per previous updates. Ongoing

Fig 6.

Training & workshop facilitation contact:

Pam Pursley, Strategic Risk Manager

T: 01823 359062

E: ppursley@somerset.gov.uk

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

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

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Appendix D - Risk Review & Control Measure Update report

Strategic Risks - SCC(SLT) 20/07/2022

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Risk Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0009 Strategic Risk 2020: Safeguarding Children: We fail to deliver our statutory service delivery duties and legal obligations in relation to vulnerable children.	Systemic leadership, financial constraints, and management challenges	Possible abuse, injury, or loss of life to a vulnerable child through lack of provision of service. Reduced public confidence; emergency measures; increased inspection; personal litigation claims; negative publicity for both the Council and partners; possible financial penalty or service is removed from Council control.	Amber - High Risk 15 Impact 5 Likelihood 3	Amber - High Risk 15 Impact 5 Likelihood 3	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Next Review Date</th> <th style="width: 15%;">Last Review Date</th> <th style="width: 15%;">Days Overdue</th> <th style="width: 55%;">Risk Owner</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">22/09/2022</td> <td style="text-align: center;">22/03/2022</td> <td style="text-align: center;">0</td> <td>Julian Wooster</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	22/09/2022	22/03/2022	0	Julian Wooster
Next Review Date	Last Review Date	Days Overdue	Risk Owner										
22/09/2022	22/03/2022	0	Julian Wooster										

Risk Review Update

Review Summary: Children's Services risks have been reviewed and updated. Quality, Performance and Review Meetings regularly take place across all service areas. An Ofsted Inspection is anticipated Updated on 19/01/2022 17:07:48

Control Measure	Control Review Update	Status	Days Overdue	Review Date	Control Owner
ORG0009/057 Quality, Review and Performance (QPRM) Meetings, led by the DCS, Deputy DCS and Assistant Directors	Review Summary: Mitigation amended as previous description not detailed enough	In Progress (Reactive)	0	22/09/2022	Adrienne Parry

Strategic Risks - SCC(SLT) – 20/07/2022

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Risk Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment	Next Review Date	Last Review Date	Days Overdue	Risk Owner
ORG0024 Strategic Risk 2019: Market management and development: Failure to effectively monitor and manage our markets (and supply chains) to ensure we optimise value for money, income generation opportunities and protect ourselves	Lack of coordination across the organisation in terms of our commercial and market development activity. There is limited understanding and shared learning of supplier strengths and weaknesses, or around concerns with our markets. There is also a lack of control over our principle supply chains.	Loss of customer confidence and trust in the Council, impacting on the reputation of the council. Lack of supplier confidence, restricting our ability to deliver front line services.	Yellow - Medium Risk 9 Impact 3 Likelihood 3	Yellow - Medium Risk 9 Impact 3 Likelihood 3	19/07/2022	19/01/2022	1	Jason Vaughan

Risk Review Update

Review Summary: 65% of those registered have now completed the foundation course and we are currently sending reminders to those that still are required to attend Updated on 08/03/2021 15:42:04

Control Measure	Control Review Update	Status	Days Overdue	Review Date	Control Owner
ORG0024/004 Putting in place effective contract management at a senior level throughout the Council	Review Summary: We continue to drive Government Commercial function contract management training to	In Progress (Reactive)	0	11/07/2023	Claire Griffiths

Strategic Risks - SCC(SLT) – 20/07/2022

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Risk Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0053 Strategic Risk 2020: Organisational Resilience: Without the minimum level of capacity and resource, the resilience of the organisation is compromised.	1. Emergency response to Covid-19 - redeployment of staff, staff absence 2. Competing priorities including LGR demands, high service pressures etc 3. Emerging financial pressure in 2023-24 4. Assets & Infrastructure e.g., SAP, B Block refurbishment & LGR challenges 5. Recruitment difficulties due to tight labour market	Additional pressure on service delivery	Red - V. High Risk 20	V. Low Risk 10	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>30/09/2022</td> <td>18/07/2022</td> <td>0</td> <td>Chris Squire</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	30/09/2022	18/07/2022	0	Chris Squire
			Next Review Date	Last Review Date	Days Overdue	Risk Owner							
30/09/2022	18/07/2022	0	Chris Squire										
Impact 5 Likelihood 4	Impact 5 Likelihood 2												

Risk Review Update

Review Summary: There are continued pressures on staffing. The causes of this risk have been updated to include the emerging financial pressure in 2023-24 and current recruitment difficulties due to a very tight labour market. The latter is exacerbated by local government pay not keeping pace with other sectors. Updated on 31/05/2022 13:28:43

Control Measure	Control Review Update	Status	Days Overdue	Review Date	Control Owner
ORG0053/011 Information Governance Asset register	Review Summary: Progressing alongside the Rec Mgt workstream with a view to a combined retention	In Progress (Reactive)	0	31/03/2023	Rebecca Martin
ORG0053/006 CCU Maintenance of the Somerset Local Authorities Civil Contingencies Partnership	Review Summary: Resilience Board meetings were held in February, July and October 2021. Agreed	In Progress (Reactive)	0	11/11/2022	Nicola Dawson
ORG0053/007 CCU Maintenance of community resilience capabilities through the Somerset Prepared Partnership	Review Summary: CCU maintains the Somerset Prepared website and quarterly newsletters with	In Progress (Reactive)	0	11/11/2022	Nicola Dawson
ORG0053/008 CCU Participation and coordination with local multi-agency structures	Review Summary: CCU continues to engage with multi-agency planning with the Avon and Somerset	In Progress (Reactive)	0	11/11/2022	Nicola Dawson
ORG0053/005 CCU Maintenance of generic joint response frameworks for the Somerset Local Authorities	Review Summary: Joint Corporate Response and Recovery Plan was reviewed and reissued to all	In Progress (Reactive)	0	10/11/2022	Nicola Dawson

Strategic Risks - SCC(SLT)

Control Measure	Control Review Update	Status	Days Overdue	Review Date	Control Owner
ORG0053/009 H&S Create common processes so staff can be interchanged across County	Review Summary: Unchanged from previous update, teams still working through a backlog as a	In Progress (Reactive)	0	06/10/2022	Heidi Boyle
ORG0053/001 BCP Annual corporate guidance and templates update or after activation of the corporate business continuity plan.	Review Summary: SWAP carried out an audit of B/C management during summer 2021 and	In Progress (Reactive)	0	01/10/2022	Nicola Dawson
ORG0053/002 BCP Ensure all service level business continuity plans are updated annually.	Review Summary: SWAP carried out a B/C audit and reported in September 2021. CCU revised an	In Progress (Reactive)	0	01/10/2022	Nicola Dawson
ORG0053/004 CCU Delivery of an annual training and exercising programme for staff with identified response roles	Review Summary: Partners agreed policy during 2022/23 will be to focus on core response roles:	In Progress (Reactive)	0	01/10/2022	Nicola Dawson
ORG0053/010 ICT Increase awareness & understanding SCC around suspicious or unsolicited email with attachments & website file downloads	Software purchased and running. Tested with SLT and members with a Phish campaign. All user	In Progress (Reactive)	142	28/02/2022	Dave Littlewood

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Strategic Risks - SCC(SLT) – 20/07/2022

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Risk Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment	Next Review Date	Last Review Date	Days Overdue	Risk Owner
ORG0056 Strategic Risk 2021: Potential for significant supplier disruption across all services but greatest risk to demand and sustainability of funding in the care provision sector, transport services and Waste.	External influences and uncertainties, e.g. Covid19 pandemic and its effect on suppliers concurrently with the effects of leaving the EU and the formation of an Integrated Care System & Local Government Reorganisation,	increased costs, reduced staffing, effects on local / national suppliers may impact on our commissioning activity and result in SCC not achieving the outcomes it seeks.	Red - V. High Risk 16 Impact 4 Likelihood 4	Yellow - Medium Risk 12 Impact 4 Likelihood 3	07/08/2022	07/07/2022	0	Paula Hewitt

Risk Review Update

Review Summary: I have asked for a review of the actions and that they are updated to take into account the Ukraine war and hyper-inflation. P Hewitt 07/07/22 Updated on 08/06/2022 10:38:52

Control Measure	Control Review Update	Status	Days Overdue	Review Date	Control Owner
ORG0056/001 Work with Commissioners to reflect the impacts of Covid-19 on the provider engagement document	Review Summary: Provider engagement document (or similar) has been included within the products of	In Progress (Reactive)	0	31/08/2022	Sunita Mills
ORG0056/002 SCG/Recovery Board overview of commissioning activity to identify any indications of impacts of C19, ICS & LGR, & agree action	Review Summary: SCG will continues to seek and understand any impacts of Covid, Brexit and LGR.	In Progress (Reactive)	0	25/08/2022	Sunita Mills

Strategic Risks - SCC(SLT) – 20/07/2022

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Risk Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment	Next Review Date	Last Review Date	Days Overdue	Risk Owner
ORG0057 Strategic Risk : Sustainable MTFP: The forecast costs of services in the form of the 2023/24 Somerset Council budget must match the financial resources available. There is a risk that the current high inflationary pressures adverse	The very high inflationary environment adversely impacting upon service costs, HRA and the capital programme whilst income to the council does not increase causing a MTFP gap. The general level of inflation is expected to be in double digits whilst individual levels for items such as fuel, energy, care provider & external placement costs are considerably higher. The main sources of income to council through council tax, business rates and government grants are fixed and will not change for the financial year and not expected to change significantly for 2023/24 given the figures announced in the Comprehensive Spending Review (CSR) totals for local government funding.	The July 2022 MTFP report to the Executive committee forecasts a budget gap of £44.5m for 2023/24 (up from £28.5m in February 2022). This will require significant financial savings to be made in order to balance the budget.	Red - V. High Risk 25 Impact 5 Likelihood 5	Yellow - Medium Risk 12 Impact 3 Likelihood 4	05/09/2022	05/07/2022	0	Jason Vaughan

Risk Review Update

Review Summary: MTFS and MTFP report to July 2022 Executive Committee forecasts a budget gap of £44.5m for 2023/24. It also recommends setting up a member Budget Working Group to oversee the development for the 2023/24 budget proposals. Updated on 10/01/2022 07:50:49

Control Measure	Control Review Update	Status	Days Overdue	Review Date	Control Owner
ORG0057/004 Financial control mechanisms for 2022/23 financial year introduced as part of Month 2 budget Monitoring		In Progress (Reactive)	0	05/08/2022	Jason Vaughan

Strategic Risks - SCC(SLT) – 20/07/2022

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Risk Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment	Next Review Date	Last Review Date	Days Overdue	Risk Owner
ORG0059 Strategic Risk 2021: Local Government Reorganisation in Somerset does not deliver the single unitary authority as defined, for Vesting Day on 1st April 2023	Insufficient staff capacity and capability, MTFP and in-year financial challenges, Ongoing impacts of Covid-19, Working relationships with partners and stakeholders break down	Significant governance and processes required for a functioning organisation are not in place leading to financial and reputational damage as well as adversely effecting service delivery	V. Low Risk 8 Impact 4 Likelihood 2	V. Low Risk 4 Impact 4 Likelihood 1	04/07/2022	03/05/2022	16	Alyn Jones

Risk Review Update

Review Summary: Reduced current likelihood score to from 3 to 2.

- There is a clear, baseline and intent from which to deliver the programme: After the Structural Changes Order was implemented, on 25 March 2022 LGR Implementation Executive formally endorsed the programme mission, vision, values, principles, implementation plan, strategic objectives, and governance arrangements
- Significant additional resourcing now on the programme (programme management and subject matter expertise), joining the programme shortly or subject to recruitment / temporary labour agreement / PwC
- MTFP preparation for 2023-24 has begun with Programme Board awareness and oversight; approach to ensuring MTFP and financial benefits of LGR are aligned, is under development
- Strong programme communications strategy – staff and external – is now in place and being further developed.
- Scorecard reporting working well along with SharePoint architecture for risk and issues management.
- Change Control for Tranche 1 products live as of 9 March and due to go live for Tranche 2 products by May. Central products being rationalised as part of Change Control activity. Activity to identify financial and non-financial benefits for each tranche is on track
- PwC quality assurance (QA) support is in place including monthly QA reporting and monthly check and challenge sessions with each workstream
- Work progressing on Target Operating Model to inform design of products
- Temporary reduction in staffing levels owing to Covid-19 infections has had a negligible impact on progress owing to the numbers of people on the programme, business continuity arrangements, programme planning, and generally limited seriousness of illness Updated on 24/03/2022 08:44:05

Control Measure	Control Review Update	Status	Days Overdue	Review Date	Control Owner
ORG0059/001 Robust programme management with strong partnership engagement	Review Summary: • Resources remain an area of concern within the programme	In Progress (Reactive)	0	22/09/2022	Stephen Marsh

Strategic Risks - SCC(SLT) – 20/07/2022

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Risk Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment												
ORG0060 Strategic Risk 2022: ASC fails to meet statutory obligations under the care act in relation to Care Provider market sufficiency and capacity	Insufficient / vulnerable independent adult social care market supply/capacity to meet rising demand for care and support on the back of the Covid pandemic	<ul style="list-style-type: none"> Needs and outcomes for individuals are not met in a timely, effective way; Hospital flow significantly affected due to insufficient intermediate care capacity High levels of unmet care need and package of care handbacks; rising levels of care provider business failure or closure; Risk to, and needs of, individuals awaiting care in the community increase; Failure to adequately safeguard adults at risk Increase in out of area/ respite / permanent residential/nursing placements (increased costs; poorer 	Red - V. High Risk 20 Impact 4 Likelihood 5	Yellow - Medium Risk 12 Impact 4 Likelihood 3	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>24/07/2022</td> <td>24/06/2022</td> <td>0</td> <td>Niki Shaw</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	24/07/2022	24/06/2022	0	Niki Shaw			
Next Review Date	Last Review Date	Days Overdue	Risk Owner													
24/07/2022	24/06/2022	0	Niki Shaw													

Risk Review Update

Review Summary: Demand for home-based and residential care continues to outweigh supply, both locally and nationally, with real challenges faced in relation to independent care provider workforce capacity/availability, as well as provider sustainability challenges; this is in spite of the significant financial investment and support provided over the past year. The accompanying system pressures within Primary Care and local Acute hospitals has further demonstrated the fragility of the provider market. A Proud to Care Somerset lead took up post in mid-March and continues to work with the ICS People Board to promote the sector and encourage recruitment/retention within it, with a careers fair held on 13th April. Our service also actively contributes to the Intermediate Care Board and weekly touchpoint meetings to support flow out of our pathways and community hospitals and improve communication/oversight. Additional resource has been invested into our provider contract and quality functions, and we are starting to see an improvement in the proportion of our active social care settings judged Good or better by CQC. The South West region has supported the commissioning of a Provider Assessment and Market Management Solution (PAMMS) and landscape tool to help identify and prioritise risks, enable clear market insight by utilising spend and placement data and improve the intelligence base for decision making. Somerset is now in the early phases of local implementation following contract sign off at end of March. The fee settlement for care providers in 2022/23 represents a further significant investment in the sector by SCC. Direction of travel for domiciliary care re-commissioning has been agreed and project plan being progressed; '14 point plan' to address short/medium term challenges in the homecare market also devised and being implemented. The service is assessing itself against the emerging assurance framework, with commissioning a focus at July PIMS. Updated on 25/04/2022 15:59:58

Control Measure	Control Review Update	Status	Days Overdue	Review Date	Control Owner

Strategic Risks - SCC(SLT)

Control Measure	Control Review Update	Status	Days Overdue	Review Date	Control Owner
ORG0060/003 Continue to invest in Proud to Care Somerset as a means of promoting job opportunities across the care sector	Review Summary: Proud to Care is an initiative designed to raise the profile, values and	In Progress (Reactive)	0	24/07/2022	Niki Shaw
ORG0060/005 Establish and support an ICS Social Care Working Group	Review Summary: ICS Social Care Working Group established; regular meetings being held. Paul Coles	In Progress (Reactive)	0	24/07/2022	Niki Shaw
ORG0060/006 Undertake assurance activity in relation to Commissioning duties under The Care Act 2014 ahead of inspection		In Progress (Reactive)	0	24/07/2022	Niki Shaw

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Strategic Risks - SCC(SLT)- 20/07/2022

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Risk Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment	Next Review Date	Last Review Date	Days Overdue	Risk Owner
ORG0061 Strategic Risk 2022: SCC is unable to take sufficient urgent action to mitigate and adapt to the current and future impacts of climate change.			Red - V. High Risk 16 Impact 4 Likelihood 4	Yellow - Medium Risk 9 Impact 3 Likelihood 3	06/10/2022	06/07/2022	0	Michele Cusack

Risk Review Update

Review Summary: The LGR provides a significant opportunity and greater ability to focus resources on the key actions that will have the most impact on reducing carbon and tackling Climate Change. Various pieces of work around establishing baselines and pathways to net zero will provide evidence of how far from our target we are, if we are and to direct the remedial actions we will need to take. The commitment to reach the goals of the strategy are strong and the declaration of an Ecological Emergency and the development of the LNRS will provide a focus on the Natural Environment strand. A refresh of the Climate Emergency Strategy and Action Plan by early Spring will provide further evidence of whether we are on track to deliver the commitments in the Strategy. Having adequate funding remains one of the biggest risks. Updated on 31/03/2022 14:37:08

Control Measure	Control Review Update	Status	Days Overdue	Review Date	Control Owner
ORG0061/007 Delivery of Climate Change Strategy outcomes for Farming and Food workstream	Review Summary: 20/07/2022 - As part of the Climate Emergency Strategy Food and Farming	In Progress (Reactive)	0	20/10/2022	Mark Fortune
ORG0061/010 Delivery of Climate Emergency Strategy outcomes for the Communications workstream	Review Summary: 20/07/2022: the LGR climate change group is working with the comms	In Progress (Reactive)	0	20/10/2022	Peter Elliott
ORG0061/006 Delivery of the Climate Emergency Strategy outcomes for the Natural Environment workstream	Review Summary: Work being undertaken to map the strategic actions being undertaken across the	In Progress (Reactive)	0	19/10/2022	Jonathan Doyle
ORG0061/008 Delivery of the Climate Emergency Strategy outcomes for the Water workstream	Review Summary: Recruitment underway to ensure the FWM team are able to deliver against the aims	In Progress (Reactive)	0	19/10/2022	Jonathan Doyle

Strategic Risks - SCC(SLT)

Control Measure	Control Review Update	Status	Days Overdue	Review Date	Control Owner
ORG0061/002 Delivery the Climate Emergency Strategy outcomes for Transport	Review Summary: Bus Service Improvement Plan in place and awarded £8.16m for bus priority and	In Progress (Reactive)	0	18/10/2022	Mike O'Dowd-Jones
ORG0061/005 Delivery of Climate Emergency Strategy outcomes for the Business and Supply Chain Workstream	Review Summary: Green business support survey undertaken and business case outlined for additional	In Progress (Reactive)	0	08/10/2022	Paul Hickson
ORG0061/009 Delivery of the Climate Emergency Strategy outcomes for the Waste and Resources workstream		In Progress (Reactive)	12	08/07/2022	Mickey Green
ORG0061/003 Delivery of Climate Emergency Strategy Energy Workstream outcomes		In Progress (Reactive)	12	08/07/2022	Oliver Woodhams
ORG0061/004 Delivery of Climate Emergency Strategy outcomes for the Build Environment Workstream		In Progress (Reactive)	12	08/07/2022	Oliver Woodhams

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Somerset County Council
Audit Committee – 28 July 2022

Annual Governance Statement 2021/22

Lead Officer: Scott Wooldridge, Monitoring Officer

Author: Scott Wooldridge, Monitoring Officer

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

Division and Local Member: All

1. Summary/link to the County Plan

- 1.1. This report invites members of the Audit Committee to consider the attached Annual Governance Statement (AGS) 2021/22 for the County Council.

Subject to members' comments, this will then be signed by the Leader of the Council and the Chief Executive, and the Statement will form part of the final 2021/22 Statement of Accounts.

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

2. Issues for consideration

- 2.1. Members of the Audit Committee are asked to receive and comment on the Annual Governance Statement for 2021/22 (Appendix A) and the supporting evidence set out in the new Corporate Governance Code (Appendix 1).

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

3. Background

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

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

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

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

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

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

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

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

Throughout 2021/22, the Senior Leadership Team met regularly 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 Member Engagement Board with partner representatives. Assessment of financial impacts of Coronavirus related costs have been regularly undertaken by the Section 151 Officer and reported to SLT and Cabinet meetings.

Over the last twelve months the Council has worked with the Department for Levelling Up, Housing and Communities in relation to Local Government Reorganisation in Somerset for a single unitary council to replace the current county council and four district councils.

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

The Head of Internal Audit's annual opinion has provided reasonable assurance as to the effectiveness of the Council's internal control environment for 2021-22. The Healthy Organisation review was a key source of assurance with an overall Medium rating given. This report states that there was no evidence of any significant adverse impact of the pandemic on the overarching control framework.

- 3.4.** Throughout 2021/22, the Governance Board has been tracking actions against a Healthy Organisation Governance Scorecard. A summary of significant issues that the Board has overseen is set out in the Annual Governance Statement and these relate to:
- The Council's financial position
 - Local Government Reorganisation
 - Healthy Organisation audit actions
 - Covid 19 response
- 3.5.** In accordance with the CIPFA "disclosure requirements", following formal approval of the Annual Governance Statement, the Governance Board will develop an Action Plan for 2022/23 aimed at further strengthening the Council's governance. Many of these will already be known and on-going actions, such as the continual review of the Constitution and key financial and organisational policies, especially in the light of Local Government Reorganisation proposals.
- 3.6.** The main purpose of the Annual Governance Statement is to provide the necessary assurance that a reliable framework was in place for the financial year that aligns to the Statement of Accounts.

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

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

By doing so, it highlights these areas which could present significant corporate risks during 2022/23 and future financial years. The Committee can be reassured that mitigations and management actions are already underway on these matters.

4. Consultations undertaken

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

The Senior Leadership Team and Executive (replaced the Cabinet following the May 2022 elections) have been consulted on the draft Annual Governance Statement.

5. Implications

- 5.1. All included above.

6. Background papers

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

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

Annual Governance Statement

for year ended 31 March 2022



Foreword

“Somerset deserves the best services, opportunities and investment possible”

This is the Council’s stated purpose as contained in the Council Business Plan for 2021-23. The Plan sets out what we will do to achieve this, continuing to look for ways to improve services and, as far as possible, prioritising frontline services against a background of shrinking public sector finances while at the same time, planning for a sustainable future.

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

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

Resilience is a concern due to the complex situation for Local Government in Somerset where there is no longer “business as usual” as we transition from five existing councils in 2022 towards the new Somerset Council on 1 April 2023, support partnership responses to Covid 19 and strive to deliver key priorities and services at the same time.

While our corporate governance arrangements have been effective in supporting the Council through the exceptional last year globally, nationally, and locally together with the significant opportunities for Somerset through Local Government Reorganisation, we will ensure our arrangements remain effective in 2022-23 and into future years as we continue to meet our challenges.

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



**Pat Flaherty,
Chief Executive**



**Councillor Bill Revans,
Leader of the Council**



What is Corporate Governance?

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

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

What this Statement tells you

This Statement describes the extent to which the Council has, for the year ended 31 March 2022, complied with its Governance Code and the requirements of the Accounts and Audit (England) Regulations 2015. It also describes how the effectiveness of the governance arrangements has been monitored and evaluated during the year and sets out any changes planned for the 2022-23 period.

The Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) called Bulletin 06 Application of the Good Governance Framework 2020/21 and the CIPFA and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

The Council's Governance Responsibilities

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

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

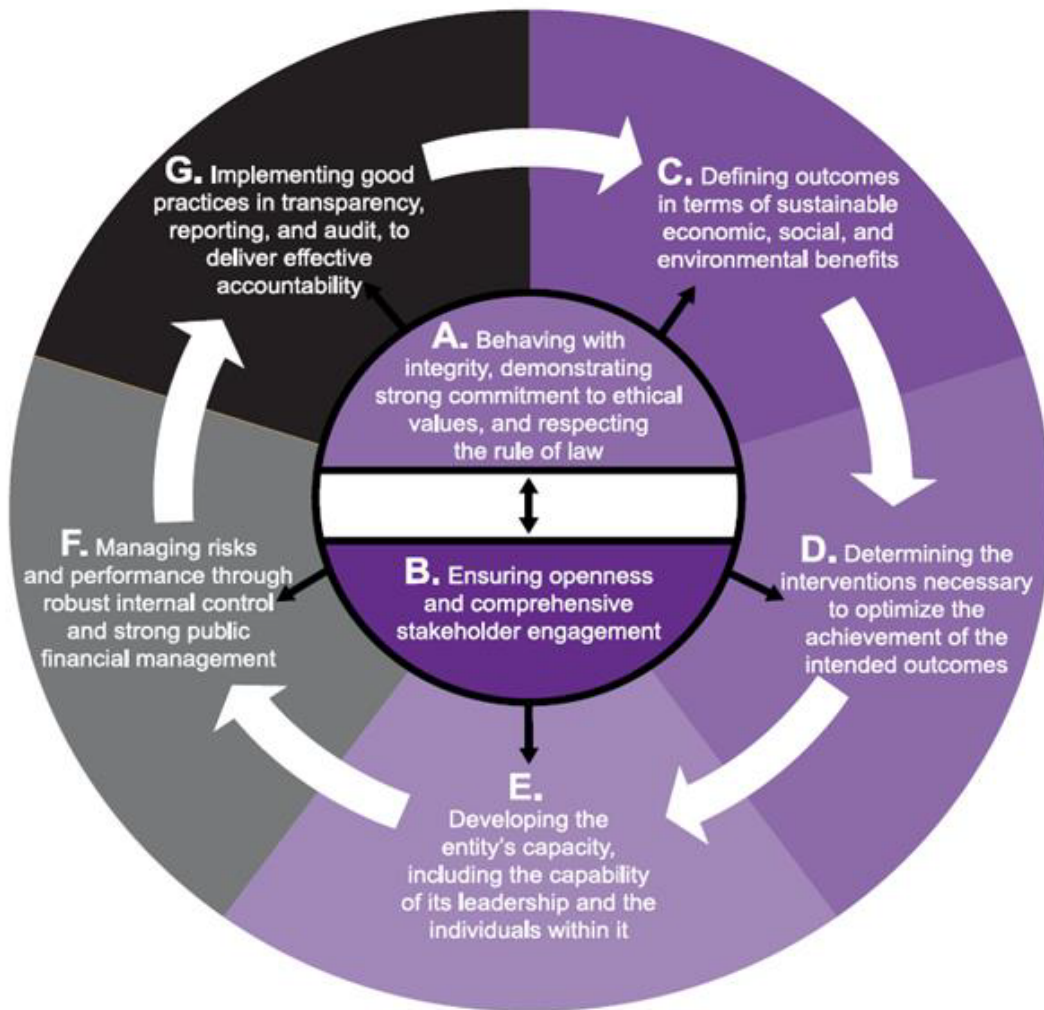
The Council's Governance Code, which was developed in accordance with the governance guidance produced by CIPFA and SOLACE, states the importance to the Council of good corporate governance and sets out its commitment to the principals involved. The Code is available from our website or can be obtained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

Somerset County Council Governance Code (2017)

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

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

¹ A process to ensure that objectives will be achieved



The Governance Framework

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

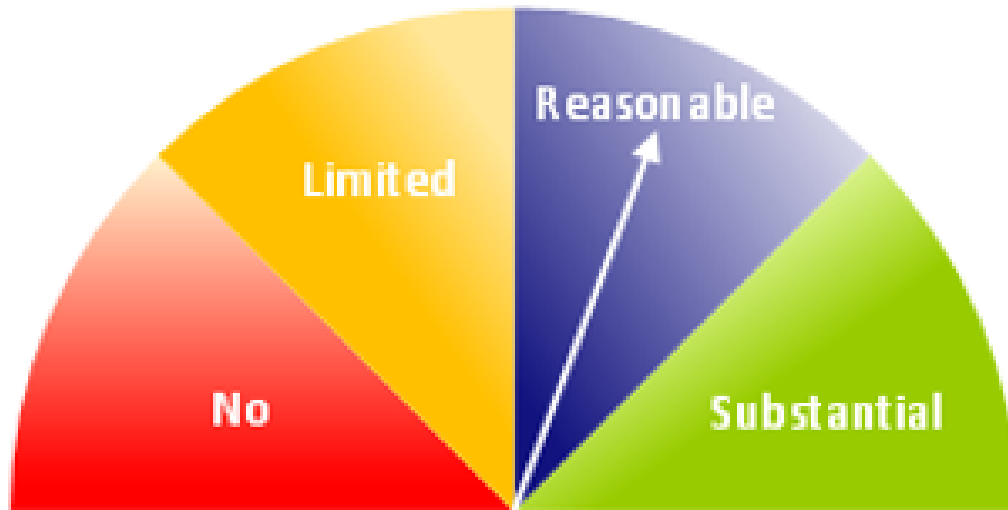
It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost-effective services. The Framework is summarised in the diagram overleaf.

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

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

The Healthy Organisation review by our internal auditors accredited the council in 2020/21 with a medium assurance. Despite the exceptional year with many challenges for public services, our internal auditors have confirmed continued improvement and assurance with our governance framework and systems. The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Our internal auditors, South West Audit Partnership, is able to offer Reasonable Assurance opinion and are broadly satisfied with management's approach to resolving identified issues.



The Senior Leadership Team is the Senior Officers body which brings together Directors responsible for commissioning, resources, support and customer services and service delivery. Some of the key elements of the governance framework are highlighted on the next pages.

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

Sources of Assurance

Assurance Required on:

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

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

Assurances Received

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

Opportunities for Improvement

- Health & Safety
- Sustaining robust ICT infrastructure

Governance Review & Assurance

Annual Governance Statement

GOVERNANCE FRAMEWORK

The Council Business Plan

The Council Business Plan for 2021 – 2023 sets out our overall purpose - 'Somerset deserves the best services, opportunities and investment possible'. It helps us to focus our resources and drive improvement and sets out where we will focus our energies and our increasingly limited resources and how we will judge our performance.

The Plan sets out seven principles which we consider in the planning and delivery of services. The Plan is how the Council sets out how objectives will contribute to the goals for Somerset and how they will be achieved. Objectives and target outcomes are set within five overarching outcomes. Limited resources mean there is a need to be realistic about how much can be done. This means making difficult choices on where to focus resources so more can be done with less, and we can work with together with partners to do more.

Key to this are robust financial, commissioning, and decision-making processes, good quality data, good governance, performance management, effective technology, and a willingness to do things differently.

Evaluating Performance

The Council's Business Plan 2021-2023 was approved at Full Council in July 2021. The business plan is flexible enough to continue as the strategic direction for the authority until 31 March 2023. The Business Plan outlines how we will work with partners and communities to deliver the County Council's 'Vision for Somerset' in the most efficient way possible for Somerset's taxpayers. The Business Plan contains the strategic outcomes that show what the Council will focus on to deliver its Vision and improve lives. Beneath each strategic outcome sits the key priorities to deliver those outcomes and a range of associated activities. By lining up these activities, priorities, and strategic outcomes with the Vision the authority can plan ahead and monitor progress.

Performance is regularly reviewed by Directors and the Senior Leadership Team. Regular performance reports are presented to the Cabinet (following local elections in 2022 this is now the Executive) and available for review by scrutiny committees. An annual performance outturn report is reported to Cabinet.

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

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

Social Media-Join The Conversation!

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

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



Covid 19 – Governance

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

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

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

Throughout the majority of 2021/22, the Senior Leadership Team met 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 Member Engagement Board with partner representatives.

Assessment of financial impacts of coronavirus related costs have been regularly undertaken by the Section 151 Officer and reported to SLT and Cabinet meetings. Arrangements have been put in place to identify increased costs and lost income because of the coronavirus. There are robust monitoring arrangements in place with monthly reporting to DLUHC on the financial impact of the coronavirus. The Finance team has been working closely with Senior Managers in preparing the forecasts for DLUHC. The Director of Finance continues to closely monitor the impact of the pandemic on the Council's budget both in the current year and upon the Medium-Term Financial Plan. There is recognition that the impact

of the coronavirus can mean an ever-changing situation and the monthly financial reporting to Scrutiny and Cabinet have been effective in supporting the council through an exceptional year.

Assessment of the longer-term disruption and consequences arising from the coronavirus pandemic have been assessed as part of the Council's response and this will continue to inform the recovery phase and any future pandemic responses.

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

Supporting Somerset's economy

Based on regional and national data, as well as local intelligence, it is likely that Somerset's economy would have shrunk by around 20% during 2020 because of COVID-19 restrictions on social and economic activities. Nationally GDP has now almost returned to pre-pandemic levels - latest estimates from Q4 2021 show UK GDP is now just 0.1% below where it was before the pandemic. Somerset has seen significant impacts on its labour market, though the most severe negative impacts were likely avoided because of Government employment support schemes, such as furlough, as well as other financial assistance for local businesses. Nevertheless, within Somerset, the number of individuals claiming out of work benefits had increased 126% from pre-pandemic levels during 2020. Whilst the number has fallen since, it still 26% above pre-pandemic levels in 2022.

Latest figures suggests that confidence amongst South West businesses is lower than the UK average, with current challenges expected to impact recovery and growth in the coming year. Businesses are facing difficulties over labour shortages and staff retention, with non-management skills availability and staff turnover the most widespread challenges in the region. Ongoing transport problems and rising global commodity prices mean that businesses are facing high input cost pressures. Over 95% of SME manufacturers in the South West (one of the largest contributing industries to economic output in Somerset) reported that inflation and commodity price increases are having a negative impact on their business.

In the coming 12 months, the economy is expected to continue recovering, although growing inflation and cost of living rises may act as a drag on growth. Meanwhile, staff shortages and employment challenges are expected to continue over the coming year, as the labour market remains tight.

SCC continues to play an economic leadership role for the county, working closely with a wide range of partners to support businesses, individuals, and communities. As an anchor institution in the local economy, SCC has recognised the importance of engaging with local contractors and suppliers, along with our role as a major Somerset employer. During the past year we have worked business organisations including the Somerset Chamber and the Federation of Small Businesses (FSB) to provide advice to small businesses in Somerset about doing business with SCC. Similarly, as an anchor employer, we seek to promote employment prospects and pathways to local people through mechanisms such as apprenticeships, a graduate recruitment programme and work placements.

As part of this leadership role in June 2021 SCC's cabinet approved the creation of a £6 million economic recovery fund to restart the economy and support action to facilitate longer term economic recovery from the Covid 19 pandemic. The fund has resourced several measures to assist individual businesses and sectors hard hit by Covid 19, encourage high growth potential businesses to expand and support less advantaged individuals find work and training. As an example, a restart fund provided grants to assist the reopening of anchor businesses, particularly in the visitor economy, which had not received significant support via central Government funding schemes. Businesses supported included the Bath and West Society and the West Somerset Railway.

SCC has also been able to leverage significant external funding to support aspects of the Somerset economic recovery and growth plan during the past year. Examples include securing the fifth largest allocation across England's shire counties from the Government's Community Renewal Fund,

securing funds from DWP for skills bootcamps and from the Nuclear Decommissioning Authority to sustain the Somerset Education Business Partnership and its critical work to raise employment aspiration among young people in Somerset.

Alongside recovery from the impacts of Covid 19 on Somerset's economy Somerset County Council has continued to focus in the past year on the longer-term issues and opportunities for the Somerset economy that pre-dated the pandemic. These include raising the productivity of the local economy, transition to a zero-carbon economy and changing workforce and skills requirements. We have completed the construction of the iAero Centre in Yeovil and commenced construction of the Digital Innovation Centre in Taunton – developments funded by SCC and Government funds secured via the Heart of the Southwest Local Enterprise Partnership (LEP). During the past year significant work has been undertaken with the LEP, Sedgemoor District Council and the site developer to progress plans for the development of the Gravity Enterprise Zone near Bridgwater. The partners are also working closely with Government to pursue strategically significant inward investment leads for the site, linked to net zero industry sectors.

Safeguarding vulnerable adults and children

Safeguarding Adults

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

The aims of adult safeguarding are to:

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

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

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

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

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

<https://ssab.safeguardingsomerset.org.uk/>

Somerset County Council has the lead role for adult safeguarding in Somerset, which it primarily discharges through its dedicated Adult Safeguarding Service. Somerset is seeing a declining rate of safeguarding contacts (contrary to national trends), and fewer enquiries being undertaken as a result. Analysis suggests this is a result of the significant work that has been undertaken by the service, the SSAB and Somerset Direct over many years to improve understanding of safeguarding criteria and reduce/re-direct the previously high numbers of inappropriate safeguarding contacts, but will be subject to close monitoring. Contacts are highest from care providers, the ambulance service and Police. The number of safeguarding concerns raised with SCC in 2021/22 was **2,265**. Of these concerns, **627 (28%)** progressed to a Statutory Section 42 Safeguarding Enquiry whilst the remaining contacts would have received a different outcome - this could have been a quality assurance response, an assessment of needs or a review by another team, for example. In 2021/22, where a risk was identified, in **97%** of cases the risk was reduced or removed. **In 99% of cases where desired outcomes were stated, they were either fully or partially achieved.** Each year, the Local Authority submits a statutory return as part of the

Safeguarding Adults Collection (SAC) which records details about safeguarding activity for adults aged 18 and over in England, reported to, or identified by, Councils with Adult Social Services Responsibilities, the collection includes demographic information about the adults at risk and details of the incidents that have been alleged.

To provide governance and oversight of the standard of practice in the Service, performance monitoring and quality assurance activity is undertaken both internally and as part of the SSAB's multi-agency Performance and Quality subgroup. 'Listening and Learning' is a key overarching Strategic Plan priority for the SSAB, and places specific emphasis on the need to encourage and actively seek feedback from people who experience adult safeguarding, as well as their relative/carers and advocates. The Board continues to secure very valuable feedback direct from service users, carers and advocates via its safeguarding questionnaires. Satisfaction levels are currently highest from service users followed by IMCAs/Advocates. We are exploring opportunities to enhance the experience of friends/relatives/carers in safeguarding activity, particularly where younger adults are involved as part of transitional safeguarding. SSAB Effectiveness Surveys are undertaken regularly as part of routine performance and quality assurance framework arrangements and to support the Board's continuous improvement. We anticipate 'Ensuring Safety' to be a key themes and lines of enquiry to inform the new assurance activity anticipated to commence from April 2023 in relation to the delivery of the Local Authority's statutory duties relating to adults.

Safeguarding Children

Somerset Safeguarding Children's Partnership (SSCP)

The new safeguarding arrangements for children set out in 'Working Together to Safeguard Children (2018)' took effect in September 2019. The safeguarding lead responsibility is now shared between the three statutory partners: Somerset County Council, Avon and Somerset Constabulary, and Somerset Clinical Commissioning Group with a strong commitment to shared and equitable leadership of the new arrangements. A Youth Forum has also been established to enable young people to hold the three statutory partners to account during an annual conversation.

This year there has been a continued focus on the four priorities of early help, multi-agency safeguarding, neglect as well as child exploitation. The SSCP is consolidating what is working well, and addressing areas needing further improvement to ensure that the partnership is effective as possible in safeguarding children. There has been a national and local focus on the identification of vulnerabilities in the pre-birth and post-natal period, as well as a focus on adolescents with complex circumstances and needs. [Out of routine: A review of sudden unexpected death in infancy (SUDI)'] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901091/DfE_Death_in_infancy_review.pdf

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

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

Multi agency audits have continued across the partnership where areas that need to be tested arise. In addition, the partnership has invested in a post to support data collection and analysis to support the scrutiny and assurance function of the partnership. The statutory Section 11 audit of the efficacy of safeguarding arrangements within partner agencies was completed at the end of 2021 with no significant concerns. The findings will be tested during 2022-2023.

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

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

Corporate Parenting Board

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

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

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

These priorities are monitored through the Corporate Parenting Board annual action plan and reported on quarterly. The Annual Report is received at Full Council. Highlights of improvements and progress for 2021/22 as follows:

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

Special Educational Needs and Disabilities (SEND)

Following the OFSTED/ CQC SEND local area inspection in March 2020, Somerset was required to produce a joint Written Statement of Action (WSOA) for SEND which was approved on 1st December 2020. The full [WSOA](#) is available on the [Local Offer website](#). It is highly ambitious but must be to address

the shortcomings in the system and to improve the offer for children and young people with SEND, and their families. Somerset County Council shares responsibility for delivering the Written Statement of Action with NHS Somerset CCG.

The WSoA is monitored monthly through the SEND Improvement Board (SIB) comprising members from across the local area as well as representatives from the Department for Education and NHS England. The Board is co-chaired by the Chief Executives from SCC and NHS Somerset. Terms of reference and monitoring reports presented to the SIB are published on the Local Offer website.

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

A cycle of four quarterly monitoring "visits" from DfE and NHSE advisers was completed, with the last monitoring visit in January 2022. Throughout advisers have reported that in spite of challenges raised by the pandemic and wider changes within the system, the area has continued to make progress in delivering the written statement of action.

In September 2021 the SEND Strategic Partnership Board was set up. This meets monthly and is responsible for bringing partners together across the Somerset SEND system to plan, monitor local area performance and agree priorities. The Partnership Board is responsible for developing and overseeing Somerset's new SEND Strategy, which will go through a formal consultation process in autumn 2022, before being published early in 2023. An annual report on SEND is provided to the Health and Wellbeing Board.

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

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

The local area has recently commissioned a peer challenge from the Local Government association, to review the progress that has been made in relation to SEND since March 2020 and the impact of the pandemic on the Somerset SEND system. Feedback from the peer challenge identified notable areas of progress, both in the culture and working relationships between organisations, as well as improvements in service development and delivery, in relation to education, health and care plans, autism and the graduated response to SEND.

Local Government Reorganisation

In July 2021 the Secretary of State approved the implementation on Local Government Reorganisation in Somerset, which will see the creation of a single unitary authority for Somerset in place of the current 2 tier system. The new authority will come into existence on 1st April 2023, this is known as "Vesting Day."

Delivery of the programme is structured around a Programme Board made up of the 5 council Chief Executives, and the County Council Monitoring Officer and Section 151 officer. A Programme Steering Group acts as design authority for the programme on behalf of the 6 workstreams delivering the approximately 700 distinct products that make up the programme, broken down over 3 Tranches based on priority and timing. Over 450 individuals are now part of the programme including PwC who act as Quality Assurance partner for the programme. An Implementation Executive acts as the political leadership of the programme.

Two legal mechanisms – Structural Changes Order and Section 24 notice – provide a legal foundation for delivering the new authority, in terms of governance and ensuring robust financial management during the transition.

During 2021/22, the five councils established a Local Government Reorganisation Joint Committee and a Joint Scrutiny Committee to provide leadership and oversight for this complex programme. Now that the May 2022 Elections have taken place, work is under way with the new Executive and an Implementation Board to oversee delivery of the LGR Implementation Plan (a requirement of the Structural Changes Order). A LGR Joint Scrutiny Committee has been re-established to also provide overview and scrutiny and support for the programme.

Programme Management revolves around SharePoint-based systems for risk and issues management, benefits realisation, monthly assurance reporting, change control and other programme management systems that would be expected on a programme of this size, including culture and readying people for change.

Management of Risk

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

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

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

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

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

The Covid-19 pandemic of 2020, saw additional risks identified across the whole of the Council. As the Council and the whole Somerset area continue to recover or where service need and delivery has changed some of these additional risks continue.

Specific risks and mitigations associated to the delivery of the single unitary authority for Somerset are recorded and managed directly as part of the programme delivery Board.

Strategic Risks 2021/22

- Safeguarding Children - The Council fails to deliver its statutory service delivery duties and legal obligations in relation to vulnerable children.
- Market management, development, and monitoring of supply chains - Markets do not provide optimum value for money and income generation.
- Organisational Resilience - Without the minimum level of capacity and resource, the resilience of the organisation is compromised.
- Climate change - The Council fails to take action to mitigate and adapt to Climate Change.
- Supplier disruption - across all services in demand and sustainability of supplier financial standing.
- Sustainable Medium Term Financial Plan- The ability to set future balanced budgets and build resilience through reserves to be able to deliver the Councils priorities.
- Local Government Reorganisation – does not deliver a single unitary authority for Vesting day on 1st April 2023.
- Adult Social Care failure – The Council is unable to meet statutory obligations in relation to care provider market sufficiency and capacity

Decision Making and Responsibilities

During 2021/22, the Council consisted of 55 elected with a Cabinet of Lead Members who are supported and held to account by three Scrutiny Committees and the Audit Committee. Following the May 2022 election the Council now has 110 elected Members.

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

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

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

Open Policy and Decision-making

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

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

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



Equality

The Council is committed to delivering equality and improving the quality of life for the people of Somerset. Our statutory Equalities Objectives help us understand and prioritise work for those who may be vulnerable to discrimination.

Any new, changed or stopping Council policy, proposal or service must be subjected to a consideration of Due Regard to the Public Sector Equality Duty, this is recorded in an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision-making processes and life of the policy or service.

Financial Management

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

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

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

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

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

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



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

Commissioning and Procurement of Goods and Services

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

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

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

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

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

Managing Information

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

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

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

Freedom of Information

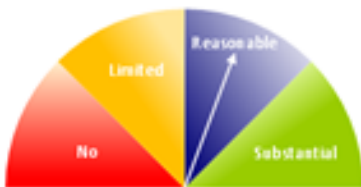
Details of how to access information held by the Council and its Freedom of Information Policy are available on the [Council's website](#)

Audit and Assurances

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

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

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



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

"There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievements of objectives"

- Medium risk rated weakness identified in individual audit engagements
- Isolated high risk rated weaknesses identified for isolated issues
- No critical risk rated weakness were identified

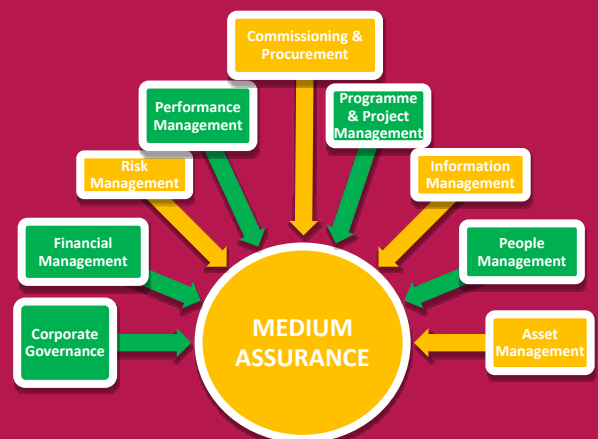
The Healthy Organisation review was a key source of assurance with an overall medium rating given. This report states that there was no evidence of any significant adverse impact of the pandemic on the overarching control framework, with an improvement seen in Financial Management which moved from 'amber'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

The **Audit Committee** provides independent assurance on the Council's internal control environment. It is a statutory requirement and consists of 13 Councillors and 1 independent person.

Its main functions include:

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

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



Conduct

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

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

Whistleblowing

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

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

Anti-Fraud and Corruption

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

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

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

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

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

The Nolan Principles for conduct and behaviour:

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

'zero tolerance'

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

Improving Governance

The progress made during 2021-22 on the significant issues identified in our 2020-21 Annual Governance Statement is shown below:

<p>1. Financial position</p>	<p>We continued to develop a sustainable Medium Term Financial Plan and set a balanced budget that was approved by Council in February 2022.</p> <p>This process was enabled by robust frequent financial reporting reports to Cabinet and Scrutiny meetings.</p>
<p>2. Local Government Reorganisation Supporting the transition to unitary local government for Somerset.</p>	<p>Following the Secretary of State's decision during 2021, we have put in place the necessary resources, programme management, partnership, and democratic arrangements to support the transition to unitary form of local government in partnership with district councils and other public sector partners including the 278 town and parish councils. We worked with Government to get approval to the Somerset Structural Changes Order in March 2022. We planned and delivered the Council elections in May 2022 with the election of 110 members.</p>
<p>3. Covid 19</p> <p>We have worked with national and local agencies such as the Government, Police, NHS, district councils, voluntary organisations and service providers to ensure essential services were delivered to support vulnerable children and adults, local communities and businesses throughout the Covid 19 pandemic.</p> <p>We support the delivery of the Economic Recovery Plans.</p>	<p>As Coronavirus has progressed more towards an endemic disease we have continued to work as part of the regional and national public health system, aiming to minimise infection rates and manage outbreaks and clusters. As the needs of the Somerset population have changed following the pandemic and we will continue to assess and have plans in place.</p> <p>The recovery phase has begun and will focus on minimising the indirect impacts of COVID, addressing the health and social inequalities that the pandemic has highlighted.</p>

2. Integrated Care System

We have worked with key strategic partners to develop the ICS system in line with the emerging changing legislation and as such we have continued to actively engage with NHSE in the work to develop appropriate local governance of the partnership, joint working and joint funding elements of the ICS development and to ensure adequate transparency and scrutiny. This work has been captured within the established programme of activity.

Based on our review of the governance framework, the following significant issues will be addressed in 2022-23:

<p>1. Financial Position (See previous page)</p>	<p>Development of a balanced budget for 2023/24 and a sustainable Medium Term Financial Plan for consideration by Council in February 2023 ahead of the establishment of the new Somerset Council.</p> <p>Recognise and plan for the financial implications arising from inflationary pressures, meeting demands, rising costs and also local government reform in Somerset.</p>
<p>2. Local Government Reorganisation</p> <p>Support the transition to unitary form of local government for unitary local government for Somerset by 1 April 2023.</p>	<p>Work will need to continue, in partnership with our District Council colleagues and other public sector partners including the 278 town and parish councils to put in place the necessary resources, programme management, partnership and democratic arrangements to support the transition to unitary form of local government. This will include all necessary work to ensure the new Somerset Council is ready from 1 April 2023 to assume the responsibilities and services delivered by the 5 current councils in Somerset.</p>
<p>3. Covid 19</p> <p>Working with national and local agencies such as the Government, Police, NHS, district councils, voluntary organisations and service providers to ensure essential services continue to be delivered to support vulnerable children and adults, local communities and businesses throughout the Covid 19 emergency.</p> <p>Support the delivery of the Economic Recovery Plans.</p>	<p>As Coronavirus progresses more towards an endemic disease we will continue to work as part of the regional and national public health system, aiming to minimise infection rates and manage outbreaks and clusters. The needs of the Somerset population has changed following the pandemic and these will need to continue to be assessed and be central to the focus of the organisation.</p> <p>The recovery will be long and needs to focus on minimising the indirect impacts of COVID, addressing the health and social inequalities that the pandemic has highlighted.</p>
<p>4. Integrated Care System</p>	<p>The work to develop the ICS system in line with the emerging changing legislation will require implementation in 2022. As such we will actively engage with NHSE in the work to develop appropriate local governance of the partnership, joint working and joint funding elements of the ICS development and to ensure adequate transparency and scrutiny. All work currently captured within established programme of activity.</p>

<p>5.SEND Improvement Plan</p>	<p>We will review current partnership arrangements to ensure these are effective in supporting joint decision making and joint commissioning.</p> <p>Review local area governance to ensure alignment with emerging arrangements for Integrated Care Systems and Local Government Reform.</p>
<p>6.Organisational capacity and resilience</p> <p>A significant risk facing all five councils in Somerset is organisational capacity along with recruitment and retention challenges in order to maintain services, deliver projects and priority programmes such as Local Government Reorganisation. Resilience is a concern due to the complex situation for Local Government in Somerset where there is no longer "business as usual" as we transition from five existing councils in 2022 towards the new Somerset Council on 1 April 2023, support partnership responses to Covid 19 and strive to deliver key priorities and services at the same time.</p>	<p>We will continue to review and take management action as appropriate. There is regular oversight and review of mitigations by SLT and the Executive. There is regular review of business continuity and civil contingencies partnership arrangements. Regular budget and performance monitoring reports are considered by Scrutiny Committees and the Executive. A recruitment protocol has been put in place across the five councils to support the retention of staff and maximise opportunities whilst enabling the five councils to support each other during the transition to one council.</p>

These issues will be supported by an action plan, progress on which will be monitored during 2022-23 by the Governance Board and the Senior Leadership Team. Oversight, constructive challenge and review will be available from the Executive, Scrutiny Committees and the Audit Committee.

The new Somerset County Council may make changes to the Council's governance framework, and we will continue to review and adapt it so that it continues to support the new Somerset Council in meeting its challenge and in fulfilling its purpose, and ensure that the framework remains proportionate to the risks that are faced.

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

Assurance

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

Signed: _____ Date: July 2022
(Patrick Flaherty, Chief Executive)

Signed: _____ Date: July 2022
(Cllr Bill Revans, Leader of the Council)

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



Audit Committee Work Programme 2022 – March 2023

28 July 2022		Reports received
Annual Audit Opinion from SWAP	To receive the annual audit opinion from the Council's internal auditors	Alastair
Internal Audit Activity update from SWAP	Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified	Alastair
External Audit Update from Grant Thornton	For Somerset County Council and Somerset Pension Fund Audit Plans 2021/22	Yes
External Audit Plan for the Council and Pension Fund	To approve the external auditors audit plans for the Council and the Pension Fund	Yes
Risk Management update	To review the Strategic Risk Register	Yes
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)	Scott
Corporate Code of Governance 2021-2022		
Committee Future work Programme	Consideration of the work programme for the Audit Committee	
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 from SWAP	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	
Committee Future work Programme	Consideration of the work programme for the Audit Committee	
5Anti-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	
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 report from Grant Thornton	Audit Findings Report and Auditors Annual Report	
Internal Audit update	The regular progress report from SWAP on the completion	

from SWAP	of the current Internal Audit Plan, highlighting any high risks that have arisen from their work	
Committee Future work Programme	Consideration of the work programme for the Audit Committee	
19 January 2023		
Annual Report to Council	To approve the Committee's Annual report to Full Council	
Internal Audit update from SWAP	Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified	
Medium Term Financial Plan Reports	Treasury Management Strategy, Capital Strategy and MRP statement	
Anti-Fraud and Corruption Policy	The Anti-Fraud and Corruption Policy for Somerset Council	
Committee Future work Programme	Consideration of the work programme for the Audit Committee	
23 March 2023		
Risk Management	The regular update on progress in mitigating the highest scoring risks	
Committee Future work Programme	Consideration of the work programme for the Audit Committee	