



Members of the Audit Committee:
(Councillors R P Lillis (Chairman), T Venner (Vice Chairman),
D Archer, N Thwaites, R Thomas, R Woods, A Behan)

Our Ref: Democratic Services
Contact: Clare Rendell c.rendell@tauntondeane.gov.uk

Date 10 March 2017

**THE PRESS AND PUBLIC ARE WELCOME TO ATTEND THE MEETING
THIS DOCUMENT CAN BE MADE AVAILABLE IN LARGE PRINT, BRAILLE, TAPE FORMAT
OR IN OTHER LANGUAGES ON REQUEST**

Dear Councillor

I hereby give you notice to attend the following meeting:

AUDIT COMMITTEE

Date: Monday 20 March 2017
Time: 2.00 pm
Venue: Council Chamber, Council Offices, Williton

Please note that this meeting may be recorded. At the start of the meeting the Chairman will confirm if all or part of the meeting is being recorded.

You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during the recording will be retained in accordance with the Council's policy.

Therefore unless you advise otherwise, by entering the Council Chamber and speaking during Public Participation you are consenting to being recorded and to the possible use of the sound recording for access via the website or for training purposes. If you have any queries regarding this please contact Committee Services on 01643 703704.

Yours sincerely

BRUCE LANG
Proper Officer

RISK SCORING MATRIX

Report writers score risks in reports uses the scoring matrix below

Risk Scoring Matrix

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

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

- Mitigating actions for high ('High' or above) scoring risks are to be reflected in Service Plans, managed by the Group Manager and implemented by Service Lead Officers;
- Lower scoring risks will either be accepted with no mitigating actions or included in work plans with appropriate mitigating actions that are managed by Service Lead Officer.

AUDIT COMMITTEE - AGENDA

20 March at 2.00 pm

Council Chamber, West Somerset House, Williton

1. **Apologies for Absence**

2. **Minutes**

Minutes of the Meeting of the Committee held on 6 December 2016 – **TO FOLLOW.**

3. **Declarations of Interest**

To receive and record any declarations of interest in respect of any matters included the Agenda for consideration at this Meeting.

4. **Public Participation**

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

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

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

5. **Audit Committee Action Plan**

To update the Audit Committee on the progress of resolutions and recommendations from previous meetings.

The Audit Committee are requested to note that all previous actions have been completed and resolved. A new Action Plan will be drawn up based on the outcome of this meeting.

6. **Audit Committee Forward Plan**

To review the Audit Committee Forward Plan 2017 – **SEE ATTACHED.**

7. **Grant Thornton External Audit – External Progress Update**

To consider Report No WSC 30/17 to be presented by Rebecca Usher, Audit Manager from Grant Thornton – **SEE ATTACHED**

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

8. Grant Thornton External Audit – Audit Plan

To consider Report No WSC 31/17 to be presented by Rebecca Usher, Audit Manager from Grant Thornton – **SEE ATTACHED.**

The purpose of the report is to introduce the External Audit Plan for 2016/17. This is prepared by our external auditors, Grant Thornton. The report summarises their approach to the 2016/17 audit programme, work completed to date, work to follow and the auditors view on risk.

9. SWAP Internal Audit – Progress Report 2016/17

To consider Report No WSC 32/17 to be presented by Alastair Woodland, Audit Manager, South West Audit Partnership – **SEE ATTACHED.**

The purpose of the report is to

10. SWAP Internal Audit – Audit Plan 2017/18 and Audit Charter

To consider Report No WSC 33/17 to be presented by Alastair Woodland, Audit Manager, South West Audit Partnership – **SEE ATTACHED.**

The purpose of the report is to

11. Corporate Risk Management Update

To consider Report No WSC 34/17 to be presented by Richard Doyle, Corporate Strategy and Performance Manager – **SEE ATTACHED.**

The purpose of the report is to update the Audit Committee on the corporate risks which are being managed by the Joint Management Team (JMT).

12. Corporate Governance Action Plan Update

To consider Report No WSC 35/17 to be presented by Richard Doyle, Corporate Strategy and Performance Manager – **SEE ATTACHED.**

The purpose of the report is to update the Audit Committee of the progress against the Annual Governance Statement Action Plan.

13. Overdue High Priority SWAP Audit Recommendations

To consider Report No WSC 36/17 to be presented by Richard Doyle, Corporate Strategy and Performance Manager – **SEE ATTACHED.**

The purpose of the report is to provide the Audit Committee with a position statement on the SWAP audit recommendations for West Somerset Council, which were assessed as high and very high priority, where the agreed action is overdue.

14. Exclusion of the Press and Public

To consider excluding the press and public during consideration of Item 15 on the grounds that, if the press and public were present during this item, there would be likely to be a disclosure to them of exempt information of the class specified in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended as follows:

Item 15 contains information that could release confidential information relating to the financial or business affairs of any particular person (including the authority holding that information). It is therefore proposed that after consideration of all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

15. Corporate Fraud Arrangements

To consider Report No WSC 37/17 to be presented by Heather Tiso, Revenues and Benefits Service Manager – **SEE ATTACHED**.

The purpose of the report is to present feedback to the Audit Committee on the alternative options for Counter Fraud services as our existing arrangements with the South West Counter Fraud Partnership will end on 31 March 2017. The Audit Committee is requested to consider two proposals to deliver fraud prevention, detection and investigation services.

COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS

The Council's Vision:

To enable people to live, work and prosper in West Somerset

The Council's Corporate Priorities:

- Local Democracy:
Securing local democracy and accountability in West Somerset, based in West Somerset, elected by the people of West Somerset and responsible to the people of West Somerset.
- New Nuclear Development at Hinkley Point
Maximising opportunities for West Somerset communities and businesses to benefit from the development whilst protecting local communities and the environment.

The Council's Core Values:

- Integrity
- Respect
- Fairness
- Trust

West Somerset Council - Audit Committee – Forward Plan 2017

| Meeting | DRAFT AGENDA ITEMS | LEAD OFFICER |
|---------------------|---|---|
| 20 March 2017 | Grant Thornton – Audit Plan Grant Thornton – Audit Update SWAP Internal Audit – Progress Report 2016/17 SWAP Internal Audit - Audit Plan 2017/18 and Audit Charter Corporate Risk Management Update Corporate Governance Action Plan Summary of Overdue Level 4/5 Actions Corporate Fraud Arrangements Forward Plan | Rebecca Usher Rebecca Usher Alastair Woodland Alastair Woodland Richard Doyle Richard Doyle Richard Doyle Heather Tiso |
| 20 June 2017 | Grant Thornton External Audit - Audit Fees Grant Thornton External Audit - Audit Update SWAP Internal Audit – Annual Report SWAP Internal Audit – Audit Plan 2016/17 Outturn Review of Effectiveness of Internal Audit 2015/16 Treasury Management Outturn Report Annual Governance Statement 2015/16 Forward Plan | Rebecca Usher Rebecca Usher Alastair Woodland Alastair Woodland Jo Nacey James Howells Richard Doyle |
| 18 Sept 2017 | SWAP Internal Audit – Progress Update 2017/18 Summary of Overdue Level 4/5 Actions Corporate Governance Action Plan Update Corporate Risk Management Update Forward Plan | Alastair Woodland Richard Doyle Richard Doyle Richard Doyle |
| 4 Dec 2017 | Grant Thornton External Audit – Annual Audit Letter 2016/17 Grant Thornton External Audit Update SWAP Internal Audit – Progress Report 2015/16 6-Month Review of Treasury Management Activity Forward Plan | Rebecca Usher Rebecca Usher Alastair Woodland James Howells |

Report Number: WSC 30/17

West Somerset Council

Audit Committee – 20 March 2017

External Audit – Progress Report and Update

This matter is the responsibility of Councillor Mrs Mandy Chilcott

Report Author: Paul Carter, Assistant Director – Corporate Services

1 Purpose of the Report

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

2 Recommendations

- 2.1 Members are requested to note the update report.

3 Risk Assessment (if appropriate)

Risk Matrix

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

4 Background and Full details of the Report

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

5 Links to Corporate Aims / Priorities

- 5.1 There is no direct contribution to the Corporate Priorities.

6 Finance / Resource Implications

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

7 Legal Implications

- 7.1 The Council has a statutory duty to produce financial statements.

8 Environmental Impact Implications

8.1 None

9 Safeguarding and/or Community Safety Implications

9.1 None

10 Equality and Diversity Implications

10.1 None

11 Social Value Implications

11.1 None

12 Partnership Implications

12.1 None

13 Health and Wellbeing Implications

13.1 None

14 Asset Management Implication

14.1 None

15 Consultation Implications

15.1 None

Democratic Path:

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

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

Contact Officers

| | | | |
|-------------|------------------------------|-------------|----------------------------|
| Name | Paul Carter | Name | Shirlene Adam |
| Direct Dial | 01823 218740 | Direct Dial | 01823 356310 |
| Email | p.carter@tauntondeane.gov.uk | Email | s.adam@tauntondeane.gov.uk |

Audit Committee
West Somerset District Council
Progress Report and Update
Year ended 31 March 2017

March 2017

Peter Barber

Engagement Lead

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E peter.a.barber@uk.gt.com

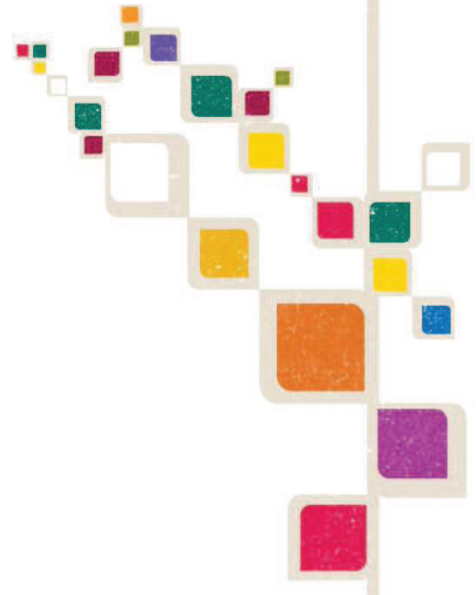
Rebecca Usher

Manager

T 0117 305 7662

E rebecca.usher@uk.gt.com

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



Introduction

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

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

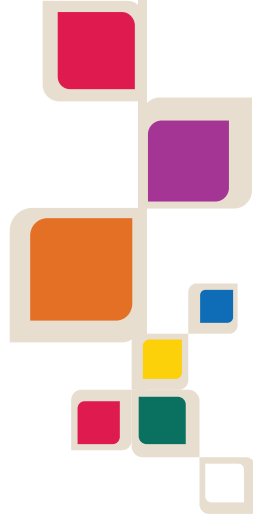
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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

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Progress at March 2017



2016/17 work

Planned Date Complete? Comments

Fee Letter

We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016

yes

April 2016

The 2016/17 fee letter was issued in April 2016

Accounts Audit Plan

We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016-17 financial statements.

Yes

March 2017

Included on agenda for 20th March 2017 Audit Committee

Interim accounts audit

Our interim fieldwork visit plan included:

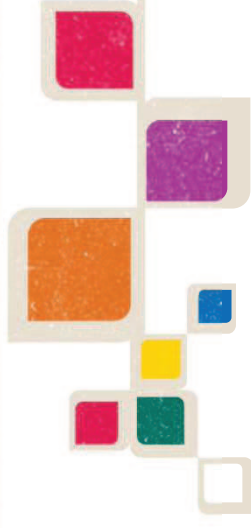
- updated review of the Council's control environment
- updated understanding of financial systems
- review of Internal Audit reports on core financial systems
- early work on emerging accounting issues
- early substantive testing
- Value for Money conclusion risk assessment.

Yes

February 2017

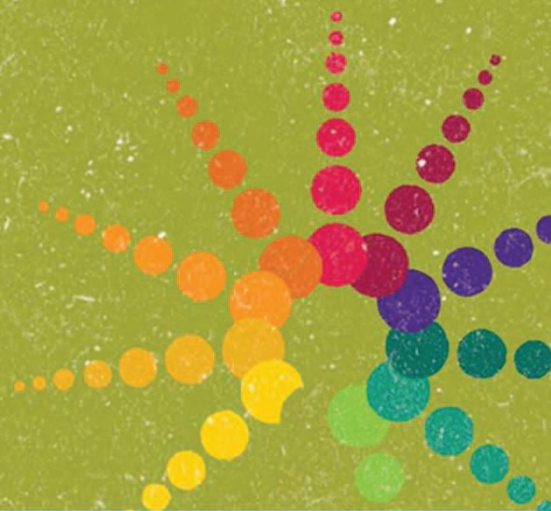
We have built on our knowledge of the Council following our audits over the last few years. Update included in the Audit Plan

Progress at March 2017



| 2016/17 work | Planned Date | Complete? | Comments |
|--|-----------------------|--------------------|---|
| <p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2016/17 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 <p>Value for Money (VfM) conclusion</p> <p>The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties <p>Other areas of work</p> <p>Meetings with Members, Officers and others</p> | <p>June/July 2017</p> | <p>In progress</p> | <p>We will undertake work on your draft financial statements to provide an opinion by the statutory deadline. The final accounts audit is scheduled to start on 26th June 2017.</p> <p>The results of our initial risk assessment will be presented in our audit plan to your March meeting</p> |
| <p>ongoing</p> | | | <p>Rebecca Usher recently met with Shirlene Adam, Paul Carter and Jo Nacey on 1st February 2017.</p> |

Technical Matters



Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year.

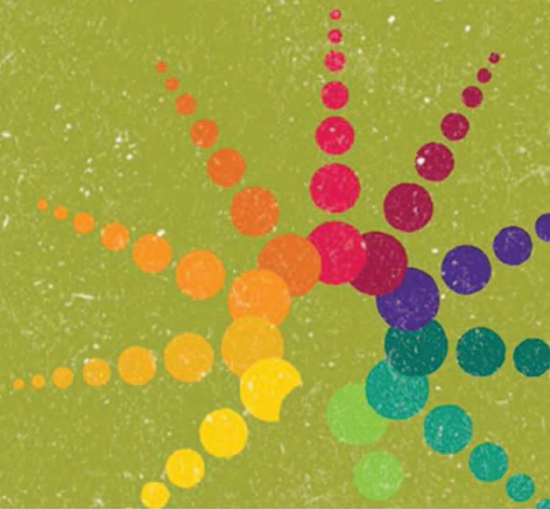
The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures.

Sector issues and developments



National Audit Office reports

Below is a selection of reports issued during 2016 which may be of interest to Audit Committee members. Please see the website for all reports issued by the NAO.



Overview: Local government

This Overview looks at the local government landscape during the last financial year and summarises both matters of likely interest to Parliament as well as our work with local authorities. The NAO prepares statutory guidance on how local auditors should meet their responsibilities.

Sector(s): Local services

Performance Improvement area(s): Departmental Overviews, Local service delivery

Published:
9 Nov 2016

<https://www.nao.org.uk/report/overview-local-government/>



The Troubled Families programme: update

This report is a factual update to support the Committee of Public Accounts' evidence session on the government's Troubled Families programme on 19 October 2016. It is based primarily on published sources, information supplied by the Department for Communities and Local Government and previous reports published by the National Audit Office.

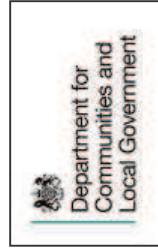
Sector(s): Community and society, Local services

Published:
18 Oct 2016

<https://www.nao.org.uk/report/the-troubled-families-programme-update/>

Local Government Association

Below is a selection of reports issued recently which may be of interest to audit committee members. These are available on the website: <http://www.local.gov.uk/publications>



Provisional LG Finance Settlement for 2017/18

12 January 2017

The LGA has published its responses to the DCLG consultation on proposals for the local government finance settlement for 2017 to 2018 and for the approach to future local government finance settlements.

<http://www.local.gov.uk/documents/10180/8150261/Local+Government+Finance+Settlement+1718+LGA+response.pdf/dd8d32e1-ec9f-4314-8121-7aae2195f89f>



A councillor's workbook on neighbourhood and community engagement

11 January 2017

Neighbourhood and community engagement has a rightful place as one of the key processes involved in planning and decision making. As such, it should not be viewed as an additional task, but as a core part of the business



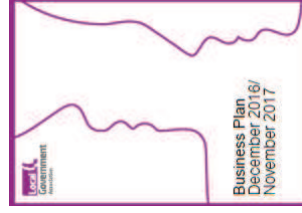
Building our homes, communities and future: The LGA housing commission final report

22 December 2016

The Local Government Association (LGA) Housing Commission was established to help councils deliver their ambition for places. It has been supported by a panel of advisers and has engaged with over 100 partners; hearing from councils, developers, charities, health partners, and many others. All partners agree that there is no silver bullet, and all emphasise the pivotal role of councils in helping provide strong leadership, collaborative working, and longer-term certainty for places and the people that live there.

Local Government Association

Below is a selection of reports issued recently which may be of interest to audit committee members. These are available on the LGA website:
<http://www.local.gov.uk/publications>



Business Plan December 2016/November 2017

30 December 2016

Britain's exit from the EU means that we are reshaping the way our country is run. Our vision is one of a rejuvenated local democracy, where power from Westminster and from the EU is significantly devolved to local level and citizens feel they have a meaningful vote and real reason to participate in civic life and their communities.



Stronger together: shared management in local government

29 November 2016

Around 45 councils across England share a chief executive and senior management team in about 20 different partnerships. Most also share at least some services. These councils have already delivered savings of at least £60 million through greater efficiencies and the other benefits of collaboration, with more savings planned

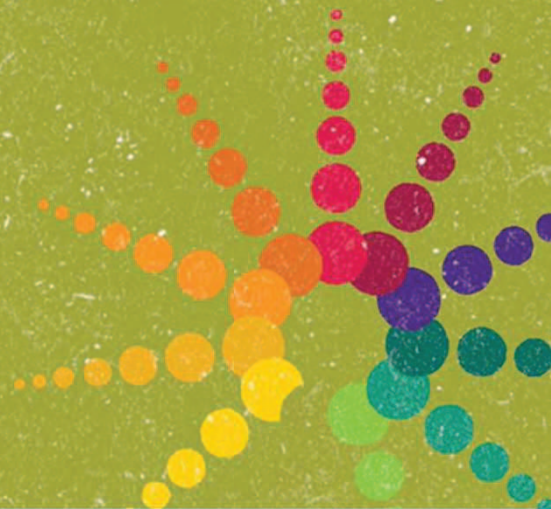


Adult social care funding: 2016 state of the nation report

2 November 2016

Adult social care is an absolutely vital public service that supports some of our most vulnerable people and promotes the wellbeing and independence of many more

Grant Thornton



Integrated Reporting

Grant Thornton publications

Looking beyond the report

The move away from reporting based on historic financial information is beginning to gain momentum and Integrated Reporting is now mandatory in some countries.

In the UK, CIPFA proposed in their consultation document that the narrative report from 2017/18 reflects elements of the International Integrated Reporting Council's framework whilst the Treasury is encouraging public sector organisations to adopt Integrated Reporting.

Integrated reporting: Looking beyond the report was produced by our global Integrated Reporting team, based in the UK, New Zealand and South Africa, to help organisations obtain the benefits of Integrated Reporting.

The International Integrated Reporting Council (IIRC) describes Integrated Reporting as "*enhancing the way organisations think, plan and report the story of their business.*"

At Grant Thornton, we fully agree with this and, in our view, the key word is 'enhancing' because a lot of the elements to support effective Integrated Reporting are likely to be in place already.

But anyone focussing purely on the production of the report itself will not reap the full benefits that effective Integrated Reporting can offer.

Instead, think of Integrated Reporting as demonstrating "integrated thinking" across your entire organisation, with the actual report being an essential element of it.

Our methodology is based on six modules which are designed to be independent of each other.

1. **Secure support** – effective Integrated Reporting needs leadership from the top.
2. **Identify stakeholders** – who are they and how can you engage with them?
3. **Identify the capitals for your organisation** – what resources do you use to create value?
4. **What do you have – and what do you need?** – do you have the data you need and is it accurate?
5. **Set limits and create boundaries** – make sure your report is focussed.
6. **Review and improve** – Integrated Reporting is a continuous learning process.

Our approach to Integrated Reporting is deliberately simple; experience has shown us that this works best. Things are often only complicated because people made them that way.

Our experienced, independent teams can help you keep focused throughout the entire Integrated Reporting process and can support you, no matter what stage you are at. Please speak to your Engagement Lead if you would like to discuss this further.



Integrated reporting
Looking beyond the report
November 2018



Integrated Thinking and Reporting

CIPFA Publications

Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders.*

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;

- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.



Apprentice Levy - Are you prepared?

Grant Thornton update

What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

What is the levy?

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on payroll in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors. Paybill will be calculated based on total employee earnings subject to Class1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Paybill: $250 \times £20,000 = £5,000,000$

Levy sum: $0.5\% \times = £25,000$

Allowance: $£25,000 - £15,000 = £10,000$ annual levy

How can I spend my levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider-team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

Off-payroll working in the public sector

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the Chancellor announced that the measures that were proposed in Budget 2016 that could affect services supplied through personal service companies (PSCs) to the public sector will be implemented.

At present, the so-called IR35 rules require the worker to decide whether PAYE and NIC are due on the payments made by a PSC following an engagement with a public sector body. The onus will be moved to the payer from April 2017. This might be the public sector body itself, but is more likely to be an intermediary, or, if there is a supply chain, to the party closest to the PSC.

The public sector body (or the party closest to the PSC) will need to account for the tax and NIC and include details in their RTI submission.

The existing IR35 rules will continue outside of public sector engagements.

HMRC Digital Tool – will aid with determining whether or not the intermediary rules apply to ensure of “*consistency, certainty and simplicity*”

When the proposals were originally made, the public sector was defined as those bodies that are subject to the Freedom of Information rules. It is not known at present whether this will be the final definition.

Establishing what bodies are caught is likely to be difficult however the public sector is defined.

A further change will be that the 5% tax free allowance that is given to PSCs will be removed for those providing services to the public sector.

Impact

- Increased costs
- Responsibility moved to the engager
- Increased risks for the engager
- Consider current arrangements in place

Areas / risks to consider

- Interim and / or temporary staff engaged through an intermediary or PSC
- Where using agencies ensure they're UK based and operating PAYE
- Update on-boarding / procurement systems, processes and controls
- Additional take on checks and staff training / communications
- Review of existing PSC contractor population before April 2017
- Consider moving long term engagements onto payroll

Salary Sacrifice Arrangements-Autumn Statement

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the proposals from earlier this year to limit the tax and NIC advantages from salary sacrifice arrangements in conjunction with benefits will be implemented from April 2017.

Although we await the details, it appears that there is a partial concession to calls made by Grant Thornton UK and others to exempt the provision of cars from the new rules (to protect the car industry). Therefore, the changes will apply to all benefits other than pensions (including advice), childcare, Cycle to Work schemes and ultra-low emission cars.

Arrangements in place before April 2017 for cars, accommodation and school fees will be protected until April 2021, with others being protected until April 2018.

These changes will be implemented from April 2017.

As you can see, there is a limited opportunity to continue with salary sacrifice arrangements and a need also to consider the choice between keeping such arrangements in place – which may still be beneficial – or withdrawing from them

What should you be thinking about?

- Review the benefits you offer - particularly if you have a flex renewal coming up
- Consider your overall Reward and Benefit strategy
- Consider your Employee communications

Brexit

Planning can help organisations reduce the impact of Brexit

Several months have passed since the referendum to leave the European Union (EU), during which there has been a flurry of political activity, including the party conference season.

After many years of relative stability, organisations will need to prepare themselves for a period of uncertainty and volatility and will need to keep their risk registers under constant review. The outcome of the US Presidential election in November 2016 has added to this uncertainty.

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States

The question still remains, what does Brexit look like? While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be. So, what do we expect based on what has happened so far?

Existing EU legislation will remain in force

We expect that the Government will introduce a ‘Repeal Act’ (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

Taking back control is a priority

It appears that the top priority for government is ‘taking back control’, specifically of the UK’s borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

Grant Thornton update

Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

Potential existing examples for the UK’s future relationship, such as the ‘Norwegian’ or ‘Swiss’ models, seem out of the question. The UK wants a ‘bespoke deal’.

Given the rhetoric coming from Europe, our view is that this would signal an end to the UK’s membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called ‘Hard Brexit’. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.

Brexit

This is of course, all subject to change, and, politics, especially at the moment, moves quickly. Where does this leave the public sector? After a relatively stable summer, we expect there will be increased volatility as uncertainty grows approaching the formal negotiation period.

Planning can help organisations reduce the impact of Brexit

The chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

Staffing – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

Financial viability – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

Market volatility – for example pension fund and charitable funds investments and future treasury management considerations.

International collaboration – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.

Grant Thornton update

For regular updates on Brexit, please see our website:

<http://www.grantthornton.co.uk/en/insights/brexit-planning-the-future-shaping-the-debate/>



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Report Number: WSC 31/17

West Somerset Council

Audit Committee – 20 March 2017

External Audit – Audit Plan 2016/17

This matter is the responsibility of Councillor Mrs Mandy Chilcott

Report Author: Paul Carter, Assistant Director – Corporate Services

1 Purpose of the Report

- 1.1 This report introduces the External Audit Plan for 2016/17. This is prepared by our external auditors, Grant Thornton, and is detailed in the appendix to this report.
- 1.2 The report summarises their approach to the 2016/17 audit programme, work completed to date, work to follow and the auditors view on risk.

2 Recommendations

- 2.1 Members are requested to note the External Audit Plan for 2016/17 received from Grant Thornton.

3 Risk Assessment (if appropriate)

Risk Matrix

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

4 Background and Full details of the Report

- 4.1 Each year our external auditors, Grant Thornton, provide a plan, which details their approach to the audit work required in respect of the preceding financial year (2016/17). Specifically this audit work focuses on the provision of an audit opinion in relation to the accounts, value for money (VFM) and associated key risks.
- 4.2 The plan for 2016/17 is set out in Appendix A.

5 Links to Corporate Aims / Priorities

- 5.1 There are no direct implications.

6 Finance / Resource Implications

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



The Audit Plan for West Somerset District Council

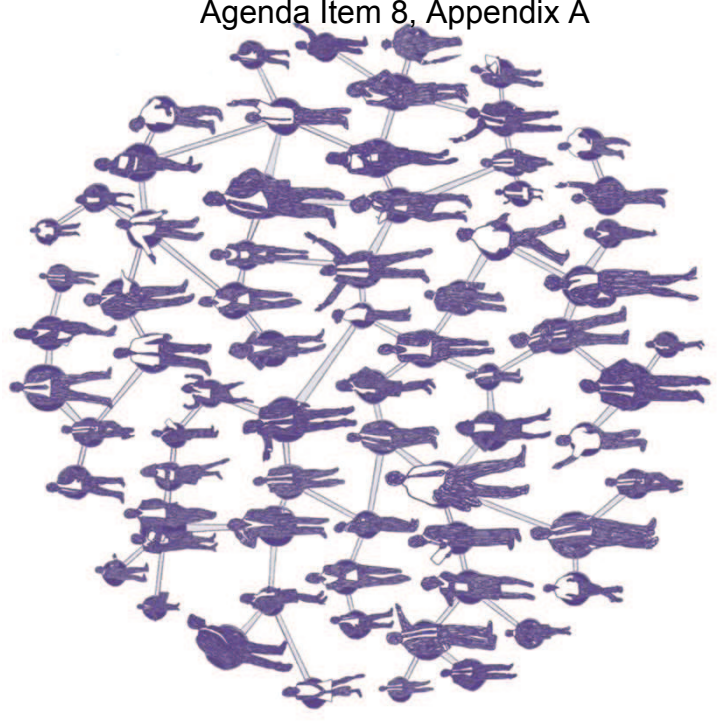
Year ended 31 March 2017

February 2017

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West Somerset District Council
West Somerset House, Killick Way
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24 February 2017

Dear Members of the Audit Committee

Audit Plan for West Somerset District Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of West Somerset District Council, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

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. 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. 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.

We look forward to working with you during the course of the audit.

Yours sincerely

Peter Barber

Engagement Lead

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Audit fees and Independence

Communication of audit matters with those charged with governance

Understanding your business and key developments

| Developments | Key challenges | Financial reporting changes | | | | | | | | | | | | | | | |
|--|---------------------|-----------------------------|---------------------|-----------------------|-------|-------|-----------------------|---------|--------|------------------------------|-------|---|------------|---|-------|--|--|
| <p>Proposed New Council In September 2016, Members of West Somerset District Council took the decision to support the creation of a new single District Council with Taunton Deane Borough Council, that would replace the two existing Councils. The proposal is currently out for public consultation with stakeholders until the end of February 2017, when the proposal will then be considered by the Secretary of State.</p> <p>Financial position reported to Cabinet 8 February 2017</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #4a5568; color: white;"> <th>Measure</th> <th>2017/18 Budget £000</th> <th>2018/19 Budget £000</th> </tr> </thead> <tbody> <tr> <td>Total net expenditure</td> <td style="text-align: right;">4,588</td> <td style="text-align: right;">4,735</td> </tr> <tr> <td>Total revenue funding</td> <td style="text-align: right;">(4,323)</td> <td style="text-align: right;">(3950)</td> </tr> <tr> <td>Transfers to/(from) reserves</td> <td style="text-align: right;">(265)</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Budget gap</td> <td style="text-align: right;">0</td> <td style="text-align: right;">(785)</td> </tr> </tbody> </table> | Measure | 2017/18 Budget £000 | 2018/19 Budget £000 | Total net expenditure | 4,588 | 4,735 | Total revenue funding | (4,323) | (3950) | Transfers to/(from) reserves | (265) | 0 | Budget gap | 0 | (785) | <p>Medium Term Financial Plan (MTFP) Management have updated the MTFP for the provisional Local Government funding settlement that was announced by Government in December 2016. Further budget savings have been identified to ensure a balanced budget is set for 2017/18, however, these include some one-off measures including the use of reserves. From 2018/19, there remain significant budget gaps in the MTFP, although the MTFP has been prepared on the basis of the Council continuing to operate on its own. If the proposal for the creation of the new Council is approved, it is expected that further efficiency savings will be achieved to help address future budget gaps from 2019/20, however the budget gap of £785,000 identified for 2018/19 still needs to be addressed.</p> | <p>CIPFA Code of Practice 2016/17 (the Code) Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements. The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.</p> <p>Earlier closedown The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.</p> |
| Measure | 2017/18 Budget £000 | 2018/19 Budget £000 | | | | | | | | | | | | | | | |
| Total net expenditure | 4,588 | 4,735 | | | | | | | | | | | | | | | |
| Total revenue funding | (4,323) | (3950) | | | | | | | | | | | | | | | |
| Transfers to/(from) reserves | (265) | 0 | | | | | | | | | | | | | | | |
| Budget gap | 0 | (785) | | | | | | | | | | | | | | | |

| Our response |
|---|
| <ul style="list-style-type: none"> • We aim to complete all our substantive audit work of your financial statements by the end of July 2017 • As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code • We will review the progress in the new Council proposal and its impacts on the MTFP, as part of our work in reaching our VFM conclusion.. • We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops. |

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £425k (being 1.8% of gross revenue expenditure). In the previous year, we determined materiality to be £410k (being 1.8% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £21k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

| Balance/transaction/disclosure | Explanation | Materiality level |
|---|--|-------------------|
| Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements | Due to public interest in these disclosures and the statutory requirement for them to be made. | £10,000 |
| Disclosures of members' allowances | Due to public interest in these disclosures and the statutory requirement for them to be made. | £10,000 |
| Disclosures of auditor remuneration | Due to public interest in these disclosures and the statutory requirement for them to be made. | £10,000 |

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. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment 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.

| Significant risk | Description | Audit procedures |
|--|---|--|
| <p>The revenue cycle includes fraudulent transactions</p> | <p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams 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 West Somerset District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including West Somerset District Council, mean that all forms of fraud are seen as unacceptable <p>Therefore do not consider this to be a significant risk for West Somerset District Council.</p> |
| <p>Management over-ride of controls</p> | <p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> | <p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of journal entry process <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions |
| <p>Going Concern</p> | <p>You are facing significant financial challenges and have forecast budget gaps in your medium term financial plans from 2018/19. This raises doubts over the completeness and adequacy of the going concern disclosures in the accounts, particularly in relation to material uncertainty.</p> | <p>Work to be completed</p> <ul style="list-style-type: none"> • Review of management's assessment of going concern assumptions and supporting information, e.g. budgets and cash flow forecasts and associated sensitivity analysis covering the period to 30 September 2018. • Review of completeness and accuracy of disclosures on material uncertainties in the financial statements. |

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

| Significant risk | Description | Audit procedures |
|--|---|---|
| <p>The expenditure cycle includes fraudulent transactions</p> | <p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.</p> | <p>We do not consider this to be a risk for the audit as our experience shows that expenditure is well controlled and monitored.</p> |
| <p>Valuation of property, plant and equipment</p> | <p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p> | <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any valuation experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of 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. |
| <p>Valuation of pension fund net liability</p> | <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> | <p>Work planned:</p> <ul style="list-style-type: none"> • We will review the process put in place by management to ensure that the pension fund liability is not materially misstated. • We will test the data, on a sample basis, that is sent to the Council's pension fund to ensure it is complete and accurate. • We will obtain assurance from the auditor of your pension fund that the information they send to the actuary on your behalf is complete and accurate. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. |

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

| Reasonably possible risks | Description of risk | Audit procedures |
|---------------------------|--|---|
| Operating expenses | Year end creditors and accruals are understated or not recorded in the correct period. | <p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation of the process and associated controls in place for the accounting of operating expenses • Completion of a walkthrough test to confirm the operation of the process and associated controls is in line with our understanding <p>Further work planned:</p> <ul style="list-style-type: none"> • Reconciliation of creditor ledger to the general ledger • Testing for unrecorded liabilities and after date payments to ensure all liabilities identified by obtaining a list of non-pay related payments for April and May17, selecting a sample and agreeing to supporting documentation to confirm the items have been recorded in the correct period. • Substantive analytical review of year end accruals |

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

| Other risks | Description of risk | Audit procedures |
|--|---|--|
| <p>Changes to the presentation of local authority financial statements</p> | <p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p> | <p>Work planned:</p> <ul style="list-style-type: none"> • We will document and evaluate the process for the recording the required financial reporting changes to the 2016/17 financial statements. • We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. |

Other risks identified (continued)

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 the previous sections but will include:

- Assets held for sale
- Cash and cash equivalents
- Trade and other receivables
- Borrowings and other liabilities (long and short term)
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- New note disclosures
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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

| Sub-criteria | Detail |
|---|--|
| Informed decision making | <ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control |
| Sustainable resource deployment | <ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities. |
| Working with partners and other third parties | <ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities. |

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VFM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies,
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified a significant risk which we are required to communicate to you. This is set out overleaf.

Reporting

The results of our VFM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 30 September 2017.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

| Significant risk | Link to sub-criteria | Work proposed to address |
|---|---|---|
| <p>Medium term financial position, including the implementation of Joint Management and Shared Services (JMSS) and transformation</p> <p>The Council has a balanced financial plan for 2017/18. However, there is a cumulative shortfall of £3.9 million for the subsequent four years of the plan.</p> <p>In order to achieve financial savings and efficiencies, the Council has a shared services agreement with Taunton Deane Borough Council and has completed the implementation and full integration of the staff at both Councils. This has already provided significant financial savings. However, further efficiencies are required, both in terms of utilisation of staff and in the transformation of services. The two Councils have approved a proposal to formally merge into one Council from 2019, which is currently being consulted on by stakeholders, before a formal decision is taken by the Secretary of State.</p> | <p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions and working with third parties effectively to deliver strategic priorities .</p> | <p>We will review the Council's medium term financial plan, including the assumptions that underpin the plan. We will review how the Council is progressing the Joint Management and Shared Services arrangement with Taunton Deane Borough Council, with a particular emphasis on the transformation of services, as well as reviewing the progress on the proposal to create a new Council.</p> |

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State
- We certify completion of our audit.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

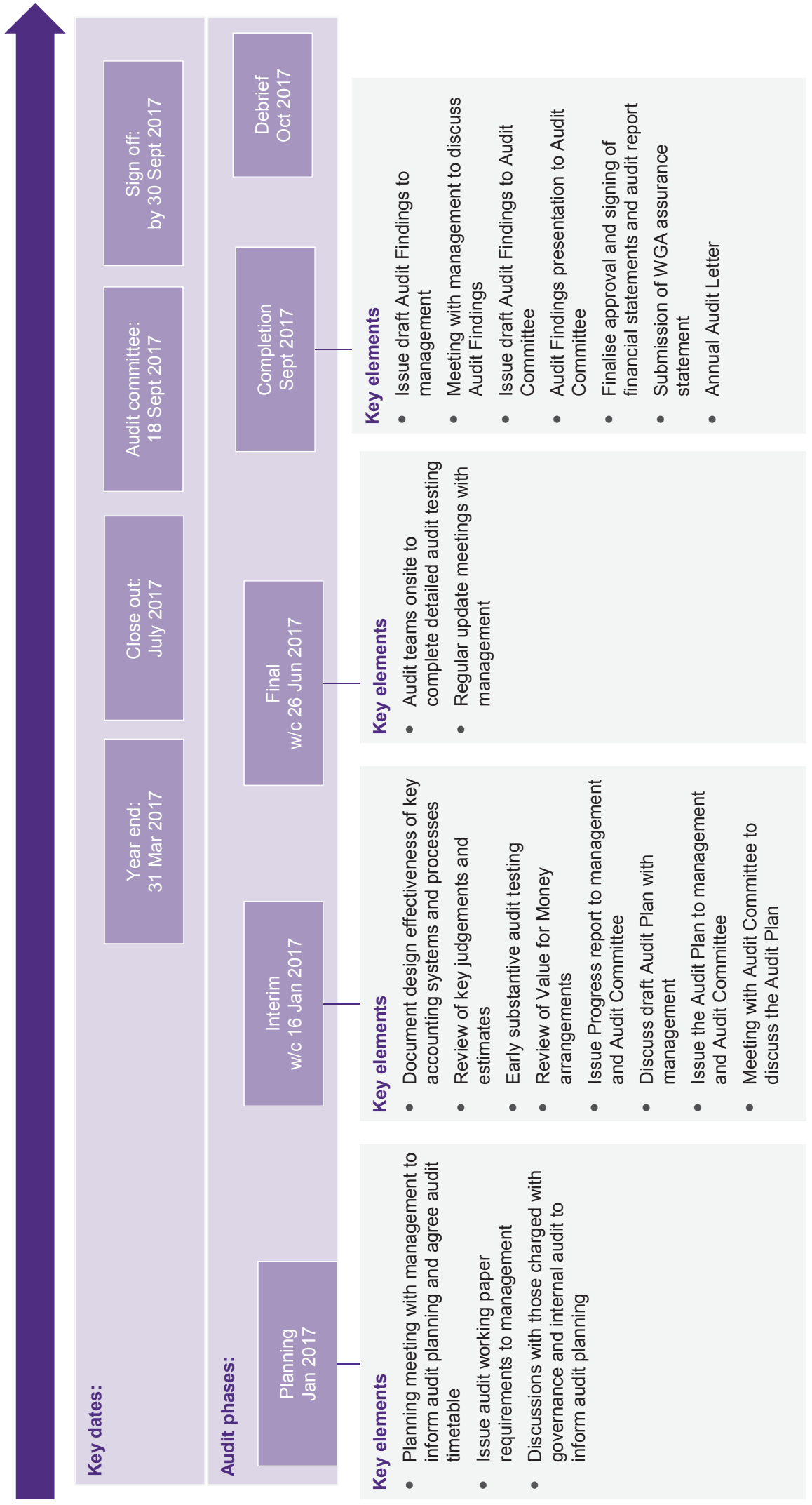
| | Work performed | Conclusion |
|------------------------------|--|---|
| Internal audit | <p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p> | <p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p> |
| Entity level controls | <p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices | <p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p> |

Results of interim audit work (continued)

| | Work performed | Conclusion |
|-------------------------------|--|--|
| Walkthrough testing | <p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements, bar valuation of plant, property and equipment.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p> | <p>Our work has not identified any weaknesses which impact on our audit approach.</p> |
| Journal entry controls | <p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> | <p>Our work to date has not identified any weaknesses which are likely to adversely impact on the Authority's control environment or financial statements.</p> |

The audit cycle

The audit timeline



Audit Fees and Independence

Fees

| | £ |
|---|---------------|
| Council audit | 42,525 |
| Grant Certification | 8,963 |
| Total audit fees (excluding VAT) | 51,488 |

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

There are no fees for other services agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team
- Regular Audit Committee Progress Reports

Independence

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

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 Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their 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 communication plan | Audit Plan | Audit Findings |
|---|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | ✓ | |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications | ✓ | |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought | | ✓ |
| Confirmation of independence and objectivity | ✓ | ✓ |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. | ✓ | ✓ |
| Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. | | |
| Details of safeguards applied to threats to independence | | |
| Material weaknesses in internal control identified during the audit | | ✓ |
| Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements | | ✓ |
| Non compliance with laws and regulations | | ✓ |
| Expected modifications to the auditor's report, or emphasis of matter | | ✓ |
| Uncorrected misstatements | | ✓ |
| Significant matters arising in connection with related parties | | ✓ |
| Significant matters in relation to going concern | ✓ | ✓ |



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Report Number: WSC32/17

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Report to a Meeting of: Audit Committee

To be Held on: 20 March 2017

INTERNAL AUDIT PLAN 2016-17 PROGRESS UPDATE

PURPOSE OF REPORT

- 1.1 To update members on the Internal Audit Plan 2016-17 progress and bring to their attention any significant findings identified through our work.

CONTRIBUTION TO CORPORATE PRIORITIES

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

RECOMMENDATIONS

- 3.1 Members are asked to note progress made in delivery of the 2016/17 internal audit plan and note the significant findings.

RISK ASSESSMENT (IF APPLICABLE)

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

5. BACKGROUND INFORMATION

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

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

6. FINANCIAL/RESOURCE IMPLICATIONS

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

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

7.1 No Specific comments.

8. EQUALITY & DIVERSITY IMPLICATIONS

8.1 There are no direct implications from this report.

9. CRIME AND DISORDER IMPLICATIONS

9.1 There are no direct implications from this report.

10. CONSULTATION IMPLICATIONS

10.1 There are no direct implications from this report.

11. ASSET MANAGEMENT IMPLICATIONS

11.1 There are no direct implications from this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

12.1 There are no direct implications from this report.

13. HEALTH & WELLBEING

13.1 There are no direct implications from this report.

14. LEGAL IMPLICATIONS

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

West Somerset Council

Report of Internal Audit Activity

Plan Progress 2016/17 February 2017

Contents

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➡ Internal Audit Work

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Appendix B – Internal Audit Work Plan 2016-17

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Appendix C – Summary of key findings on work undertaken since December 2016.

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Our audit activity is split between:



Role of Internal Audit

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**

The Internal Audit service for the West Somerset District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Corporate Governance Committee at its meeting on March 2016.

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

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

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Joint Management Team. The 2016-17 Audit Plan was reported to this Committee and approved by this Committee at its meeting in March 2016.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action. Recommendation are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Internal Audit Work

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2016/17. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

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

As is shown in **Appendix B** good progress is being made against the Internal Audit Plan.

As agreed with this Committee, where a review has a status of ‘Final’ and has returned a ‘Partial’ or ‘No Assurance’ rating, I will provide a summary of the work and further details to inform Members of the key issues identified. Whilst there are no ‘partial’ or ‘no assurance’ reviews, I would draw your attention to the Building Control Partnership audit listed as ‘Non-Opinion’ which can be found within **Appendix C**.

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



Approved Changes to the Audit Plan

The audit plan for 2016/17 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to West Somerset District Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Audit Client Officer.

Since the last update in December there have been a few changes to the Audit Plan. These are:

- The time allocated for the Transformation Programme Audit has been deferred to the 2017-18 plan, i.e. additional 10 days for 2017-18. This is to accommodate the current position of the transformation programme and where and when our time will be most effectively used.
- With the return of IT services on the 1 December 2016 from SWO we have exchanged the 'ICT Back up Routine' audit with a review on 'ICT Desktop Support'. This is to review how the ICT help desk arrangements are working as a single service to both TDBC and WSC.

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

- Substantial
- Reasonable
- Partial
- No Assurance



Audit Framework Definitions

Control Assurance Definitions

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

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

Recommendation are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Audit Framework Definitions

Categorisation of Recommendations

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

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

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

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

Summary of Audit Findings

APPENDIX B

| Audit Type | Audit Area | Quarter | Status | Opinion | No of Rec | 1 = Minor Recommendation | | | | | Comments |
|--------------------------------|---|---------|--------|-------------|-----------|--------------------------|---|---|---|---|----------|
| | | | | | | 5 = Major Recommendation | | | | | |
| | | | | | | 1 | 2 | 3 | 4 | 5 | |
| FINAL | | | | | | | | | | | |
| Governance, Fraud & Corruption | Absence Management | Q1 | Final | Reasonable | 5 | 0 | 0 | 5 | 0 | 0 | |
| Follow up | Private Water Supplies | Q1 | Final | No Opinion | 0 | 0 | 0 | 0 | 0 | 0 | |
| Governance, Fraud & Corruption | Imprest/Cash Spot Checks | Q1 | Final | Reasonable | 8 | 0 | 0 | 8 | 0 | 0 | |
| Governance, Fraud & Corruption | Members Expenses | Q1 | Final | Reasonable | 5 | 0 | 0 | 5 | 0 | 0 | |
| Operational Audits | Licensing | Q2 | Final | Partial | 6 | 0 | 0 | 5 | 1 | 0 | |
| ICT | User Management (<i>Starters and Leavers - HR, Facilities, ICT</i>) | Q2 | Final | Partial | 9 | 0 | 0 | 7 | 2 | 0 | |
| Follow up | Asset Management Follow Up | Q2 | Final | Follow up | 8 | 0 | 1 | 3 | 4 | 0 | |
| Governance, Fraud & Corruption | NEW: Building Control Partnership | Q3 | Final | Non-Opinion | 12 | N/A | | | | | |
| Key Controls | Council Tax & NNDR | Q3 | Final | Substantial | 3 | 0 | 0 | 3 | 0 | 0 | |
| Key Controls | Housing Benefits | Q3 | Final | Reasonable | 2 | 0 | 0 | 2 | 0 | 0 | |
| DRAFT | | | | | | | | | | | |
| Operational Audits | Capital Programme Approval & Monitoring / linked with Contract monitoring | Q2 | Review | | | | | | | | |
| Key Controls | Treasury Management | Q3 | Draft | | | | | | | | |
| Key Controls | Main Accounting | Q3 | Draft | | | | | | | | |

| Audit Type | Audit Area | Quarter | Status | Opinion | No of Rec | 1 = Minor Recommendation | | | | | Comments |
|--------------------------------|---|---------|-------------|---------|-----------|--------------------------|---|---|---|-----------|--|
| | | | | | | 1 | 2 | 3 | 4 | 5 = Major | |
| Key Controls | Creditors | Q3 | Review | | | | | | | | |
| Key Controls | Debtors | Q3 | Review | | | | | | | | |
| IN PROGRESS | | | | | | | | | | | |
| Governance, Fraud & Corruption | Information/Data Security/Data Protection | Q4 | In Progress | | | | | | | | |
| Operational Audits | Supported Housing (both Extra Care and Sheltered) | Q4 | In Progress | | | | | | | | |
| ICT | NEW: Helpdesk | Q4 | In Progress | | | | | | | | |
| DROPPED | | | | | | | | | | | |
| Governance, Fraud & Corruption | Healthy Organisation | Q2 | | | | | | | | | Replaced by Building Control Partnership |
| ICT | Back-up routines (<i>Resilience</i>) | Q4 | | | | | | | | | Replaced by Helpdesk |
| Governance, Fraud & Corruption | Transformational Programme | Q4 | | | | | | | | | Added to 2017-18 Plan. |

Summary of key audit findings on work undertaken since the December 2016 Update

Audit completed since the December 2016 update:



Summary of Audit Findings and High Priority Service Findings

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

The following information provides a brief summary of each audit review finalised since the last Committee update in December 2016. Each audit review is displayed under the relevant audit type, i.e. Operational; Key Control; Governance; Fraud & Corruption; ICT and Special Review.

Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will in some cases enable SWAP to provide management with added assurance that they are operating best practice as these reviews are often conducted across multiple client sites.

Building Control – Non Opinion

The Somerset Building Control Partnership, a partnership between four Somerset District Councils, Mendip, Sedgemoor, Taunton Deane and West Somerset, commenced operating on 1 April 2016.

Governance of the partnership is via a Joint Committee made up of Members from each Partner site. A Strategic Board has an operational role, and management functions and the operation of the building control service are delegated to the host authority, Sedgemoor (SDC).

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

Governance, Fraud and Corruption Audits Continued

Concerns were raised on the performance of the partnership and SWAP were asked to undertake a 'health check' audit on the Partnership. Fee income for TDBC and WSC were significantly under budget and other issues had been noted, such as unanswered telephones; unbanked cheques; completion certificates not issued and invoices not raised.

The objective of the audit was to investigate the possible reasons for the income deficits, and to perform a review of the partnership processes relating to income.

It is acknowledged that the introduction of the partnership has been a major change for the four former building control sections, with a changed HR structure, new systems and new working processes, and there has been considerable efforts from staff to incorporate the changes. It is clear however, that the partnership has had a shaky start, and the change process is still ongoing.

We have identified several factors that relate to the income deficits at two of the partners and it is likely that each has contributed to the reported shortfall in income. These include:

- No administrative support for extended periods;
- A reduction in application numbers at some partners;
- Not all invoices were raised for all applications;
- Unrealistic budgets set for some partners on income expectations;

Other issues identified during the audit and include:

- Lack of a single IT System and failure of the on-line application system in June 2016;
- HR issues impacting on handover and staff resources from the 1 April 2016;
- No monitoring or reporting of application numbers;
- Weak system for receiving payments.

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

Governance, Fraud and Corruption Audits Continued

Given the nature of the findings we would propose that a further audit is carried out early in the next financial year to allow time for the recommendations to be implemented and become embedded.

Report Number: WSC 33/17

Presented by: Alastair Woodland, Assistant Director

Author of the Report: Alastair Woodland, Assistant Director

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Report to a Meeting of: Audit Committee

To be Held on: 20th March 2017

INTERNAL AUDIT PLAN 2017-18 & INTERNAL AUDIT CHARTER

1. PURPOSE OF REPORT

- 1.1 To inform the Audit Committee of the proposed work to be undertaken by South West Audit Partnership during 2017-18.
- 1.2 To seek approval of the Internal Audit Charter which sets out the nature, role, responsibility, status and authority of internal auditing within West Somerset Council and to outline the scope of the internal audit work.

2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 Delivery of the corporate objectives requires strong governance, risk management and internal controls. The attached report provides a summary of the audit work to be carried out to date to provide assurance on the effectiveness of WSC governance, risk management and internal controls.

3. RECOMMENDATIONS

- 3.1 Members are asked to note and approve the 2017-18 internal audit plan.
- 3.2 Members are asked to note and approve the Internal Audit Charter.

4. RISK ASSESSMENT (IF APPLICABLE)

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

5. **BACKGROUND INFORMATION**

Annual Plan 2017-18

5.1 West Somerset's audit plan for 2017-18 is based on 167 days and a further 10 days carried over from the Transformation Programme work that provides a plan total of 177 days. The Plan is notionally broken down across various audit categories including the following:

- Key Financial Systems Audits
- Governance, Fraud & Corruption Audits
- IT Audits
- Operational Audits
- Follow Up Audits
- Non-Opinion Reviews

5.2 Further details of the Annual Internal Audit Plan 2017-18 can be found in the attached report.

Internal Audit Charter

5.3 The Charter was approved by the Audit Committee on the 25th September 2006 and is reviewed and approved each year to confirm it remains accurate and up to date.

5.4 The Charter was last reviewed by the Audit Committee at its meeting on the 21st March 2016.

6. **FINANCIAL/RESOURCE IMPLICATIONS**

6.1 The proposed internal audit plan is within approved budget.

7. **COMMENTS ON BEHALF OF SECTION 151 OFFICER**

7.1 The proposed Internal Audit Plan for 2017/18 is attached. I am satisfied that this is a reasonable approach to managing the key risks facing the Council. The plan will be amended if necessary during the year.

8. **EQUALITY & DIVERSITY IMPLICATIONS**

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

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

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

8.1 There are no direct implications from this report.

9. **CRIME AND DISORDER IMPLICATIONS**

9.1 There are no direct implications from this report.

10. CONSULTATION IMPLICATIONS

10.1 There are no direct implications from this report.

11. ASSET MANAGEMENT IMPLICATIONS

11.1 There are no direct implications from this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

12.1 There are no direct implications from this report.

13. HEALTH & WELLBEING

13.1 There are no direct implications from this report.

14. LEGAL IMPLICATIONS

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

West Somerset Council

Report of Internal Audit Activity

Internal Audit Plan 2017-18 & Internal Audit Charter

Contents

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| | |
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SWAP
SOUTH WEST AUDIT PARTNERSHIP
Delivering Audit Excellence

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors and the CIPFA Code of Practice for Internal Audit in England and Wales.

The role of the internal auditor is to provide *independent, objective assurance* to management and members that key risks are being managed effectively.



Purpose of this report

The purpose of this report is for members to approve the Internal Audit Charter and the Annual Internal Audit Plan for 2017-18.



Role of Internal Audit

The role of the internal auditor is to provide independent, objective assurance to management that key risks are being managed effectively. To do this, the internal auditor will evaluate the quality of risk management processes, systems of internal control and corporate governance frameworks, across all parts of an organisation, and provide an opinion on the effectiveness of these arrangements.

By reporting to senior management that important risks have been evaluated, and highlighting where improvements are necessary, the internal auditor helps senior management to demonstrate that they are managing the organisation effectively on behalf of their stakeholders. Hence, internal auditors, along with senior management and the external auditors are a critical part of the governance arrangements of an organisation, with the work undertaken significantly contributing to the statutory Annual Governance Statement (AGS).

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities must “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. These standards define the way in which the Internal Audit Service should be established and undertakes its functions.

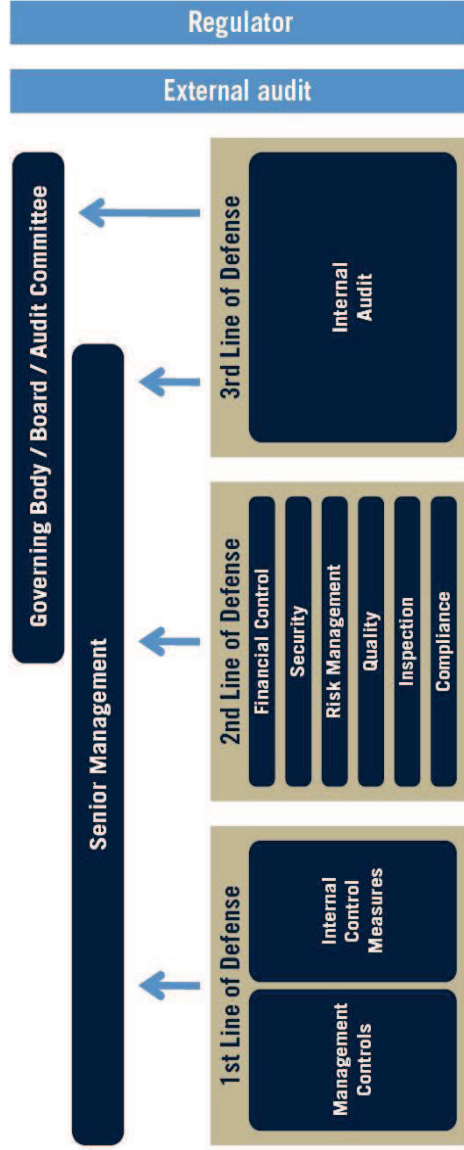
The role of the internal auditor is to provide *independent, objective assurance* to management and members that key risks are being managed effectively.



Role of Internal Audit Continued

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

The Three Lines of Defense Model



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

Source: IIA Position Paper January 2013

The role of the internal auditor is to provide *independent, objective assurance* to management and members that key risks are being managed effectively.



Role of Internal Audit Continued

It is the role of management to establish effective systems of governance, risk management and Internal Controls to:

- safeguard the Council's resources and prevent fraud;
- ensure the completeness and reliability of records;
- monitor adherence to laws, regulations, policies and procedures;
- promote operational efficiency demonstrate the achievement of value for money; and
- manage risk

It is the responsibility of management to establish controls needed to confirm that their systems are working effectively, that all information is accurate, and the risk of fraud and error is minimised.

Internal audit's role is to provide assurance that management are undertaking the appropriate checks over their systems to confirm that they are working effectively. It is not the role of internal audit to re-perform management's checks or to undertake such checking on management's behalf. In order to safeguard Internal Audits independence, Internal Audit does not have any operational responsibilities and is not responsible for any of the decision making or policy setting within the Council.

An Internal Audit Charter is a formal document that defines internal audit's purpose, authority, responsibility and position within an organisation.



Internal Audit Charter

An Internal Audit Charter is a formal document that defines internal audit's purpose, authority, responsibility and position within an organisation.

The Internal Audit Charter describes how internal audit will provide value to the organisation, the nature of the services it will provide and the specific focus or emphasis required of internal audit to help the organisation achieve its objectives. Having an Internal Audit Charter also establishes the internal audit activity's position within the organisation, including reporting lines, authorising access to records, personnel, and physical properties relevant to the performance of engagements; and also defining the scope of internal audit activities. A copy of the current Internal Audit Charter is attached at **Appendix B**.

It is the role of the Audit Committee to review and approve the 'Internal Audit Charter' on an Annual basis. The current 'Internal Audit Charter' was last reviewed and approved by this Committee at its meeting on 21st March 2016. The only change to the Internal Audit Charter is the additional reference to the 'Accounts & Audit (England) Regulations 2015 under the heading of 'Role of Internal Audit'.

Our audit activity is split between:



Internal Audit Plan

- Key Control Audit
- Governance, Fraud & Corruption Audit
- IT Audit
- Operational Audits
- Follow up Audits
- Non-Opinion/Other Reviews

The plan is presented in **Appendix A** to this report and represents the internal audit activity for the 2017/18 financial year.

Our Internal Audit Plan has been developed to take into account management's assessment of risk via the Corporate Risk Register as well as risks identified in the Service Risks Registers. In addition to this, we have held planning meetings with all Assistant Directors to gauge areas where our time would be best spent to provide them required assurance.

We also use our own risk assessment against each activity assessing reputational impact, change factor, financial risk, legal/statute, strategic priorities and health & safety risk. This allows us to prioritise possible areas to be included in the plan on the basis of risk.

The audit plan has been developed to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. The plan is therefore a statement of intent. Any changes to the agreed plan will only be made through a formal process involving the Director of Operations (Section 151 Officer) and reported to this Committee.

It should be noted that plan days are only indicative for planning our resources. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review. Any changes to individual plan items, in terms of days, are managed within the annual payment made by the Council. The plan is pulled together with a view to providing assurance to both Officers and Members that current risks faced by the Authority are adequately controlled and managed.

Our audit activity is split between:



Internal Audit Plan Continued

- Key Control Audit
- Governance, Fraud & Corruption Audit
- IT Audit
- Operational Audits
- Follow up Audits
- Non-Opinion/Other Reviews

The audit plan is notionally broken down across various audit categories; the following summarises each:

Key Control Audits – focus primarily on key risks relating to the Council’s major financial systems. The External Auditors have emphasised for this year that while they do not place reliance on the work of Internal Audit, they will continue to take assurance from it. The scope of some of these reviews will therefore change in emphasis to include controls that haven’t been included in previous years.

Governance, Fraud & Corruption Audits – The focus of the Governance reviews is primarily the key risks relating to cross cutting areas that are controlled and/or impact at a corporate rather than service level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting most of these reviews at all our Partner Sites.

Fraud will continue to be a focal point of our work programmes in all areas, but to support the Council we have a specialist team that are able to respond and carry out ad-hoc investigations if the need should arise.

IT Audits – are completed to provide the Authority with assurance with regards to their compliance with industry best practice. Some of these audits have come from previous year assessments and our awareness of current IT risks.

Operational Audits – are detailed evaluation of service or functions control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

Our audit activity is split between:



Internal Audit Plan Continued

- Key Control Audit
- Governance, Fraud & Corruption Audit
- IT Audit
- Operational Audits
- Follow up Audits
- Non-Opinion/Other Reviews

Follow Up Audits – Where an audit receives a Partial or No Assurance level, SWAP are required to carry out a follow up review to provide assurance that identified weaknesses have been addressed and risks mitigated. Known follow ups from work undertaken in the 2015-16 plan have been built in. A contingency has also been built in into the plan so that, should any early reviews be awarded this level of assurance, they can be followed up in a timely manner.

Non-Opinion Reviews – are undertaken at the specific request of management, where they may have some concerns or are looking for advice on a particular subject matter. Such reviews are not normally afforded an audit opinion.

| West Somerset Council Internal Audit Plan 2017-18 | |
|---|----------------------|
| Audit Type and Area | Number of Days (177) |
| Key Financial Control | |
| Main Accounting | 12 |
| Creditors | 12 |
| Debtors | 12 |
| Discretionary Payments - Housing | 6 |
| System Parameter testing Civica | 2 |
| Governance, Fraud & Corruption | |
| Business Rate Avoidance | 10 |
| Transformation | 10 |
| Compliance with IR35 | 2 |
| Culture & Ethics Survey | 2 |
| Procurement Analysis | 10 |
| Organised Crime - Compliance Checklist | 5 |
| IT Audit | |
| Cyber Security | 10 |
| Backups | 5 |
| Operational Audits | |
| Grants - DFG & Other | 10 |
| Parking maintenance | 6 |
| Development Control | 10 |
| Follow Up Audits | |
| Building Control | 2 |
| User Access Management | 3 |
| Homelessness | 4 |
| Licensing | 4 |
| Management Time | |
| Follow-up in year contingency | 8 |
| Corporate Advice | 8 |
| Committee Reporting & Attendance | 12 |
| Planning/Client Liaison | 12 |

Delivering Audit Excellence



Internal Audit Charter

West Somerset Council

South West Audit Partnership Ltd

South West Audit Partnership Ltd

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| | |
|-----------------------|--------------|
| Version | 1.1 |
| Date of last revision | 9 March 2017 |
| Last revision author | A R Woodland |
| Date for next review | March 2018 |

INTERNAL AUDIT CHARTER

Purpose

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

Approval

This Charter was approved by the Audit Committee on 25th September 2006 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Audit Committee¹ on 21st March 2016.

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Director - Operations (Section 151 Officer) in consultation with the Chief Executive of SWAP.

Role of Internal Audit

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

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

Responsibilities of Management and of Internal Audit

Management²

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Audit Committee.

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

¹ The Standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Audit Committee in this instance represents the Board.

² In this instance Management refers to the Joint Management Team.

Internal Audit

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

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

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

Relationship with the External Auditors/Other Regulatory Bodies

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

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive for SWAP and the Director of Quality also report to the Director of Operations, as Section 151 Officer, and reports to the Audit Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

Scope and authority of Internal Audit work

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

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

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether West Somerset Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;

- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.
- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

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

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

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

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Director - Operations (Section 151 Officer) and to other relevant line management.

The Chief Executive of SWAP will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

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

Revised March 2017

Report Number: WSC 34/17

West Somerset District Council

Audit Committee – 20 March 2017

Corporate Risk Management Update

This matter is the responsibility of Cllr Mandy Chilcott, Portfolio Holder for

Resources and Central Support

Report Author: Richard Doyle, Corporate Strategy & Performance Officer

1 Purpose of the Report

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

2 Recommendations

2.1 It is recommended that:-

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

3 Risk Assessment

Risk Matrix

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

4 Background and Full details of the Report

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

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

- 4.2 Risk management is a key element of the Council's overarching Governance arrangements.
- 4.3 The Corporate Risk Register is a 'live' document which highlights the key corporate risks facing the Council. The register is a joint one between Taunton Deane and West Somerset Council and is formally reviewed by JMT on a regular basis as part of the corporate performance review day. The last JMT review took place on **30th September 2016**. The next review is scheduled for **19th May 2017**.
- 4.4 These regular reviews ensure that new strategic-level risks can be recognised; continuing risks can be re-assessed in the light of management actions to date; and risks which are no longer considered important can be removed.
- 4.5 Risk registers exist with divisions, teams, projects and programmes. All these Risk Registers were updated in **January 2017**.
- 4.6 Risks which are managed at a corporate level are those which have a significant risk to the delivery of a corporate priority or which are cross-cutting risks that don't naturally sit with a single department or team. These risks have been identified and escalated from other risk registers within the Councils, officer concerns or from external sources.
- 4.7 There are currently **15** strategic risks identified and approved by JMT (**11** joint risks, **1** WSC risk and **3** TDBC specific risks).
- 4.8 Mitigating actions have continued to be delivered in respect of the various risks. These are set out in the risk register and will continue in order to manage down the risks to an acceptable level.
- 4.9 An extract of the corporate risk register is provided in Appendix A. Members are invited to review the register and consider whether all the appropriate Corporate Risks have been identified.
- 4.10 The key to the risk scoring used is shown in the following two tables:

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

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

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

| | | | | | | |
|------------------------|------------------------|---------------------|----------------|----------------------|------------------|-------------------|
| PROBABILITY (A) | Very Likely 5 | | | | | |
| | Likely 4 | | | | 7 | 6 |
| | Feasible 3 | | | 14 | 9,10,11 16,17 | |
| | Slight 2 | | | 13 | 3,4,5,8 | 2,15 |
| | Very Unlikely 1 | | | | | |
| | | Negligible 1 | Minor 2 | Significant 3 | Major 4 | Critical 5 |
| IMPACT (B) | | | | | | |

5 Links to Corporate Aims / Priorities

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

6 Finance / Resource Implications

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

7 Legal Implications

7.1 There are no direct legal implications within this report.

8 Environmental Impact Implications

8.1 There are no direct environmental risks within this report.

9 Safeguarding and/or Community Safety Implications

9.1 Safeguarding is part of risk 14

10 Equality and Diversity Implications

10.1 Equalities is part of risk 14

11 Social Value Implications

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

12 Partnership Implications

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

13 Health and Wellbeing Implications

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

14 Asset Management Implications

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

15 Consultation Implications

15.1 There are no Consultation implications associated with this report.

Democratic Path:

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

Reporting Frequency: Twice yearly

List of Appendices

| | |
|------------|--|
| Appendix A | Extract of joint Corporate Risk Register |
|------------|--|

Contact Officers

| | |
|-------------|-----------------------------|
| Name | Richard Doyle |
| Direct Dial | 01823 218743 |
| Email | r.doyle@tauntondeane.gov.uk |

| Risk Num | Org | Risk Group Heading | Risk Description | Risk Owner | Latest Probability | Latest Impact | Latest Score |
|----------|------|--------------------|--|---------------|--------------------|---------------|--------------|
| 2 | BOTH | Transformation | <p>THE TRANSFORMATION PROGRAMME</p> <p>RISK - failure to deliver the business Case on time and/or to target.</p> <p>KEY EFFECTS - programme benefits not realised- real or opportunity cost in terms of financial or non-financial efficiency. Reputational damage.</p> | Richard Sealy | 2 | 5 | 10 |
| 3 | BOTH | Transformation | <p>SHARED SERVICES ACROSS SOMERSET & WIDER PUBLIC SECTOR</p> <p>Government policy is pushing wider transformation of public sector.</p> <p>RISK - the organisation is too inward looking and wider opportunities may be missed (opportunity risk) and /or the council is not shaping its destiny through not engaging in strategic conversations (eg devolution).</p> <p>KEY EFFECTS - failure to maximise efficiencies. Having strategic change imposed (eg being done to) on terms agreed by others.</p> | Penny James | 2 | 4 | 8 |
| 4 | BOTH | Political | <p>NATIONAL LAW & POLICY</p> <p>Changes advocated or made maybe missed or not evaluated in a timely manner.</p> <p>RISK - that the Councils are failing to meet an existing legislative requirement or fail to implement new requirements.</p> <p>KEY EFFECTS - The Councils are non-compliant leading to financial and /or reputational damage.</p> | Penny James | 2 | 4 | 8 |
| 5 | BOTH | Financial | <p>ASSET MANAGEMENT</p> <p>RISK - failure to manage existing assets appropriately. KEY EFFECTS -</p> <ul style="list-style-type: none"> • Legal and reputational - increased risk & liabilities in relation to disrepair (condition) & compliance (Health and Safety) matters | Terry May | 2 | 4 | 8 |

| | | | | | | | |
|---|------|---------------------|---|---------------|---|---|----|
| 6 | BOTH | Financial | <p>MEDIUM TERM FINANCIAL PLANNING (MTFP)</p> <p>The key financial risk factors are: continuing budgetary pressures due to demographic change and the impact of the Gov's austerity measures (such as: Business Rates retention, Revenue Support Grant, Council Tax & Council Tax Support, Income from Fees & Charges, Capital investment), uncertainty as to the long-term sustainability / affordability of the existing contract with Somerset Waste Partnership, the shrinking of the General Fund (impact on the HRA).</p> <p>RISK - failure to agree and deliver a sustainable MTFP for the next 5 years</p> <p>KEY EFFECTS - may include:</p> <ul style="list-style-type: none"> • short-term or 'knee jerk' decisions with detrimental long-term implications • Government intervention • Adverse impact on the council's limited reserves & financial standing • Potential service closure / reduced service quality & therefore inability to deliver customer expectations • Insufficient capital resources to fund Corporate Strategy objectives • Unable to maximise investment returns • For TDBC inability to financially resource its growth ambitions • For West Somerset the risk is of being unable to continue to operate as a viable separate sovereign council, delivering an acceptable level of service to the community. | Shirlene Adam | 4 | 5 | 20 |
| 7 | TDBC | Partnerships | <p>REPLACEMENT SAP SYSTEMS</p> <p>At present TDBC is in the process of implementing 2 new core systems, namely a new Finance and Procurement system and a new HR system. Implementation of these systems is proceeding but both are on the critical path with no margin for further slippage.</p> <p>Risk: That systems will not be ready for use by 1 April and that staff will not be confident in their operation for ongoing use</p> | Paul Carter | 4 | 4 | 16 |
| 8 | BOTH | Leadership & People | <p>POLITICAL LEADERSHIP & MEMBER ENGAGEMENT</p> <p>Both Councils are led by strong Conservative administrations. It is important to engage the whole council in the change programme to ensure it is member led & steered.</p> <p>RISK - lack of member engagement and therefore member ownership. KEY EFFECTS -</p> <ul style="list-style-type: none"> • lack of cross party buy in and ownership • loss of member input, ideas & challenge | Penny James | 2 | 4 | 8 |

| | | | | | | | |
|----|------|----------------------|---|------------------|---|---|----|
| 9 | TDBC | Corporate Aim (TDBC) | <p>CORPORATE (STRATEGIC) RISK RE TDBC'S VISION AND AIMS FOR A "QUALITY PLACE"</p> <p>RISK - Failure to deliver the ambitions or realise the outcomes & benefits as defined in the Taunton Growth Prospectus and Taunton Rethink.</p> <p>KEY EFFECTS - Taunton's key economic challenges may not be addressed, thus having a detrimental impact on the local economy and quality of life, ie:</p> <ul style="list-style-type: none"> • transport & infrastructure needs not met - traffic worsens, inability to attract inward business investment • long-term increased flood risk (climate change) is not mitigated - no additional protection offered to existing development, future planned growth is prevented • Taunton town centre regeneration does not happen and the town centre stagnates • Taunton's full economic potential is not realised and opportunities for economic growth are not exploited (eg Hinkley Point) • Housing growth (as per proposals in the Development Plan) is not delivered, and/or unplanned development occurs • Employment land (as per proposals in the Development Plan) is not delivered, or fails to provide the optimum mix of uses to attract the targeted growth clusters • opportunity cost in terms of New Homes Bonus and Business Rates • Poor reputation for Taunton and TDBC | Brendan Cleere | 3 | 4 | 12 |
| 10 | WSC | Corporate Aim (WSC) | <p>HINKLEY POINT C</p> <p>RISK 1 - that the development could have an adverse impact on the local environment, tourism, accommodation and highways.</p> <p>RISK 2 - failure to realise the Economic & Social opportunities which the development could bring KEY EFFECTS -</p> <ul style="list-style-type: none"> • increase in housing demand & lack of affordable housing leading to homelessness increases and the council is unable to discharge its homelessness obligations; • increased congestion (impacting on Growth & Regeneration goals / inward investment) • Local businesses are not able to win contracts to participate in the project • Local people aren't trained and are unable to gain employment on the project | Andrew Goodchild | 3 | 4 | 12 |

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|----|------|-------------|--|--------------------------------|---|---|----|
| 11 | BOTH | Communities | <p>WELFARE REFORMS</p> <p>There is an on-going requirement to reduce benefit payments (CTRS, Business Rates, Universal Credit) - the Welfare Reforms will mean that people in the welfare system will receive less Council Tax support. It will also mean that Universal Credit will be paid directly to tenants rather than the HRA housing landlord.</p> <p>a) RISK - of the Council failing to adequately support our community and services for the impact of the Government's Welfare Reform Agenda.</p> <p>b) RISK - of the TDBC Housing Service having substantially reduced collection rates on introduction of Universal Credit</p> <p>KEY EFFECTS-</p> <ul style="list-style-type: none"> • taxes and rents harder to collect • reduced rent collection could affect ambitions of HRA business plan & 30 year B.P. • more vulnerable people - individuals & families may be unable to manage • increased pressure and demand on services • Timetable unknown • Result in more evictions which will increase pressure on the Housing Options & Homelessness Teams | Simon Lewis Paul Fitzgerald | 3 | 4 | 12 |
| 13 | TDBC | Communities | <p>GYPSIES & TRAVELLERS</p> <p>Local Authorities have a (planning) duty to allocate suitable provision for Gypsies & Travellers. TDBC has had previous experience of illegal Gypsy & Traveller encampments.</p> <p>RISK - that TDBC cannot defend against future illegal encampments if we are unable to identify suitable provision.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • unable to respond to community or political pressure; • financial impact (eg high legal fees); • reputational damage • lack of land management and gypsy liaison expertise | Tim Burton Terry May | 2 | 3 | 6 |

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|----|------|----------------------|---|---------------|---|---|----|
| 14 | BOTH | Corporate Governance | <p>CORPORATE GOVERNANCE ARRANGEMENTS ON RUNNING THE BUSINESS</p> <p>There is a need for robust arrangements, and on-going monitoring and focus on embedding effective corporate governance arrangements (ie budget monitoring, risk management, debt management, performance management, Treasury management, compliance with audit recommendations, asset management, Equalities duties, Business Continuity Planning, Information Governance & Security, Health & Safety management).</p> <p>RISK - of failure to comply with key internal controls & corporate governance arrangements. KEY EFFECTS - include:</p> <ul style="list-style-type: none"> • inaccurate budget forecasting & financial loss • failure to adhere to HRA ring fence • project or service failure or under-performance • reputational damage • Government intervention • Failure to comply with statutory duties & regulations (eg Health & Safety, Equalities, Data Security / Data Protection, Safeguarding) causing harm or injury • lack of resilience to unexpected events / failure of IT systems / data loss •safeguarding | Shirlene Adam | 3 | 3 | 9 |
| 15 | BOTH | Corporate Governance | <p>BUSINESS CONTINUITY</p> <p>RISK - The Council may be unable to deliver critical services in the event of a critical loss of accommodation, data, power, staff or premises.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • major disruption to services; • Impact upon customers if critical services (payment of housing costs, homeless service, Deane helpline etc) are disrupted or unavailable. • Reputational damage; | Paul Carter | 2 | 5 | 10 |
| 16 | BOTH | Leadership & People | <p>STAFF ENGAGEMENT & DEVELOPMENT</p> <p>RISK - that due to increased opportunities in the private sector, as the economy improves, and austerity continues within the public sector that the organisation finds it difficult to attract and retain the right skills - leads to use of expensive agency workers or disruption to service provision.</p> <p>The Organisation has also been through a period of significant restructure and needs to ensure its staff are fully engaged in the changes underway and being planned.</p> | Shirlene Adam | 3 | 4 | 12 |

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|----|------|-------------|---|----|
| 17 | BOTH | Communities | COMMUNITY IMPACT OF AUSTERITY | 12 |
| | | | <p>RISK - Austerity measures will impact on services to the community.</p> <p>KEY EFFECTS - This may manifest in a number of ways including (but not limited to):</p> <ul style="list-style-type: none"> • direct impact on household income e.g. through cap / reduction in benefits - leading to increased debt and subsequent issues • Lack of income where households are subject to DWP sanctions - leading to crisis and requirement for food banks • Reduced ability to pay council tax, housing rent (Council or private) and utility bills, leading to potential evictions, homelessness and health issues • reduction in level of support that can be delivered by the district councils directly, or through grant-funded providers e.g. reduced ability to support One Team measures through rent changes to HRA - leading to reduced support for deprived communities • Reduced ability to support Under 21s where they are unable to claim HB and need support with potential of increased homelessness and sofa surfing and associated risks (e.g. CSE) • impact of service reductions by other local authorities such as County Council (e.g. P4A and P21 cuts leading to increased homelessness) • Increasing aging population with unmet Health and Social Care needs struggling to live comfortably | |
| | | | Simon Lewis Paul Fitzgerald | |
| | | | | 4 |
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Report Number: WSC 35/17

West Somerset District Council

Audit Committee – 20th March 2017

Corporate Governance Action Plan Update

This matter is the responsibility of Cllr Mandy Chilcott Portfolio Holder for Resources and Central Support

Report Author: Richard Doyle, Corporate Strategy & Performance Officer

1 Purpose of the Report

- 1.1 This report provides an update of progress against the Annual Governance Statement Action Plan.

2 Recommendations

- 2.1 It is recommended that:-

- The committee Members are asked to note current progress in relation to completing the actions identified within the Annual Governance Statement.

3 Risk Assessment

Risk Matrix

| Description | Likelihood | Impact | Overall |
|---|-----------------|--------------------|----------------|
| There is the general risk that if the Council fails to keep its controls and governance arrangements under review they could cease to be appropriate and lead to uncontrolled exposure to high level strategic and operational risks. | Feasible (3) | Major (4) | Medium (12) |
| <i>The mitigation for this will be for the Council to formally review the internal controls for governance of its affairs, identify opportunities for improvement and implement these.</i> | Unlikely (2) | Significant (3) | Low (6) |

4 Background and Full details of the Report

- 4.1 The Annual Governance Statement (AGS) is a statutory document which provides assurance on the governance arrangements in place within the Council. The statement is produced following a review of the council's governance arrangements.

4.2 The AGS includes an action plan to address any new governance issues identified by the Corporate Governance Officers Group; relying on reports from internal and external audit as well as their own understanding of the organisation.

5 The Action Plan

5.1 The action plan is set out in Appendix A.

6 Links to Corporate Aims / Priorities

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

6 Finance / Resource Implications

6.1 None – this is a governance matter.

7 Legal Implications

7.1 Regulation 4 of The Accounts and Audit (England) Regulations 2011 requires that the Council must conduct a review at least once a year of the effectiveness of its systems of internal control and committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

8 Environmental Impact Implications

8.1 There are no direct environmental risks within this report.

9 Safeguarding and/or Community Safety Implications

9.1 There are no safeguarding and /or community safety implications associated with this report.

10 Equality and Diversity Implications

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

11 Social Value Implications

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

12 Partnership Implications

12.1 There are no direct partnership implications associated with this report.

13 Health and Wellbeing Implications

13.1 There are no direct health and wellbeing risk associated with this report.

14 Asset Management Implications

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

15 Consultation Implications

15.1 There are no Consultation implications associated with this report.

Democratic Path:

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

Reporting Frequency: Twice yearly

List of Appendices

| | |
|------------|-------------------------|
| Appendix A | AGS Action Plan 2016/17 |
|------------|-------------------------|

Contact Officers

| | |
|-------------|-----------------------------|
| Name | Richard Doyle |
| Direct Dial | 01823 218743 |
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| Ref | Action | Update |
|-----|---|--|
| 1 | Introduce a corporate process for reviewing and documenting decisions regarding the prioritisation of internal audit recommendations. | This has been overtaken by focus on the new Council and Transformation. |
| 2 | Facilitate a self-assessment of the effectiveness of the Audit (WSC) and Corporate Governance Committees (TDBC) - based upon CIPFA guidance 2013 and identify training needs flowing from this. | <p>We intended to undertake Audit committee training in Taunton as we have a new Chair and Deputy and following this discuss the question of self-assessments with each Chair.</p> <p>SWAP organised two identical events which were held on Wednesday 12th October at Buckfast Abbey, Devon and on Tuesday 25th October at Sparkford Motor Museum, Somerset.</p> <p>The training events considered what made an effective audit committee, how poor ethics and culture have a negative impact, the Brexit effect and what it meant for our organisations.</p> |
| 3 | Undertake a review of the Decision-Making Processes within the Councils to ensure it is efficient and effective in terms of both officer and Member involvement. | Following Council decision in the summer of 2016 this item will now be progressed as part of the new council implementation. |

Report Number: WSC 36/17

West Somerset District Council

Audit Committee – 20th March 2017

Overdue high priority SWAP Audit Recommendations

This matter is the responsibility of Cllr Mandy Chilcott, Portfolio Holder for Resources and Central Support

Report Author: Richard Doyle, Corporate Strategy & Performance Officer

1 Purpose of the Report

- 1.1 This report provides Members with a position statement on the SWAP audit recommendations for West Somerset District Council, which were assessed as high and very high priority, where the agreed remedial action is overdue.

2 Recommendations

- 2.1 It is recommended that:-

- The committee review the overdue actions.

3 Risk Assessment

Risk Matrix

| Description | Likelihood | Impact | Overall |
|---|-----------------|--------------|---------------|
| The Council is exposed to risk through inadequate systems and processes identified through SWAP audits. | Likely (4) | Major (4) | High (16) |
| The mitigation for this is the timely completion of agreed remedial actions, | Unlikely (2) | Major (4) | Medium (8) |

4 Background and Full details of the Report

- 4.1 West Somerset DC engage the South West Audit Partnership (SWAP) to carry out internal audit functions; checking the adequacy of controls and procedures across the whole range of Council services.
- 4.2 At the start of each financial year an audit plan is agreed between SWAP and the Council which identifies the areas of highest potential organisational and operational risk within the Council.

- 4.3 When an audit takes place a report is provided to the service manager concerned which gives an audit conclusion and opinion.
- 4.4 Any control or procedural weaknesses are identified within an action plan appended to the audit report.
- 4.5 All findings will be allocated one of 5 priority ratings. With priority 5 carrying the most significant risk to the service (not necessarily to the wider Council) and priority 1 the least significant risk.

The definitions used are provided below:

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

- 4.6 Each finding within the action plan contains a target implementation date which has been agreed between SWAP and the service manager concerned.
- 4.7 All priority 4 and 5 recommendations are captured in a register to ensure progress against the recommendations can be tracked and progress reported to JMT and the Audit/Corporate Governance Committees at Taunton Deane and West Somerset Councils.
- 4.8 This report highlights the Priority 4 and 5 audit actions affecting West Somerset District Council, where the agreed remedial action is overdue. On this occasion there are **6 priority 4** actions which are overdue but **zero overdue priority 5** recommendations for West Somerset District Council.
- 4.9 A summary of the overdue actions is provided in Appendix A.

5 Links to Corporate Aims / Priorities

- 5.1 There are no direct links to corporate aims/priorities although good governance and robust controls and processes underpin good performance.

6 Finance / Resource Implications

- 6.1 Unmitigated risks identified by SWAP could expose the Council to unanticipated claims, expenditure or exposure to fraud.

7 Legal Implications

- 7.1 There are no direct legal implications within this report although unmitigated risks could expose the Council to unanticipated claims.

8 Environmental Impact Implications

- 8.1 There are no direct environmental impact implications associated with this report.

9 Safeguarding and/or Community Safety Implications

- 9.1 There are no safeguarding implications associated with this report. There are Community safety implications in relation to public safety risks associated with tree surveys.

10 Equality and Diversity Implications

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

11 Social Value Implications

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

12 Partnership Implications

- 12.1 The majority of Council services are delivered through shared services arrangements with Taunton Deane Borough Council.

13 Health and Wellbeing Implications

- 13.1 There are no direct health and wellbeing implications associated with this report.

14 Asset Management Implications

- 14.1 There are asset management implications associated with this report.

15 Consultation Implications

- 15.1 There are no Consultation implications associated with this report.

Democratic Path:

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

Reporting Frequency: Twice yearly

List of Appendices (delete if not applicable)

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| Appendix A | Summary of overdue priority 4 and 5 SWAP audit recommendations |
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Contact Officers

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|-------------|-----------------------------|
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| Audit Report | Finding | Priority | Recommendation | Management Response | Original Implementation Date | Progress Update | AD Responsible | Org |
|--|---|----------|--|--|------------------------------|--|-----------------------|-----|
| WSC - Contract Management Bribery - 23.07.2015 | 3.1a The procurement function is not limited enough to ensure each Officer involved has an appropriate level of knowledge and training. | 4 - High | I recommend the Assistant Director - Resources ensures the ability to carry out procurement is suitably limited and staff have received appropriate training. | Agreed | December 2015 | March 2016: Procurement activity is quite limited, and specialist advice is available through SHAPE legal services or is 'bought in' as necessary e.g. in complex land and property transactions. Unfortunately it has not been possible to progress robust action during 2015/16. This will be added to the 'Service Plan' for 2016/17 which will include a review of the procurement 'function', and associated responsibilities and training. It is proposed the target date is revised to March 2017. | Fitzgerald, Paul;#127 | WSC |
| WSC - Contract Management Bribery - 23.07.2015 | 3.4a There is currently no assurance that the contract standing orders and the anti-bribery policy is embedded within the Council. | 4 - High | I recommend the Corporate Strategy and Performance Manager raise awareness of these rules and policies at the appropriate level within the Council. | Agreed - once action 1.1a is complete and a single, refreshed anti-bribery policy is in place this will be an agenda item for the Tier 4 Managers meeting. | January 2016 | Aug 2016 update: : The responsibility within the recommendation for this should be revised to the AD Resources. Actions are partly completed. The Anti-Bribery policy (together with Anti-Fraud and Corruption Policy, Whistle-Blowing Policy and Anti Money Laundering Policy) have been reviewed and updated and are available on the Intranet for staff. Work on updating the contract standing orders was put on hold pending the outcome of the Transformation Business Case. Suggest a revised target date of March 2017. | Fitzgerald, Paul;#127 | WSC |
| WSC Asset Management 2014-15 Follow Up | Asset Management Strategy linking to corporate priorities. | 4 - High | I recommend that the Asset Manager considers the style and content of the future Asset Management Strategy and seeks to ensure it is strategic in its outlook with clear linking to corporate priorities for the Council and that the Asset Management Plan provides sufficient detailed information for tracking progress . | In line with work plan, this is to be refreshed during early 2016 and will reflect current position and future aspirations, new structure and responsibilities. | June 2016 | New 'Asset Management Strategy' has been developed complete with recommendations of options for individual property assets, bases on 'Protocols' for Councilors to decided and agree. Document in consultation with next meeting WSC Informal Special Cabinet Meeting 1st March. With a timetable for further consultation as follows: PAG - 29th March Scrutiny - 7th April Cabinet 17th May Full Council - 19th July | May, Terry;#190 | WSC |
| WSC Asset Management 2014-15 Follow Up | 1. 1b Development of new Asset Management Plan | 4 - High | I recommend that the Asset Manager in completing the development of a new asset management plan for the council ensures provision is made for periodic refreshing of priorities and agreed actions over the planning cycle. | Agreed - will be tracked through Asset Management Group. | June 2016 | New 'Asset Management Strategy' has been developed complete with recommendations of options for individual property assets, bases on 'Protocols' for Councilors to decided and agree. Document in consultation with next meeting WSC Informal Special Cabinet Meeting 1st March. With a timetable for further consultation as follows: PAG - 29th March Scrutiny - 7th April Cabinet 17th May Full Council - 19th July | May, Terry;#190 | WSC |
| WSC Asset Management 2014-15 Follow Up | 4.3b Need for fundamental review of property database and adequacy in supporting information requirements. | 4 - High | I recommend that the Asset Manager reviews the use of the current Access database in its current role in recording individual property ownership costs and whether it is appropriate and can be resourced to continue in this manner. | Will be replaced with a new Asset Management System with processes relating to initial data capture and also subsequent updating. | | Review completed. Data collected and held within Excel Spreadsheet, whilst a timetable for development of a new asset database to hold and manage information and WSC Asset Property Portfolio as per the new strategy document. | May, Terry;#190 | WSC |
| WSC Homelessness | Leased properties are not all compliant with Gas safety regulations. | 4 - High | I recommend that the Housing Options, Advice and Homeless Manager ensures that the service take urgent action to ensure that all leased properties in use are covered by a current Gas Safety certificate. | This process needs to be looked into to ensure properties remain compliant. Where internal resources cannot deliver the certificate and external service will be procured. | DEC 2016 | There were problems getting the DLO to do a gas cert check in the West Somerset area for our temporary accommodation at Summerlands Place. This has now been rectified and the Senior Housing Options Officer has been informed that if there are any problems in the future to contact the Housing Options, Advice and Homeless Manager who will discuss with the head of service to ensure that it is not late again. At the moment there is one gas check outstanding for Mallards Way. This is due to a tenant refusing the council access to carry this out. We have issued eviction procedures for this and the tenant will be leaving in 2 weeks time. The Gas Check will be carried out as soon as possible on the property before it is re-let again. | Lewis, Simon;#125 | WSC |

