

Public Document Pack

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Date: Wednesday, 1 March 2023

To: All Members of the Audit Committee

Dear Sir or Madam

Summons to attend the Audit Committee – Thursday, 9 March 2023, 10.30 am – Kenn Room, Town Hall

You are requested to attend the Meeting of the Audit Committee to be held at 10.30 am on Thursday 9 March 2023.

The agenda is set out overleaf.

Yours faithfully

Assistant Director Legal & Governance and Monitoring Officer

To: Members of the Audit Committee

Councillors:

John Cato (Chairperson), Sandra Hearne (Vice Chairperson), Patrick Keating, Marcia Pepperall and Richard Tucker

Independent Members:

Peter Bray, Sharon Colk

This document and associated papers can be made available in a different format on request.

Agenda

1. Public Participation (Standing Order 17 as amended by SO 5A) (Agenda item 1)

To receive written submissions from any person who wishes to address the Committee. The Chairperson will select the order of the matters to be received.

Please ensure that any submissions meet the required time limits and can be read out in five minutes (up to a maximum of 30 minutes).

Requests and full statements must be submitted in writing to the Assistant Director Legal & Governance and Monitoring Officer, or to the officer mentioned at the top of this agenda letter, by noon on the day before the meeting and the request must detail the subject matter of the address.

2. Apologies for absence and notification of substitutes (Agenda item 2)

3. Declaration of Disclosable Pecuniary Interest (Standing Order 37) (Agenda item 3)

A Member must declare any disclosable pecuniary interest where it relates to any matter being considered at the meeting. A declaration of a disclosable pecuniary interest should indicate the interest and the agenda item to which it relates. A Member is not permitted to participate in this agenda item by law and should immediately leave the meeting before the start of any debate.

If the Member leaves the meeting in respect of a declaration, he or she should ensure that the Chairperson is aware of this before he or she leaves to enable their exit from the meeting to be recorded in the minutes in accordance with Standing Order 37.

4. Minutes (Agenda item 4) (Pages 5 - 14)

26 January 2023 to approve as a correct record (attached)

5. Matters referred by Council, the Executive, other Committees and Panels (if any) (Agenda item 5)

6. Q3 Risk Management Update 2022/23 (Agenda item 6) (Pages 15 - 40)

Report of Head of Business Insight, Policy and Partnerships (attached)

7. Audit and Assurance Plan 2023-24 (Agenda item 7) (Pages 41 - 58)

Report of Head of Audit & Assurance (attached)

8. Counter Fraud Update (Agenda item 8) (Pages 59 - 64)

Report of Head of Audit and Assurance (attached)

9. External Auditor Reports (Agenda item 9) (Pages 65 - 116)

(1) North Somerset Council Audit Committee Progress Report & Sector Update

(2) Audit Findings for North Somerset Council

Reports of External Auditor (attached)

**10. Urgent business permitted by the Local Government Act 1972 (if any)
(Agenda item 10)**

Any item of business which the Chairperson is of the opinion should be considered at the meeting as a matter of urgency by reason of special circumstances (to be specified in the Minutes). For a matter to be considered as an urgent item, the following question must be addressed:

“What harm to the public interest would flow from leaving it until the next meeting?” If harm can be demonstrated, then it is open to the Chairperson to rule that it be considered as urgent. Otherwise the matter cannot be considered urgent within the statutory provisions.

Exempt Items

Should the Audit Committee wish to consider a matter as an Exempt Item, the following resolution should be passed -

“(1) That the press, public, and officers not required by the Members, the Chief Executive or the Director, to remain during the exempt session, be excluded from the meeting during consideration of the following item of business on the ground that its consideration will involve the disclosure of exempt information as defined in Section 100I of the Local Government Act 1972.”

Also, if appropriate, the following resolution should be passed –

“(2) That members of the Council who are not members of the Audit Committee be invited to remain.”

Mobile phones and other mobile devices

All persons attending the meeting are requested to ensure that these devices are switched to silent mode. The chairman may approve an exception to this request in special circumstances.

Filming and recording of meetings

The proceedings of this meeting may be recorded for broadcasting purposes.

Anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the Chairman. Any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting,

focusing only on those actively participating in the meeting and having regard to the wishes of any members of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Assistant Director Legal & Governance and Monitoring Officer's representative before the start of the meeting so that all those present may be made aware that it is happening.

Members of the public may also use Facebook and Twitter or other forms of social media to report on proceedings at this meeting.

Emergency Evacuation Procedure

On hearing the alarm – (a continuous two tone siren)

Leave the room by the nearest exit door. Ensure that windows are closed.

Last person out to close the door.

Do not stop to collect personal belongings.

Do not use the lifts.

Follow the green and white exit signs and make your way to the assembly point.

Do not re-enter the building until authorised to do so by the Fire Authority.

Go to Assembly Point C – Outside the offices formerly occupied by Stephen & Co

Minutes

of the Meeting of

The Audit Committee

Thursday, 26 January 2023

Kenn Room, Town Hall, Weston-super-Mare

Meeting Commenced: 10.30 am

Meeting Concluded: 12.40 pm

Councillors:

John Cato (Chairperson)

Sandra Hearne (Vice Chairperson)

Marcia Pepperall

Richard Tucker

Apologies: Councillor Patrick Keating

Independent Members: Peter Bray, Sharon Colk

Also in attendance: David Johnson, Grant Thornton

Officers in attendance: Amy Webb (Director of Corporate Services), Melanie Watts (Head of Finance), Mark Anderson (Principal Accountant Resources), Stephen Ballard (Principal Accountant, Closure and Systems), Peter Cann (Head of Audit and Assurance), Michèle Chesterman (Committee Services Senior Officer), Emma Diakou (Head of Business Insight, Policy and Partnerships), Jess Robinson (Committee Services Support Officer)

AUD 19 Declaration of Disclosable Pecuniary Interest (Standing Order 37) (Agenda item 3)

None

AUD 20 Minutes of the meeting held on 24 November 2022 (Agenda item 4)

Resolved: that the minutes of the meeting be **approved** as a correct record

AUD 21 Risk Management Q2 Update (Agenda item 6)

The Head of Business Insight, Policy and Partnerships provided a verbal update on the directorate risk registers and against the strategic risk register as of the end of Q2.

The report was verbally presented and circulated post meeting due to being omitted from the Mod Gov pack in error.

It was reported that there were 14 risks in the strategic risk register as of Q2 which compared to 12 risks in Q1. Members noted that an additional 2 risks had been added during Q2 and that the 2 additional risks related to a risk that the Council did not have the financial resources and capacity to deliver care reforms and the risk that there would be rolling blackouts over the winter period affecting the council, partners, businesses and residents.

Members noted the high scoring risks which were the risk that the council was unable to deliver its priorities by not planning to meet the Medium Term Financial challenge and delivering a balanced budget; the risk that the council was unable to reduce or mitigate inflationary pressures (such as energy prices), resulting in impacts on services; the risk of increased demands on social care or market demands within available financial or staffing resources or adult social care; the risk that of the council being unable to deliver sustainable change in children's services at the right pace of the improvement journey; the risk that despite protecting the council's systems and essential data from cyber-attacks, malicious attempts to damage critical services within the council could be disruptive and risks to achieving a net zero position by 2030 given current resources and sphere of influence.

Two risks had been de-escalated from Q1 to Q2 from HIGH to MEDHIGH and MED which were the risks of ineffective recruitment across the organisation leading to capacity issues in key areas and the risk that the demand for children's social care and SEND placements within available resources was not managed. One risk was escalated from Q1 to Q2 from MEDHIGH to HIGH. This was the risk that the council did not manage the increased demands on social care or market demands within available financial or staffing resources for adult social care.

It was reported that there were 85 reportable risks across the five council directorates (Adults, Children's Services, Corporate Services, Place, and Public Health and Regulatory Services). Some of these risks were similar to the risks which had been escalated to the strategic risk register and are therefore held at both directorate and strategic level.

Members were informed that following inherent risk scoring, all risks were identified for mitigation. After mitigating actions were applied, 22 risks remain HIGH, down from 23 HIGH risks in Q1:

The High scoring risks were highlighted as follows:

- Risk that we do not manage the market demands and demographic changes on the cost of adult's social care within available resources (Adults directorate).
- Risk that we do not fulfil our statutory duties to safeguard adults as part of transition planning (Adults directorate).
- Risk that we do not manage budgets effectively in-year and ensure a balanced budget (Children's directorate).
- Risk that we do not deliver savings against the Medium-term Financial Plan (Children's directorate).
- Risk that we do not recruit/retain sufficient staff across the directorate (Children's directorate).

- Risk that we do not deliver sustainable change in Children's Services at the right pace of the improvement journey (Children's directorate).
- Risk that we are unable to deliver the priorities of the council by not planning to meet the medium-term financial challenge and delivering a balanced budget (Corporate Services directorate).
- Risk of the financial envelope of the pay award and the impact on the budget (Corporate Services directorate).
- Risk of election not being delivered due to legislative changes resulting in timescales and/or requirements that are not deliverable (Corporate Services directorate).
- Risk of CPD online experiencing financial difficulties (Corporate Services directorate).
- Risk of cyber-attacks and malicious attempts to damage critical services within the council (Corporate Services directorate).
- Risk that we do not manage revenue budgets effectively in-year and ensure a balanced budget (Place directorate).
- Risk that we do not deliver savings against the Medium-term Financial Plan (Place directorate).
- Risks of significant financial pressures across the directorate resulting in contract risks and service delivery risks due to increases in energy costs and inflation (Place directorate).
- Risk that the home to school transport service continues to show volatility in financial performance due to cost pressures, increased demand and complex nature of contracts (Place directorate).
- Failure to recruit / retain skilled roles leading to failure to deliver decisions within agreed timescales (Place directorate).
- Risks to achieving a net zero position by 2030 given current resources and sphere of influence (Place directorate).
- Flood risk - climate change and rising sea levels present a significant risk to people, property, and the economy on low lying land across North Somerset (Place directorate).
- Risk of non-delivery of behaviour change for transport leads to severance, road safety dangers, lack of decarbonisation (Place directorate).
- Risk to development of transport and highways scheme pipeline and delivery of projects (Place directorate).
- Risk related to all council owned trees (tree risk management) (Place directorate).
- Ash dieback risk - health and safety risk from falling trees, financial risk as cost of removal is high (Place directorate).

The treatment for all risks following mitigations was to ACCEPT as the activity aligned to each risk could not be CEASED.

All Annual Directorate Statement commitments that were AMBER/RED or RED were reviewed as at end of Q2 to identify if a risk was aligned to them within the strategic and directorate risk registers and if not, to consider whether they should be. This ensures a clear link between the business planning framework and the risk management framework. Members noted that as of end Q2, 9 commitments were rated AMBER/RED. 4 commitments were RED. Of these AMBER/RED and RED commitments all were reflected in the strategic and/or directorate risk registers.

Members asked questions on the following:

Q Could clarification be provided regarding any staffing issues within Children's Services?

A North Somerset is not breaching the threshold criteria for turnover or vacancies within the service area.

Q What is the level of confidence for recruiting the people needed by the Council?

A Medium

Q What financial risk does the Workspace in the Sovereign Centre pose?

A The operation of this space has been contracted to a third-party operator and that the initiative was funded by the Building Back Better Grant, therefore this is not considered a risk for North Somerset Council

Q What is the impact of strike action and should this should be considered as an item to add to the risk register?

A This was assessed in the last financial year and is included in the Directorate Register and does not currently pose a strategic risk.

Q How do we know we have not missed items on the risk register?

A Risks are reviewed every quarter and monthly discussions with CLT took place. In the last quarter there were 2 more strategic risks

Resolved: that the oral report be **noted** and a copy of the report be circulated post meeting for any further comments at the next meeting.

AUD 22 Annual Governance Statement 2022/23 (Agenda item 7)

The Head of Audit and Assurance (Audit West) presented the report on the process for completion of the Annual Governance Statement for 2022/23.

In presenting the report, he noted that the Audit Committee had specific terms of reference given to it which required it to consider the Annual Governance Statement (AGS) and the framework which supported it. He commented that the AGS was based on the Local Code of Corporate Governance which could be found in the report's Appendix 1 and noted that was similar to that of previous years. The Annual Governance Statement required ratification by the Audit Committee as part of the Annual Accounts approval process.

The Committee was being asked to note that whilst the report described the outline process for completion of the statement, work would be completed with the Council's Section 151 Officer as the statement was compiled to identify any detailed parts of the process which may benefit from being refreshed. Ahead of this, any comments from the Committee were welcomed.

Members were advised that feedback previously provided by the Audit Committee in respect of amendments to wording and presentation (Accounts Workshop September 2022) would be contained in the 2022/23 statement.

Members were informed that there had been two significant issues identified in the 2021/22 statement; i) Coronavirus Pandemic (COVID-19) and consequent ongoing implications around: impact on public health, the local economy, financial

and organisational resilience, democracy and safeguarding, and ii) Capital Governance, identifying the need to enable greater transparency and oversight in this area through providing a clear, consistent and proportionate reporting mechanism.

Members noted the definition of a significant issue as being one of the following: significant failures in decision making at Council or Executive; significant unexpected use of Resources; significant performance failings or failures in service delivery; significant issues from inspections, audits, complaints etc; significant issues, failures in respect of statutory duties; significant issues from operational issues and third parties.

Further, whilst the statement formed part of the Annual Accounts it was a separate document and was a management statement which was signed/authorised by the Chief Executive and Leader of the Council before being presented to the Audit Committee.

Members noted the need for review periods to be displayed in a clear and transparent way whilst placing emphasis on the Principals of Good Governance. It was suggested that the Principals of Good Governance could be moved to a more prominent position on the report. The representative agreed to check these and also align with the Nolan Principles.

Q Would it be worth noting something about managing member and officer conflict of interest?

A This can be raised in the main part of the document.

Resolved: that the report and process for the Annual Governance Statement be noted

AUD 23 Internal Audit Plan 2023/24 - Audit Committee Consultation (Agenda item 8)

The Head of Audit and Assurance (Audit West) presented the process for how the Internal Audit Plan 2023/24 would be produced to members. The report updated the Audit Committee on the methodology that would be used to create the Internal Audit Plan and asked for comments on areas or themes to be considered within the plan for 2023/24. Members were informed that the intention was to keep the plan under constant review.

The model used to develop the audit plan – the Reasonable Assurance Model (previously reported to Audit Committee and created and adopted in conjunction with a number of other councils in the South West) was clarified.

Members noted that a key part of the planning process was extensive stakeholder consultation. Members were informed that conversations in this regard usually took place between December to March, however this process had been shortened this year to meet revised Committee meeting deadlines. Discussions would therefore take place with the following officers/groups up until the end of February: Section 151 Officer, Finance Business Partner, Directorate Leadership Teams, Statutory Officers, Audit Committee (through formal and informal meetings).

In presenting his report, he added that during the financial year 2020/21, in particular, members would recall that some changes to planned work were required in order to redirect audit resources to unforeseen issues arising from the then emerging COVID-19 pandemic. At approximately six months in it was considered that the audit plan should be rebased for the rest of the financial year as a better understanding had been gained of the impact of COVID-19 and how resources should be subsequently prioritised which was discussed and agreed at the time with the Audit Committee.

Members were informed that whilst only small adjustments were then required to the plans for subsequent years (2021/22 and 2022/23), the Internal Audit Service would continue to ensure a fluid approach for the next financial year. Therefore, whilst the usual consultation process would follow a full-year audit plan would initially be kept under continual review and adjusted to cover any further unforeseen requirements over the first six months. A review of the annual plan at the six-month stage would then take place, if necessary, in order to adequately prioritise and resource the second half of the financial year.

In conclusion the top risks for 2023 from the Chartered Institute of Internal Auditors report were highlighted which were cybersecurity and data security; human capital, diversity and talent management; macroeconomic and geopolitical uncertainty; climate change and environmental sustainability; business continuity, crisis management and disasters response; financial risk; organisational governance and corporate reporting. Members noted that the list may assist them as a point of reference to help understand where they felt audit coverage may be beneficial.

In discussing the report Members asked the following questions:

Q What training is offered to staff such as cyber security etc?

A Cyber Security, phishing and mandatory training

Q Are there any issues with manipulation of QR codes on bus stops, parking bay booths in North Somerset

A Not aware of any issues no

Resolved that:

(i) Members comment on areas or themes they would like to be considered in relation to the Internal Plan for 2023/24

(ii) The intention to keep the plan under regular review, including a six-month progress assessment, in order to prioritise resources as required be **noted**

AUD 24 North Somerset Council - Audit Progress Report and Sector Update (Agenda item 9)

North Somerset Council – Audit Progress Report and Sector Update (Agenda item 9)

The representative from Grant Thornton presented the Audit Progress Report and Sector Update (Year ending March 2023).

Members were directed to page 38 of the report which provided information on progress at January 2023 in relation to Financial Statements Audit 2021-22

Accounting for Infrastructure; Financial Statements Audit 2022-23 and Value for Money.

Members were informed of a correction on page 40 of the report. Of the 2021/22 Audit related Deliverables – Teachers Pensions Scheme – certification – (the report submitted to Teachers Pension based upon the mandated agreed upon procedures) the report stated that this had not been completed. This was incorrect and should have read completed. Also, in relation to Housing Benefit Subsidy – Certification (the report submitted to Department of Work and Pensions based upon the mandated agreed upon procedures) the report stated not yet completed – this would be delivered by the end of the week.

The report detailed the timeline for audit reporting milestones as follows: Interim Audit Findings – March 2023, Audit Finding Reports – September 2023, Auditors Report – September 2023, Auditor’s Annual Report – December 2023.

Q The Committee questioned in relation to the report highlighting that 60 Local Authorities are at risk of running out of money, whether North Somerset was deemed to be a significant risk.

A Representative confirmed that North Somerset didn’t contribute to this statistic and does not present as a risk under this criterion.

Q The Committee questioned the independence of the internal auditing process.

A It is not a statutory requirement for internal auditing to be independent and that key roles are also subject to professional body guidelines and criteria. However, the Audit West representative is not line managed within North Somerset and Grant Thornton are a third party to North Somerset.

Resolved: that the report be **noted**.

AUD 25 Treasury Management Strategy 2023/24 (Agenda item 10)

The Head of Finance presented the report presenting the council’s draft annual **treasury management strategy** (TMS) for the 2023/24 financial year and explained that it built on the previous report considered by the Audit Committee in November 2022.

Members were informed that the report contained details of how the council planned to manage its cash-flows and resources in the year ahead to ensure effective treasury management; the proposed Prudential & Treasury Indicators for 2023/24, and the proposed policy for making Minimum Provision in respect of the repayment of the council’s external debt, within the revenue budget.

Members’ attention was directed to the Figure 1 (page 48) which provided a flow chart of the Treasury Management Strategy – its definition, constituent parts and its relationship with other policies and regulation. Each of the core components of treasury management was summarised in Section 3 of the report with further technical detail provided within the Treasury Management Strategy in Appendix 1. Members were informed that the intention was to separate out the strategic direction of travel introducing new investments and decision making.

Members were informed that:

- Paragraph 3.2 contained the Borrowing Strategy (to support the council's capital spending plans),
- Paragraph 3.3 contained the Treasury Investment Strategy (to support the daily operations of council services; to ensure that the council was a responsible investor ** new for 2023/24; to manage longer-term cash-flows and generate financial returns to support the annual revenue budget).
- Paragraph 3.4 contained the Non-treasury investment strategy (to support place-making ambitions across the district and to support the annual revenue budget).
- Paragraph 3.5 contained the Minimum Revenue Provision policy and;
- Paragraph 3.6 contained the Prudential indicators and management indicators.

It was noted that over recent years Member training and workshops had been provided to support understanding of technical matters, with the latest session being held in January 2022. The timing of the session enabled further opportunities to consider the proposed Strategy for 2022/23. It was proposed that **a further workshop session be held during the last two weeks of February 2023 to enable work to start on the development of the council's ESG investment policy.**

Previous meetings were facilitated by Arlingclose, the council's external advisors and featured information relating to the legal framework, the definitions and differences between capital and treasury investments and impacts, the types of investments available to the council and how these might fit in with the council's borrowing plans, as well as further information to understand the more strategic factors which were likely to influence treasury strategy decisions of a council. It was agreed that they also attend future sessions.

Members asked question and sought clarification in relation to the following matters:

Q Referring to page 50 of the report – as at 31 December 2022, the council held £177m of borrowing which it has drawn down over several years to fund capital expenditure – how quickly is this being paid back?

A All borrowing elements have different lifespans.

Q Who is able to sign off financial matters in the absence of the S151 Officer?

A Within the constitution the Head of Finance is also the Deputy S151 Officer.

Q Members asked questions regarding the flexibility of cashflow, security and liquidity of monies

A The Head of Finance responded that funds could be moved and liquidised quickly

Q Members raised questions about yield performance of investments

A North Somerset Council avoided chasing yield as this was deemed high risk. Money was invested very conservatively to protect the public money

Q The Committee asked about the benchmarking strategy.

A Benchmarking was one tool which could be used. Whilst the Council had confidence in the benchmarking tool there were also other factors that were

analysed and considered.

Resolved:

i) that the contents of the report which summarised the key components of the draft Treasury Management Strategy for 2023/24 and associated impacts be **noted** and;

ii) that the development of a policy and framework linked to the council becoming known as a responsible investor bringing social, environmental and governance issues into part of its investment strategy be **supported**

AUD 26 Update on Annual Accounts (Agenda item 11)

The Principal Accountant (Closure and Systems) presented the report. In doing so he provided Members with an update of the issues which impacted on the annual accounts process. These included changes to the Code and the annual review of the Council's accounting policies. Members were also provided with a reminder of the concept of materiality, and officers' approach in applying materiality in preparing the draft financial statements.

The officer highlighted this year's changes to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Local Authority Accounts pointing out that there were only minor changes to the Code for 2022/23. Following review none were considered likely to have a significant impact on the Council's accounts. It was noted that the implementation of 'IFRS16 – Leases' into the Code had again been deferred until 2024/25. This change of accounting policy would require changes to the accounting treatment where the Council was the lessee of long-term assets and revisions to the related disclosures. There was a consensus that the length and complexity of the accounts produced under the current Code could make the accounts impenetrable to many users. CIPFA consulted on changes to the code for 2021/22, with the aim of delivering accounts that more clearly communicated the authority's financial performance and future financial sustainability. However, no significant changes had yet been proposed in the Code. Members were informed that officers would be holding a workshop with them to update on proposed changes to simplify and focus the Narrative report on key messages in the 2022/23 financial statements.

Members were also advised of changes to regulatory requirements. Regulatory developments outside of the Code that were likely to impact on the 2022/23 financial statements included: the Minimum Revenue Provision (MRP); IFRS 9 Statutory Override for pooled investments and the Dedicated Schools Grants deficits. Officers were due to attend update training in the next few weeks and would continue to keep members informed of any significant changes in Code requirements for the content and format of the Council's accounts.

Members were provided with information relating to review of accounting policies, accounts which provided a 'true and fair' view of the Council's financial position and transactions and the concept of materiality; critical judgements made in applying the Council's accounting policies, and major sources of estimation uncertainty in the preparation of the accounts.

Members noted that each year they participated in a workshop review session to review the draft annual financial statements. This provided an opportunity for officers to explain the accounting estimates used in preparing the accounts, and for members to question officers on the adequacy of the Council's arrangements for making accounting estimates. Members discussed training for Audit Committee members. It was noted that officers had completed a training needs analysis and a members' induction programme was being developed for new councillors.

Members sought clarification on the following:

Q What will the impact of the implementation of IFRS 16 leases be in the future?

A The impact has not yet been quantified – some are finance leases, some are operating leases. The new legislation will bring into the balance sheet as an asset and liability. The council's assets and liabilities will increase and there will be an impact on our balance sheet and INE.

Resolved: the Committee **noted:**

i) the developments in the CIPFA Code of Practice for Local Government Accounts, including that there are limited changes to the Code for 2022/23;

ii) that officers are proposing one additional accounting policy, relating to the Community Infrastructure Levy, for inclusion in the accounts, with no significant changes to existing accounting policies in 2022/23;

iii) officers' initial assessment of the critical judgments made in applying the Council's accounting policies, and the major sources of estimation uncertainty identified in the preparation of the 2022/23 accounts

iv) the requirement for the Council's accounts to provide a 'true and fair' view of the Council's financial position and transactions, the concept of materiality, the initial assessment of materiality limits applied by officers in drawing up the accounts; and disclosures which, although not material due to their value, are considered material due to their nature.

Chairperson

North Somerset Council

Report to the Audit Committee

Date of Meeting: 9 March 2023

Subject of Report: Q3 Risk Management update 2022/23

Town or Parish: ALL

Officer/Member Presenting: Emma Diakou, Head of Business Insight, Policy and Partnerships

Key Decision: NO

Reason: Information item

Recommendations

That the Audit Committee note the Q3 updates to the 2022/23 strategic risk register and 2022/23 directorate risk registers.

1. Summary of Report

Our Business Planning Framework is designed to monitor progress against our Corporate Plan priorities and against our vision for an **open, fairer, greener** North Somerset. We do this on an annual basis by developing and implementing Annual Directorate Statements. These are the business plans for the five council directorates (Adults, Children's Services, Corporate Services, Place, and Public Health and Regulatory Services) and give the key strategic commitments for the year ahead. Progress against these commitments is monitored by key projects and their milestones, and by a number of Key Corporate Performance Indicators (KCPIs). Alongside these commitments, and in line with the council's Risk Management Strategy, directorate risk registers are developed, these include any risks which might challenge achievement of our priorities. These risk registers are reviewed to develop an over-arching strategic risk register, where high level risks are escalated and held. Progress on commitments, and against risk registers are reviewed quarterly by Directorate Leadership Team, by Corporate Leadership Team, by Executive Members, by Scrutiny Panels, and the Audit Committee. This is our Integrated Performance and Risk Management Framework.

This paper gives an update on the directorate risk registers and against the strategic risk register as of end Q3.

2. Policy

The Corporate Plan is the council's overarching strategic document. It is the only plan which covers the full range of the council's responsibilities and is an important tool to help focus our effort and resources on the right things. By prioritising a clear set of commitments, the Corporate Plan also helps residents to hold the council to account for its performance and challenge it to improve.

Our Risk Management Strategy supports us to make honest, evidence-based decisions and realise opportunities through a good understanding of risks and their likely impact. The

strategy outlines the process for the development of strategic and directorate risk registers which detail the risks faced by North Somerset Council in relation to achieving our aims and priorities as defined in the Corporate Plan. The strategy also details how the identified risks should be analysed and treated.

3. Details

The following risk assessment method is used across all risks:

Once risks have been identified they need to be assessed to understand the likelihood and the impact of the risk, this is an essential part of the risk management framework and is done following a three-step process and using the standard risk management matrix (fig 1.1).

Step one - inherent risk:

- This is the first assessment of the risk and is meant to understand the risk if no action is taken to manage it. The risk is scored on the likelihood of it happening and then the impact if it does happen.

Step two - action:

- If the first assessment of the inherent risk shows that it is unlikely to happen and/or will have little impact (LOWMEDIUM or LOW), then there will usually be no need to take any action to manage the risk and it can simply be accepted. However, if the assessment shows it is likely to happen and/or will have an impact (MEDIUM, MEDIUMHIGH, HIGH) then officers should seek to identify if there are actions that can be put in place to mitigate it, or in the case of an opportunity to exploit it. To note, for strategic risks officers continue to provide information on mitigations/exploitations even if the inherent risk scores LOWMEDIUM or LOW.

Step three - residual risk:

- This is the second assessment of the risk and is meant to re-evaluate the risk taking into consideration the effectiveness of any identified actions. Once again, the risk is scored on likelihood and impact. Following this second assessment the risk is either accepted or the activity associated with it ceased. To note, all strategic risks are scored for residual risk status regardless of inherent risk status.

Fig 1.1: risk management matrix

		Likelihood				
		Rare – less than a 5% chance	Unlikely – 6% to 20% chance	Possible – 21% to 50% chance	Likely – 51% to 80% chance	Almost certain – 80% plus
Impact	Critical – a major loss to a service including disruption of more than five days with significant impact on staff, a complete failure of project, affecting more than 25% of a budget, litigation/claims/fines of £1m plus, not meeting our legal duties and putting at risk individuals at risk, impacting residents across several wards, impacting on several themes in the Climate Emergency Strategy.	LOWMED	MEDIUM	HIGH	HIGH	HIGH
	High – service disruption of three to five days with high impact on staff, extreme delay to a project, affecting 16% to 25% of a budget, litigation/claims/fines of up to £500k, significant impact for at risk individuals, impact on residents across one or more wards, impact on at least two of the thematic areas in the Climate Emergency Strategy.	LOW	MEDIUM	MEDIUMHIGH	HIGH	HIGH
	Medium – service disruption two to three days with some impact on staff, impact on a project a failure of benefits, affecting 6% to 15% of a budget, litigation/claims/fines of up to £250k, there are some safeguarding and duty of care impacts, there are some impacts on residents, impacts on at least one of the thematic areas in the Climate Emergency Strategy.	LOW	LOWMED	MEDIUM	MEDIUMHIGH	HIGH
	Low – minimal service disruption with minimal impact of staff, minimal impact to a project, affecting 1% to 5% of a budget, litigation/claims/fines of up to £100k, consideration to be given to safeguarding and duty of care impacts, consideration given to number of residents affected, minimal impact to the thematic areas in the Climate Emergency Strategy.	LOW	LOWMED	LOWMED	MEDIUM	MEDIUM
	Negligible – little service disruption with little impact of staff, minimal impact to a project, affecting up to 1% of a budget, litigation/claims/fines of up to £50k, minimal or no safeguarding and duty of care impacts, not impacting any residents, not impacting any of the thematic areas in the Climate Emergency Strategy.	LOW	LOW	LOW	LOWMED	LOWMED

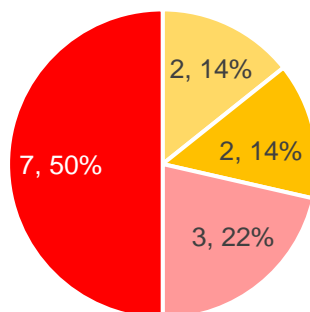
Strategic risk register:

There were 14 risks in the strategic risk register as of Q3. This compares to 12 risks in Q1 and 14 risks in Q2. No new risks were added in Q3.

Following inherent risk scoring, all risks were identified for mitigation. After mitigating actions were applied, 7 risks remained HIGH, similar to previous quarters:

Fig 1.2 strategic risk register: residual risk score

■ LOW ■ LOWMED ■ MED ■ MEDHIGH ■ HIGH



High scoring risks were:

- Risk that we are unable to deliver the priorities of the council by not planning to meet the Medium Term Financial challenge and delivering a balanced budget.
- Risk that we do not deliver sustainable change in children's services at the right pace of the improvement journey.
- Risk that we do not manage the demand for children's social care and SEND placements within available resources.
- Risk that despite protecting the council's systems and essential data from cyber-attacks, malicious attempts to damage critical services within the council could be disruptive.
- Risks aligned to the deteriorating condition of some of our assets.
- Risks aligned to any delay to the Local Plan process exposing council to risk of speculative development and unplanned growth through appeal.
- Risks to achieving a net zero position by 2030 given current resources and sphere of influence.

Two risks scores were lowered from HIGH in Q2 to Q3:

- Risk that we are unable to reduce or mitigate inflationary pressures (such as energy prices), resulting in impacts on our services.
- Risk that we do not manage the increased demands on social care or market demands within available financial or staffing resources for adult social care.

Three risks scores were increased to HIGH Q2 to Q3:

- Risk that we do not manage the demand for children's social care and SEND placements within available resources.
- Risks aligned to the deteriorating condition of some of our assets.

The treatment for all risks following mitigations is to ACCEPT as the activity aligned to each risk cannot be CEASED.

For the full list of strategic risks including their inherent and residual risk rating, and quarterly direction of travel please see appendix 1.

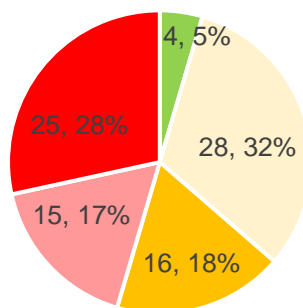
Directorate risk registers:

There are 88 reportable risks across the five council directorates (Adults, Children's Services, Corporate Services, Place, and Public Health and Regulatory Services). Note, some of these risks are similar to the risks which have been escalated to the strategic risk register and are therefore held at both directorate and strategic level.

Following inherent risk scoring, 56 risks were identified for mitigation (they scored MEDIUM, MEDIUMHIGH or HIGH). After mitigating actions were applied, 25 risks remain HIGH, similar to previous quarters. To note, figure 1.3 carries the inherent risk score for LOW and LOWMEDIUM risks across to the residual score, so all 88 risks are reflected in the chart below.

Fig 1.3 directorate risk registers: residual risk score

■ LOW ■ LOWMED ■ MED ■ MEDHIGH



High scoring risks were:

- Risk that we are unable to meet the increased costs of adults with complex needs in a sustainable way whilst safeguarding the most vulnerable (Adults directorate).
- Risk around the number of people waiting for a care act assessment due to the length of the localities waiting lists (Adults directorate).
- Risk that we will not be able to support enough families to reduce the likelihood of eviction/lined to private sector rent rises (Adults directorate).
- Risk that we do not manage budgets effectively in-year and ensure a balanced budget (Children's directorate).
- Risk that we do not deliver savings against the Medium-term Financial Plan (Children's directorate).
- Risk that we do not recruit/retain sufficient staff across the directorate (Children's directorate).
- Risk that we do not deliver sustainable change in Children's Services at the right pace of the improvement journey (Children's directorate).
- Risk of managing demand for children's social care placements (Children's directorate).
- Risk of managing demand and delivering sufficient places for SEND (Children's directorate).
- Risk that we are unable to deliver the priorities of the council by not planning to meet the medium-term financial challenge and delivering a balanced budget (Corporate Services directorate).
- Risk of the financial envelope of the pay award and the impact on the budget (Corporate Services directorate).
- Risk that there is noncompliance with mandatory training programmes (Corporate Services directorate).
- Risk that our starter and leaver processes are not timely, leading to weakened controls (Corporate Services directorate).
- Risk of cyber-attacks and malicious attempts to damage critical services (Corporate Services directorate).

- Risk that we do not manage revenue budgets effectively in-year and ensure a balanced budget (Place directorate).
- Risks of significant financial pressures across the directorate resulting in contract risks and service delivery risks due to increases in energy costs and inflation (Place directorate).
- Risk that income levels in community buildings does not recover post covid (Place directorate).
- Risk that the home to school transport service continues to show volatility in financial performance (Place directorate).
- Failure to recruit/retain skilled roles leading to failure to deliver decisions within agreed timescales (Place directorate).
- Delay to Local Plan process exposes council to risk of speculative development and unplanned growth through appeal (Place directorate).
- Risk that the lack of five-year supply could lead to the council being exposed to appeals for residential development in sub-optimal locations and additional costs of appeal (Place directorate).
- Flood risk - climate change and rising sea levels present a significant risk to people, property and the economy on low lying land across North Somerset (Place directorate).
- Risk of non-delivery of behaviour change for transport leads to severance, road safety dangers, lack of decarbonisation (Place directorate).
- Risk related to all council owned trees (tree risk management) (Place directorate).
- Risks to achieving a net zero position by 2030 given current resources and sphere of influence (Place directorate).

The treatment for all risks following mitigations is to ACCEPT as the activity aligned to each risk cannot be CEASED. For the full list of directorate risks including their inherent and residual risk rating, and quarterly direction of travel please see appendix 2.

Commitments

Annual Directorate Statement commitments are rated at the end of each quarter using the following framework:

Fig 1.4: risk management matrix

GREEN	Successful delivery of this commitment is highly likely. There are no major outstanding issues that at this stage appear to threaten delivery
GREEN/AMBER	Successful delivery of this commitment is likely but there are some minor outstanding issues that need to be resolved to ensure delivery.
AMBER	Successful delivery of this commitment appears feasible, but issues already exist requiring management attention. These appear resolvable at this stage and if addressed promptly should not present further problems.
AMBER/RED	Successful delivery of this commitment may be unachievable. Issues already exist requiring immediate management attention to ensure delivery.
RED	Successful delivery of this commitment appears to be unachievable. There are major issues which at this stage do not appear to be manageable or resolvable.

All Annual Directorate Statement commitments that were AMBER/RED or RED were reviewed as at end of Q3 to identify if a risk was aligned to them within the strategic and directorate risk registers and if not, to consider whether they should be. This ensures a clear link between the business planning framework and the risk management framework. As of end Q3, 7 commitments were rated AMBER/RED. 3 commitments were RED. Of these AMBER/RED and RED commitments all were reflected in the strategic and/or directorate risk registers.

4. Consultation

As part of the Business Planning Framework all tier three managers (assistant directors and heads of service) and above contribute to their Annual Directorate Statement and their risk register. These are then agreed by Directorate Leadership teams, Corporate Leadership team and with the relevant Executive members. Annual Directorate Statements are published for all staff to view on the intranet.

The views of residents, staff and other stakeholders all helped to shape the development of the Corporate Plan on which the Annual Directorate Statements and aligned risk registers are based.

5. Financial Implications

All Annual Directorate Statements for 2022/23 include the following council-wide commitment: *Ensure effective financial management across the directorates including a balanced budget at year end and delivery of Medium Term Financial Plan savings.* Risks are then aligned to that commitment as needed and reported quarterly.

Costs

N/A

Funding

N/A

6. Legal Powers and Implications

Regular risk reporting is a requirement of robust corporate governance.

7. Climate Change and Environmental Implications

The business planning framework contributes to the council’s vision to be open, fair and green. As part of this, all Annual Directorate Statements for 2022/23 include an organisational-wide commitment and associated strategic risk to deliver the Climate Emergency Strategy and action plan. Progress against this is monitored quarterly as part of this Integrated Performance and Risk Management Framework.

8. Risk Management

This report considers risk management across the organisation aligned to the Corporate Plan and Annual Directorate Statements. There would be a negative impact on corporate governance if this information was not provided on a regular basis. The inherent score for this is HIGH. Once mitigating actions are applied (provision of this report) the risk drops to LOW.

Fig 1.5: risk management score

	Inherent risk score (likelihood)	Inherent risk score (impact)	Inherent risk score	Mitigations	Residual risk score (likelihood)	Residual risk score (impact)	Residual risk score
Negative impact on corporate governance if risk information is not provided.	5 (almost certain)	4 (high impact on legal duty to provide robust corporate governance)	HIGH	Information provided on a quarterly basis.	1 (rare)	1 (negligible impact on legal duty to provide robust corporate governance)	LOW

9. Equality Implications

The Integrated Performance and Risk Management Framework includes Key Projects and Key Corporate Performance Indicators. A number of these are equality objectives and reported to the Equalities Group.

Equality implications are also considered throughout the risk management process.

10. Corporate Implications

It is a requirement as part of the Business Planning Framework for all directorates to hold a risk register that is aligned to their business plan and considered at least quarterly by their Directorate Leadership Team.

A strategic risk register is held by Corporate Leadership Team and reviewed at least quarterly by Corporate Leadership Team, by Executive members, by Scrutiny Panels and by Audit Committee.

11. Options Considered

Risk registers are a requirement of the Business Planning Framework.

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Background Papers:

- North Somerset Corporate Plan: [Organisational priorities | North Somerset Council \(n-somerset.gov.uk\)](#)
- Adults directorate Annual Directorate Statement 2022/23
- Children's directorate Annual Directorate Statement 2022/23
- Corporate Services directorate Annual Directorate Statement 2022/23
- Place directorate Annual Directorate Statement 2022/23
- Public Health and Regulatory Services Annual Directorate Statement 2022/23
- North Somerset Council Risk Management Strategy

Appendix 1:

Strategic risk register (as of end Q3 2022/23):

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Risk treatment
Risk that we are unable to deliver the priorities of the council by not planning to meet the medium-term financial challenge and delivering a balanced budget.	S-RISK1	HIGH	HIGH	HIGH	Collaborative working with Corporate Leadership Team and the Executive mean that the council has a draft balanced budget for 2023/24.	HIGH	STABLE	ACCEPT
Risk that we are unable to reduce or mitigate inflationary pressures (such as energy prices), resulting in impacts on our services.	S-RISK2	HIGH	HIGH	HIGH	There remain budget gaps in future years of the medium-term financial plan however the council recognises the uncertainties surrounding funding levels across this period which means that it is not possible to forecast with confidence at this point.	MEDHIGH	POSITIVE	ACCEPT
Risk that we are unable to deliver capital projects within the approved resource envelope either due to lack of governance or unmanageable cost increases.	S-RISK3	MEDHIGH	MEDHIGH	HIGH	There is monthly oversight of detailed financial analysis and forecasting by Corporate Leadership Team, along with strategic planning measures and decision making.	MEDHIGH	STABLE	ACCEPT
Risks to our overall organisational operational effectiveness due to the impacts of COVID-19.	S-RISK4	MED	MED	MED	There is continued monitoring of data and close work with UKHSA to share new guidance and manage risks appropriately. We will look to scale back the Public Health resource due to the reduced risk and end of identified budget.	LOWMED	POSITIVE	ACCEPT
Risk that we have rolling blackouts over the winter period affecting the council, partners, businesses, and residents.	S-RISK14	N/A	MEDHIGH	MED	All directorates have been asked to assess the risk against their services and provide an overview of the impacts and any mitigation required/in place. This work is ongoing.	MED	POSITIVE	ACCEPT
Risks of ineffective recruitment across the organisation leading to capacity issues in key areas.	S-RISK5	HIGH	MEDHIGH	HIGH	This risk has reduced slightly as a new centralised system is being implemented. But this will take time to embed.	MEDHIGH	STABLE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Risk treatment
Risk that we do not manage the increased demands on social care or market demands within available financial or staffing resources for adult social care.	S-RISK6	MEDHIGH	HIGH	LOWMED	Market Sustainability Plan and Fair Price for Care exercises completed. Lack of guidance from central government.	LOWMED	POSITIVE	ACCEPT
Risk that we don't have the financial resources and capacity to deliver care reforms	S-RISK13	N/A	MED	LOWMED	The cap on care costs has been delayed by government.	LOWMED	POSITIVE	ACCEPT
Risk that we do not deliver sustainable change in Children's Services at the right pace of the improvement journey.	S-RISK7	HIGH	HIGH	HIGH	Plan of action in place and pace is beginning to increase. Plan in place for the leadership team to support them to lead change effectively and with the confidence and trust of the service.	HIGH	STABLE	ACCEPT
Risk that we do not manage the demand for children's social care and SEND placements within available resources.	S-RISK8	HIGH	MED	HIGH	Ongoing fostering recruitment campaign to recruit local inhouse carers and work to secure sufficient placements for Unaccompanied Asylum Seeking Children. Ongoing work with our capital projects team and with schools to ensure sufficient placements for pupils with special educational needs and disabilities.	HIGH	NEGATIVE	ACCEPT
Risks aligned to the deteriorating condition of some of our assets	S-RISK9	MED	MED	HIGH	New systems and process are being implemented and a revised structure for Projects and Property now agreed and being recruited to. Feasibility funding has been identified to develop investment plans for key priority assets.	HIGH	NEGATIVE	ACCEPT
Risks aligned to any delay to the Local Plan process exposing council to risk of speculative development and unplanned growth through appeal.	S-RISK10	HIGH	HIGH	HIGH	Unfortunately, a number of appeal decisions have determined that the council does not have a 5 year housing land supply and that the council does not have an up to date Local Plan. A slowdown is expected in the housing market which may translate into fewer appeals, but this requires monitoring.	HIGH	STABLE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Risk treatment
Risk that despite protecting the council's systems and essential data from cyber-attacks, malicious attempts to damage critical services within the council could be disruptive.	S-RISK11	HIGH	HIGH	HIGH	Ongoing area of risk which has increased given the Ukraine situation.	HIGH	STABLE	ACCEPT
Risks to achieving a net zero position by 2030 given current resources and sphere of influence.	S-RISK12	HIGH	HIGH	HIGH	There is a broad programme of activity across workstreams of our property, retrofitting, communications, transport decarbonisation and renewable energy. These activities will help to reduce the Scope 1 and 2 emissions of the organisation, but Scope 3 emissions will continue to be challenging. Emissions for North Somerset as an area are reducing, but significant transport decarbonisation is required. Making the step change of progress required will require massive levels of investment (including public funding) and mass behavioural change even to meet the government's stated aim of zero carbon by 2050.	HIGH	STABLE	ACCEPT

Appendix 2:

Directorate risk registers (as of end Q3 2022/23). Please note these are sorted in order of directorate (Adults, Children's Services, Corporate Services, Place, and Public Health and Regulatory Services) and then by risk reference.

Adults directorate:

To note, there was one new risk in Adults directorate as of Q3. No risks were removed.

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risk that we do not manage budgets effectively in-year and ensure a balanced budget.	A-RISK1	HIGH	LOWMED	MEDHIGH	MITIGATE	Collaborative working with Corporate Leadership Team and the Executive mean that the council has a draft balanced budget for 2023/24.	MEDHIGH	NEGATIVE	ACCEPT
Risk that we do not manage the market demands and demographic changes on the cost of adult's social care within available resources.	A-RISK2	MED	HIGH	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	POSITIVE	N/A
Risk that we don't have the financial resources and capacity to deliver care reforms.	A-RISK3	MED	MED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	POSITIVE	N/A
Risk that we are unable to meet the increased costs of adults with complex needs in a sustainable way whilst safeguarding the most vulnerable.	A-RISK4	MED	MED	HIGH	MITIGATE	Mitigations include market sustainability plan and government grants, but risk remains HIGH.	HIGH	NEGATIVE	ACCEPT
Risk around resources to address the increasing demand in complex transitional cases (also in children's directorate).	A-RISK5	MED	LOWMED	HIGH	MITIGATE	The Pathways to Adults Governance Group, which is in place to oversee the process of transfer / transitions between the two directorates, is set with diary dates for 2023. The Accommodation Models Governance Group is also set with diary dates for 2023.	LOWMED	STABLE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risk that we will be unable to recruit / retain and train sufficient approved mental health professionals to meet the statutory requirements of the Mental Health Act.	A-RISK6	MED	MED	MED	MITIGATE	Plan to training in place for next three years - Think ahead scheme in operation.	MED	STABLE	ACCEPT
Risk that we will be unable to recruit / retain and train sufficient social workers and occupational therapists to meet our statutory duties.	A-RISK7	HIGH	MEDHIGH	MED	MITIGATE	HEE funded project specifically for Occupational Therapist recruitment. Progress made with HR reporting. Exit interviews being conducted.	MED	POSITIVE	ACCEPT
Risk from failure of local health partners.	A-RISK8	MED	MED	MEDHIGH	MITIGATE	We continue to play an active role in system and locality work	MEDHIGH	NEGATIVE	ACCEPT
Risk of care providers leaving the market due to cost of living and rising inflation.	A-RISK9	MED	MED	HIGH	MITIGATE	Market sustainability plan and government grants in place.	MEDHIGH	NEGATIVE	ACCEPT
Risk that we do not fulfil our statutory duties to safeguard adults.	A-RISK10	LOWMED	MED	HIGH	MITIGATE	Modelling on demand and turnover under way. Urgent cases being prioritised, and position held. Low risk addressed and closed. New ways of working implemented - holding position. Need to model resource to address backlog.	MEDHIGH	NEGATIVE	ACCEPT
Risk that we do not fulfil our statutory duties to safeguard adults as part of transition planning.	A-RISK11	MEDHIGH	HIGH	HIGH	MITIGATE	Single Point of Access to continue to monitor cohort for presentation and re-referrals. Addressing immediate concerns within existing service parameters.	MED	POSITIVE	ACCEPT
(NEW Q3) Risk around the number of people waiting for a care act assessment due to the length of the localities waiting lists.	A-RISK12	N/A	N/A	HIGH	MITIGATE	Risk prioritisation, moving services to maximise number of assessments that can be completed.	HIGH	N/A	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risk that we are not able to deliver services effectively through a new Empowered Communities model.	A-RISK13	LOWMED	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	STABLE	ACCEPT
Risk that we do not implement and deliver the transformational projects required to meet the directorate challenges.	A-RISK14	MED	LOWMED	MED	MITIGATE	Transformation closely monitored by Directorate Leadership Team, savings on schedule	LOWMED	STABLE	ACCEPT
Risk that we will not be able to support enough families to reduce the likelihood of eviction/lined to private sector rent rises.	A-RISK15	HIGH	MEDHIGH	HIGH	MITIGATE	Continued efforts to identify supply through housing grants.	HIGH	NEGATIVE	ACCEPT

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Children's directorate:

To note, there were no changes to the risks in Children's directorate as of Q3.

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risk that we do not manage budgets effectively in-year and ensure a balanced budget	C-RISK1	HIGH	HIGH	HIGH	MITIGATE	Collaborative working with Corporate Leadership Team and the Executive mean that the council has a draft balanced budget for 2023/24. Work ongoing to achieve MTFP savings.	HIGH	STABLE	ACCEPT
Risk that we do not deliver savings against the MTFP	C-RISK2	HIGH	HIGH	HIGH	MITIGATE		HIGH	STABLE	ACCEPT
Risk that we do not recruit/retain sufficient staff across the directorate.	C-RISK3	MED	HIGH	HIGH	MITIGATE	Workforce development strategy in place, staff offer reviewed and circulated and microsite site developed. Variety of social work programmes running.	HIGH	STABLE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risk that we do not deliver sustainable change in Children's Services at the right pace of the improvement journey.	C-RISK4	HIGH	HIGH	HIGH	MITIGATE	Plan of action in place and pace is beginning to increase. Plan in place for the leadership team to support them to lead change effectively and with the confidence and trust of the service.	HIGH	STABLE	ACCEPT
Risk of managing demand for children's social care placements within available resources.	C-RISK5	MED	MED	HIGH	MITIGATE	Ongoing fostering recruitment campaign to recruit local inhouse carers and work to secure sufficient placements for Unaccompanied Asylum Seeking Children. Plan in place for 2023 to develop the Family Link service for children with disabilities and a parent and child foster placement scheme.	HIGH	NEGATIVE	ACCEPT
Risk of managing demand for children's SEND placements within available resources.	C-RISK8	HIGH	HIGH	HIGH	MITIGATE	Ongoing work with our capital projects team and with schools to ensure sufficient placements for pupils with special educational needs and disabilities.	HIGH	STABLE	ACCEPT
Risk around resources to address the increasing demand in complex transitional cases (also in adults directorate).	C-RISK7	MED	LOWMED	HIGH	MITIGATE	The Pathways to Adults Governance Group, which is in place to oversee the process of transfer / transitions between the two directorates, is set with diary dates for 2023. The Accommodation Models Governance Group is also set with diary dates for 2023.	LOWMED	STABLE	ACCEPT

Corporate Services directorate:

To note, there was one new risk in Corporate Services directorate as of Q3. No risks were removed.

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risk that we are unable to deliver the priorities of the council by not planning to meet the Medium Term Financial Challenge and delivering a balanced budget.	CS-RISK1	HIGH	HIGH	HIGH	MITIGATE	Collaborative working with Corporate Leadership Team and the Executive mean that the council has a draft balanced budget for 2023/24. There remain budget gaps in future years of the medium-term financial plan.	HIGH	STABLE	ACCEPT
Risk of the financial envelope of the pay award and the impact on the budget.	CS-RISK2	HIGH	HIGH	HIGH	MITIGATE	The impact of this decision has been fully reflected within the MTFP for 2023/24 onwards.	HIGH	STABLE	ACCEPT
Risk that we are unable to deliver capital projects within the approved resource envelope either due to lack of governance or unmanageable cost increases.	CS-RISK3	MED	MED	HIGH	MITIGATE	Monthly oversight of detailed financial analysis and forecasting by Corporate Leadership Team, along with strategic planning measures and decision making.	MEDHIGH	NEGATIVE	ACCEPT
Risks to our overall organisational operational effectiveness due to the impacts of COVID-19.	CS-RISK4	MED	MED	MED	MITIGATE	There is continued monitoring of data and close work with UKHSA to share new guidance and manage risks appropriately. We will look to scale back the Public Health resource due to the reduced risk and end of identified budget.	LOWMED	POSITIVE	ACCEPT
Risk to support services operational effectiveness due to further cost of living support schemes.	CS-RISK5	LOW	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	STABLE	N/A
Risks of ineffective recruitment across the organisation leading to capacity issues in key areas.	CS-RISK6	HIGH	MEDHIGH	HIGH	MITIGATE	Risk has reduced slightly as new centralised system being implemented. But will take time to embed.	MEDHIGH	STABLE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risk of elements of the Communication Strategy not being delivered due to capacity issues and unforeseen events.	CS-RISK7	LOWMED	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	STABLE	N/A
Risk that a new policy framework is not developed and implemented leading to a lack of coordination and cohesion across the organisation.	CS-RISK8	MED	LOW	MED	MITIGATE	There has been no capacity to deliver this work. Looking at how we prioritise this.	MED	NEGATIVE	ACCEPT
Risk that we do not deliver the Corporate Services transformation portfolio which is wide-ranging and ambitious.	CS-RISK9	MEDHIGH	MEDHIGH	MEDHIGH	MITIGATE	Directorate Leadership Teams and Corporate Leadership Team taking lead. Cover for transformation PM activities by other Corporate Services staff (requires re-prioritisation) but about to go out to recruit. External resource for ICT and Digital review progressed.	MEDHIGH	STABLE	ACCEPT
Risk that we do not deliver the Empowering Communities transformation portfolio which is wide-ranging and ambitious.	CS-RISK10	LOWMED	LOWMED	MED	MITIGATE	Strategy and action plan have been refreshed. Increase in workloads linked to new programmes of work, mitigating through re-prioritisation.	LOWMED	STABLE	ACCEPT
Accommodation and future ways of working. Risk that we are not able to complete this work to challenging timescales and in a way that is acceptable to the organisation and partners.	CS-RISK11	LOWMED	LOWMED	MEDHIGH	MITIGATE	Programme and project governance in place and monitored by Corporate Leadership Team and PCOM scrutiny working group, and Executive. Communication and Engagement plan active and operating.	LOWMED	STABLE	ACCEPT
Risk that the Programme Management Office is not able to support the breadth of transformation portfolios across the organisation.	CS-RISK12	MED	MED	HIGH	MITIGATE	We were not able to recruit to the PMO resource in Q3, going out to recruitment in Q4 which should lower this risk.	MEDHIGH	NEGATIVE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
(NEW Q3) Risk that our starter and leaver processes are not timely, leading to weakened controls	CS-RISK13	N/A	N/A	HIGH	MITIGATE	Project is being developed to improve processes.	HIGH	N/A	ACCEPT
Risk that the council's reputation is severely damaged or subject to legal challenge arising from a failure in Corporate Governance.	CS-RISK15	MED	MED	LOW	ACCEPT	No mitigations needed as risk is LOW at inherent scoring and so ACCEPTED.	LOW	POSITIVE	N/A
Risk of election not being delivered due to legislative changes resulting in timescales and/or requirements that are not deliverable.	CS-RISK16	MEDHIGH	HIGH	MEDHIGH	MITIGATE	Implementing rules and preparations as soon as able now legislation has been received.	MED	POSITIVE	ACCEPT
Risk of operational failure in legal services due to available capacity/resources leading to incorrect advice/actions.	CS-RISK17	MED	MED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	POSITIVE	N/A
Risk that we are unable to adapt to new ways of working and making them effective for procurement activities.	CS-RISK18	LOW	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring.	LOW	NEGATIVE	N/A
Risk that there is a reluctance to engage in competitive tendering processes from some key clients.	CS-RISK19	MEDHIGH	MED	MED	MITIGATE	Continue to work in our business partnering way to support early engagement which in turn will support the value adding role. Continue to actively promote our service and the value add through the Knowledge, training and attending team meetings.	MED	STABLE	ACCEPT
Risk that there is noncompliance with mandatory training programmes.	CS-RISK20	MEDHIGH	HIGH	HIGH	MITIGATE	This is an area of risk being considered as part of systems review.	HIGH	STABLE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Financial and political risk associated with the simplification and changes to Council Tax Support policy for 2023/24.	CS-RISK21	HIGH	LOW	LOW	ACCEPT	No mitigations needed as risk is LOW at inherent scoring and so ACCEPTED.	LOW	STABLE	N/A
Risks that the business continuity arrangements in critical services are not aligned with ICT resilience arrangements or their potential cost implications.	CS-RISK22	MED	MEDHIGH	MEDHIGH	MITIGATE	Recently tested business continuity arrangements and it is evident that some arrangements are not robust. To be addressed via emergency management.	MEDHIGH	STABLE	ACCEPT
Risk of Matrix contact delivery	CS-RISK23	N/A	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	STABLE	ACCEPT
Risk of cyber-attacks and malicious attempts to damage critical services.	CS-RISK24	HIGH	HIGH	HIGH	MITIGATE	Ongoing area of risk which has increased given the Ukraine situation.	HIGH	STABLE	ACCEPT
Risk that we are unable to protect customer and citizen data and ensure compliance with GDPR.	CS-RISK25	LOWMED	MED	HIGH	MITIGATE	Ongoing area of risk, corporate training to raise knowledge for all staff to reduce the likelihood.	MEDHIGH	NEGATIVE	ACCEPT
Risk that multi-agency data sharing programmes are not agreed cross-council and NSC cannot take part leading to reputational damage.	CS-RISK26	MED	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOW at inherent scoring and so ACCEPTED.	LOWMED	STABLE	N/A
Risk of elements of the digital / information management programme not being delivered due to capacity issues and unforeseen events	CS-RISK27	N/A	MED	MED	MITIGATE	Focusing attention on the Digital programme but there is a resource capacity gap.	MED	STABLE	ACCEPT
Risk of CPD online experiencing financial difficulties	CS-RISK28	N/A	HIGH	HIGH	MITIGATE	Mitigations have been put in place and the risk has now reduced.	MED	POSITIVE	ACCEPT

Public Health and Regulatory Services directorate:

To note, there were no changes to the risks in Public Health and Regulatory Services directorate as of Q3.

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risk that we do not manage budgets effectively in-year and ensure a balanced budget.	PR-RISK1	LOWMED	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	STABLE	N/A
Risk of recruitment and retention for key roles across the directorate.	PR-RISK2	LOWMED	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	STABLE	N/A
Risk that we do not implement and deliver the transformational projects required to meet the directorate challenges.	PR-RISK3	MED	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	STABLE	N/A
Risks to public health operational effectiveness due to COVID-19.	PR-RISK4	LOW	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOW	POSITIVE	N/A
Risks to regulatory services operational effectiveness due to COVID-19.	PR-RISK5	LOWMED	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	STABLE	N/A
Risk that not all our critical services have business continuity plans.	PR-RISK6	MEDHIGH	MEDHIGH	MED	MITIGATE	Working with teams to develop plans and test appropriately.	LOWMED	POSITIVE	ACCEPT
Risk of failure to recover the food safety intervention programme in line with the Food Standards Agency expectations and framework.	PR-RISK7	LOWMED	LOWMED	MED	MITIGATE	Have used agency capacity to manage challenging target.	LOWMED	STABLE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risk of a major incident related to food safety that we cannot respond to due to reduced resource.	PR-RISK8	LOWMED	LOWMED	MED	MITIGATE	Constant review of risk and food inspection work against other priorities e.g., health and safety investigations.	LOWMED	STABLE	ACCEPT
Risks of service downtime due to the migration to the new cloud-based version of the CIVICA database.	PR-RISK9	LOWMED	LOWMED	MED	MITIGATE	Additional capacity allocated in the short term and extension of gov.uk licenses reduce risk of customer impact.	LOWMED	STABLE	ACCEPT
Risks related to significant delays and shortages of raw material / general price rises affecting the construction industry impacting on DFG delivery, government funded retrofit programmes and rented sector maintenance.	PR-RISK10	MED	LOWMED	MEDHIGH	MITIGATE	Mitigating the risk with agency staff but risk remains MEDHIGH.	MEDHIGH	NEGATIVE	ACCEPT
Risk to securing future funding for home energy efficiency work via government competition competing with other local authorities.	PR-RISK11	MED	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	STABLE	N/A
Risk related to an emerging challenge associated with external cladding and legislative requirements.	PR-RISK12	MED	MED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	POSITIVE	N/A

Place directorate:

To note, one risk was added in Place directorate as of Q3 and one risk was revised.

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risk that we do not manage revenue budgets effectively in-year and ensure a balanced budget.	P-RISK1	HIGH	HIGH	HIGH	MITIGATE	Financial position is challenging, mitigations are being identified but escalating costs in home to school transport mean the financial position overall is not improving.	HIGH	STABLE	ACCEPT
Risk that we do not deliver savings against the Medium-term Financial Plan.	P-RISK2	HIGH	HIGH	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	POSITIVE	N/A
Risks of significant financial pressures across the directorate resulting in contract risks and service delivery risks due to increases in energy costs and inflation.	P-RISK3	HIGH	HIGH	HIGH	MITIGATE	Many risks in the directorate have been mitigated at this point of the year, Home to School Transport is the biggest risk area and an audit is underway to identify any additional measures we can take to mitigate risk.	HIGH	STABLE	ACCEPT
Delivery of significant capital projects to time and budget including MetroWest and Highways Infrastructure Fund.	P-RISK4	MEDHIGH	LOWMED	MED	MITIGATE	Full financial assessment of baseline budget fully assessing inflationary impacts on project budgets. Ensuring a robust risk and finance overview is undertaken to inform any ongoing budget pressures.	MED	NEGATIVE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risks related to the condition of corporate estate resulting in financial and operational risks.	P-RISK5	MED	MED	MEDHIGH	MITIGATE	Condition surveys exploited to inform proactive maintenance regime. Pipeline and process mapping underway to inform ongoing requirements. Resources enabling a more robust positive approach to management and maintenance regimes.	MED	STABLE	ACCEPT
Risks to funding for MetroWest inc. capital elements	P-RISK6	MEDHIGH	MED	MED	MITIGATE	Proactive management of NSC/WECA scope along with providing wider support to Network Rail and its contractors to maximise efficiencies and opportunities for cost reduction of the whole project.	MED	STABLE	ACCEPT
Financial risk on milestone contract.	P-RISK7	MED	MED	MED	MITIGATE	This is being closely monitored for year end and for the final contract year where the risk is significant.	MED	STABLE	ACCEPT
Risk that income levels in community buildings does not recover post covid.	P-RISK8	LOWMED	LOWMED	HIGH	MITIGATE	The picture varies by site. Work ongoing to review as needed.	HIGH	NEGATIVE	ACCEPT
Risk that the home to school transport service continues to show volatility in financial performance.	P-RISK9	HIGH	HIGH	HIGH	MITIGATE	Transformation projects ongoing to help mitigate this.	HIGH	STABLE	ACCEPT
(REVISED Q3) Failure to recruit/retain skilled roles leading to failure to deliver decisions within agreed timescales.	P-RISK11	N/A	HIGH	HIGH	MITIGATE	Work is ongoing with HR to maximise ability to recruit.	HIGH	STABLE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Delay to Local Plan process exposes council to risk of speculative development and unplanned growth through appeal.	P-RISK12	HIGH	HIGH	HIGH	MITIGATE	Unfortunately, a number of appeal decisions have determined that the council does not have a 5 year housing land supply and that the council does not have an up to date Local Plan. A slowdown is expected in the housing market which may translate into fewer appeals, but this requires monitoring.	HIGH	STABLE	ACCEPT
Risk that the lack of five-year supply could lead to the council being exposed to appeals for residential development in sub-optimal locations and additional costs of appeal.	P-RISK13	HIGH	HIGH	HIGH	MITIGATE		HIGH	STABLE	ACCEPT
Risk to the development programme and delivery.	P-RISK14	MEDHIGH	MED	MEDHIGH	MITIGATE	Schemes on hold and under discussions where needed.	MED	STABLE	ACCEPT
Risks to achieving a net zero position by 2030 given current resources and sphere of influence.	P-RISK15	HIGH	HIGH	HIGH	MITIGATE	There is a broad programme of activity across workstreams of our property, retrofitting, communications, transport decarbonisation and renewable energy. These activities will help to reduce the Scope 1 and 2 emissions of the organisation, but Scope 3 emissions will continue to be challenging.	HIGH	STABLE	ACCEPT
Flood risk - climate change and rising sea levels present a significant risk to people, property and the economy on low lying land across North Somerset.	P-RISK16	HIGH	HIGH	HIGH	MITIGATE	Draft Local Flood Risk Management Strategy to Executive on 8 Feb for approval for consultation. Will be an 8 week consultation and approval sought in June 2023.	HIGH	STABLE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
Risk around the ongoing management development of the Capital PMO and that once developed the PMO is not able to support the breadth of projects.	P-RISK17	MED	LOWMED	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	STABLE	N/A
(New Q3) Risk related to the infrastructure required to support Local Plan led growth and the decarbonisation of transport.	P-RISK18	N/A	N/A	HIGH	MITIGATE	Spatial strategy seeks to allocate development close to existing services. Ensure that transport assessment is undertaken for revised spatial strategy ahead of autumn 2023 consultation.	MEDHIGH	N/A	ACCEPT
Risk of failure to agree and implement parking strategy.	P-RISK19	LOWMED	MED	MED	MITIGATE	Consultation timeline delayed until post May 2023 election.	MED	STABLE	ACCEPT
Risk of non-delivery of behaviour change for transport leads to severance, road safety dangers, lack of decarbonisation.	P-RISK20	HIGH	HIGH	HIGH	MITIGATE	New Local Transport Plan guidance and outputs from Transport Decarbonisation Study will lead to series of recommendations and Big Conversation on Transport Decarbonisation in 2023 post elections.	HIGH	STABLE	ACCEPT
Failure to install public EV charging network and associated electrical supply affects electric car uptake and impacts net zero target/ national decarbonisation strategy.	P-RISK21	HIGH	MED	MEDHIGH	MITIGATE	The consultation on the draft Electric Vehicle strategy will launch in Q4.	MEDHIGH	NEGATIVE	ACCEPT
Risk of having no waste depot to operate from beyond 2027.	P-RISK22	HIGH	MED	HIGH	MITIGATE	Depot strategy to investigate options available and put in measures to secure	MEDHIGH	NEGATIVE	ACCEPT

Risk	Risk ref	Q1 residual score	Q2 residual score	Q3 inherent score	Q3 inherent risk treatment	Q3 mitigating actions	Q3 residual score	Q2 to Q3 direction of travel	Q3 residual risk treatment
						ongoing provision of a depot.			
Risk that limited police and community safety resource in North Somerset leads to increase in serious crime and death.	P-RISK23	MED	LOWMED	MED	MITIGATE	Continued dialogue with Police, BID and Weston Town Council for a more joined up approach. Formal proposal and discussions to take place with BID on option for more collaborative work.	MED	NEGATIVE	ACCEPT
Risk that the provisions of the Environment Act 2021 conflict with North Somerset's operational and financial models for waste and the natural environment.	P-RISK24	LOW	LOW	LOWMED	ACCEPT	No mitigations needed as risk is LOWMED at inherent scoring and so ACCEPTED.	LOWMED	NEGATIVE	N/A
Peteriorating condition of highways and footway assets.	P-RISK25	MEDHIGH	MEDHIGH	HIGH	MITIGATE	We continue safety inspections and undertake repairs where needed.	MEDHIGH	STABLE	ACCEPT
Risk to development of transport and highways scheme pipeline and delivery of projects.	P-RISK26	HIGH	HIGH	HIGH	MITIGATE	Seeking to improve recruitment through agency staffing.	MED	POSITIVE	ACCEPT
Risk related to all council owned trees (tree risk management).	P-RISK27	HIGH	HIGH	HIGH	MITIGATE	High risk trees are being dealt with as a priority. A significant backlog of lesser priority tree work has built up.	HIGH	STABLE	ACCEPT
Ash dieback risk - health and safety risk from falling trees, financial risk as cost of removal is high.	P-RISK28	HIGH	HIGH	HIGH	MITIGATE	The progress of the disease is difficult to predict but additional funds have been provided which have enabled us to address the increase in affected tree numbers.	LOWMED	POSITIVE	ACCEPT

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North Somerset Council

Report to the Audit Committee

Date of Meeting: 9th March 2023

Subject of Report: Audit and Assurance Plan 2023-24

Town or Parish: None

Officer/Member Presenting: Peter Cann, Audit West

Key decision: no

Recommendations

The Audit Committee approves the Audit & Assurance Plan 2023-24.

1. Summary of Report

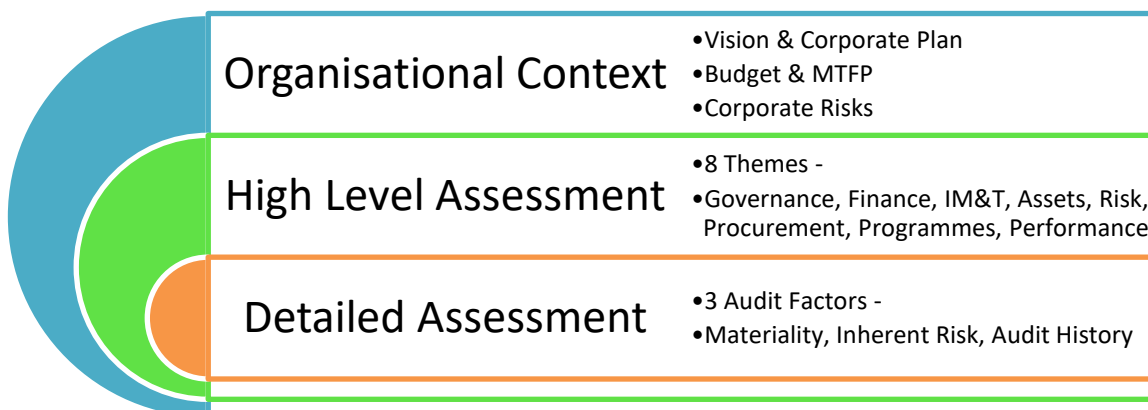
This report outlines the Annual Audit and Assurance Plan 2023-24 which forms the principal work of the Internal Audit Service for the new financial year. The Audit Committee is asked to endorse the plan. Also attached is the Audit Charter for the Internal Audit Service for information in Appendix B.

2. Policy

The Annual Audit and Assurance Plan forms a key element of the council's corporate governance arrangements. The work provides assurance and improves the council's internal controls to ensure delivery of the council's objectives. The outputs inform the Head of Audit and Assurance opinion of the council's governance, risk and control environment as well as informing the Annual Governance Statement.

3. Details

The Public Sector Internal Audit Standards (PSIAS) require Internal Audit to prepare a risk-based plan and this is attached at Appendix A. The plan is formulated using the Reasonable Assurance Model the essential elements of the model are as follows –



Notwithstanding the assessment, specific circumstances (such as a significant reputational issue or request of S151 or Corporate Leadership Team) may on occasion mean that a low scoring or new topic is nevertheless included in the Plan, e.g., historically, Covid-19.

The plan process involved extensive consultation between December and end of February including the following key stakeholders –

- Senior Management
- Directorate Leadership Teams
- Statutory Officers
- Audit Committee

Resources available to deliver the Plan will also inform the quantum of the Plan and these will remain the same during 2023-24. Our partnership arrangements also give us ongoing efficiency opportunities to reduce the amount of time spent on reviews and share best practice.

Ongoing Review of the Audit Plan

Whilst only small in-year adjustments were required to the agreed audit plans for the previous two financial years (2021/22 and 2022/23), the Internal Audit Service will continue to ensure a fluid approach for audit coverage in the next financial year. Therefore, whilst a full-year audit plan has been produced to cover the period 1st April 2023 – 31st March 2024, the plan will be kept under continual review and adjusted to cover any further unforeseen requirements over the first six months. A review of the annual plan at the six-month stage will then take place, if necessary, in order to adequately prioritise and resource the second half of the financial year.

Internal Audit Charter & Professional Standards

The Public Sector Internal Audit Standards (PSIAS) came into effect from 1st April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government, Central Government and the NHS.

The PSIAS was revised wef 1st April 2017 and are based on the Institute of Internal Auditors' International Standards. The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector.
- Set basic principles for carrying out internal audit in the UK public sector.
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

A key requirement of the PSIAS is an Internal Audit Charter which defines the internal audit activities, purpose, authority and responsibility. The Internal Audit Charter establishes its position within the organisation; the nature of the Head of Audit and Assurance's functional reporting relationship with the Audit Committee; formally records its access to property, records and personnel; and defines the scope of internal audit activities.

As part of best practice we always present the Charter annually to the Audit Committee so that you are aware of how Internal Audit delivers its services and derives its authority and to re-confirm our independence.

Each year we will assess ourselves against the required standards and ensure a quality assurance and improvement programme (QA&IP) is in place requiring both internal and external assessment with an external assessment being required once every 5 years. An external review of our conformation against these standards recently took place and we will report to Members on the outcome of this shortly.

4. Consultation

In developing the Audit Plan, the Internal Audit Service drew upon local and national intelligence and reports and consulted with a range of stakeholders. The Service used a risk framework to identify the topics to be included in the draft plan.

5. Financial Implications

The costs of delivering the Annual Audit Plan are contained within the budget set aside for the contract with Audit West. If this work identifies weaknesses in the council's control environment, this may result in additional costs. The work may also identify efficiencies and savings in the council's operation.

6. Legal Powers and Implications

There are no direct legal implications from this report.

7. Climate Change and Environmental Implications

The plan process will consider key risks (& opportunities) which will include a continued focus on Climate Change and report back on whether assurances can be given on the delivery of the organisations plan to mitigate the risk in this area.

8. Risk Management

The Plan describes how Internal Audit will take a risk-based approach in applying its limited resources to provide a sufficient level of assurance to those charged with governance. This includes a risk assessment tool used to inform the content of the Annual Audit Assurance Plan.

9. Equality Implications

Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

10. Corporate Implications

Failure to agree a sufficient Annual Assurance Plan may result in an inability to provide assurance to officers, members and the public of the soundness of the council's corporate governance

11. Options Considered

None as this report follows professional standards.

Author

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Background Papers

Audit Plan – Audit Committee Consultation, January 2023

Attachments

- Appendix A Annual Audit & Assurance Plan 2023-24
- Appendix B Audit Charter

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Audit & Assurance Plan 2023/24

Delivering Independent Assurance to Local Government

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An open, fairer, greener North Somerset

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3. How the Internal Audit Plan is Compiled... Page 5

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5. Other Key Components of Internal Audit Work..... Page 7

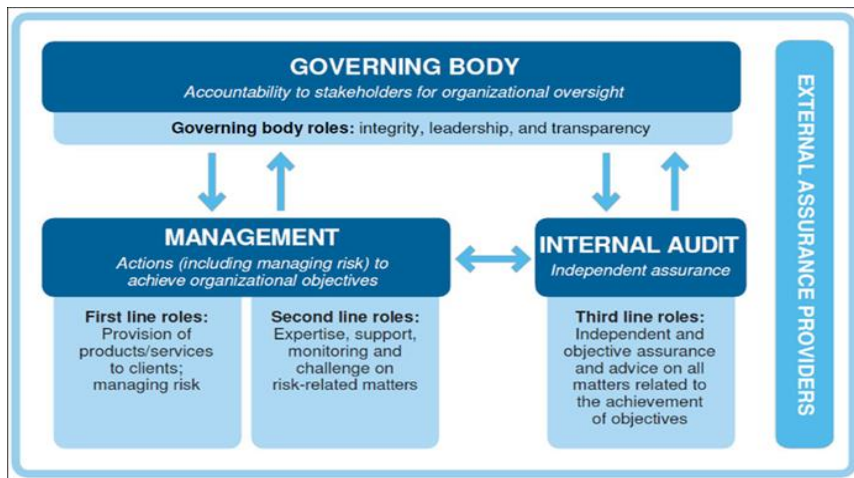
1. Our Role

Introduction

North Somerset Council strives to deliver excellent services to local people and pledges to be an open, fairer and greener Council. The Council has recognised through its Corporate Plan the importance of excellence in resource management and sound governance as fundamental to achieving its priorities.

Audit West fully recognises its need to be flexible and agile in the face of the significant changes affecting the whole of the public sector and meet the needs of its stakeholders. Independent assurance which is strong but supportive can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Council is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

Three Lines of Defence Model



By being independent of management, Audit West maintain the third line of defence and we continue to do this effectively by working with all our stakeholders - especially the Audit Committee, Statutory Officers and Senior Management – to improve the service we offer but also to provide an independent voice in supporting service change and transformation.

We also aim to offer continued value to all our clients based on the following key priorities –

- **Use of our Reasonable Assurance Model**
- **Maximising Use of Technology**
- **Investment in Skills**
- **Offering complimentary assurance services**
- **Providing Value for Money**

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2023/24.



2. Key Priorities for North Somerset

A THRIVING AND SUSTAINABLE PLACE

PRIORITIES

- A great place for people to live, work and visit
- Welcoming safe and clean neighbourhoods
- To be a carbon neutral council and area by 2030
- A transport network that promotes active, accessible and low carbon travel
- A broad range of new homes to meet our growing need, with an emphasis on quality and affordability
- An attractive and vibrant place for business investment and sustainable growth

A COUNCIL WHICH EMPOWERS AND CARES ABOUT PEOPLE

PRIORITIES

- A commitment to protect the most vulnerable people in our communities
- An approach which enables young people and adults to lead independent and fulfilling lives
- A focus on tackling inequalities, improving outcomes
- A collaborative way of working with partners and families to support children achieve their full potential
- Partnerships which enhance skills, learning and employment opportunities

AN OPEN AND ENABLING ORGANISATION

PRIORITIES

- Engage with and empower our communities
- Empower our staff and encourage continuous improvement and innovation
- Manage our resources and invest wisely
- Embrace new and emerging technology
- Make the best use of our data and information
- Provide professional, efficient and effective services
- Collaborate with partners to deliver the best outcomes

3. How the Internal Audit Plan is Compiled – Reasonable Assurance Model

A key component of the audit needs assessment is using the adopted ‘Reasonable Assurance Model’ to assess the level of Assurance in place over eight themes.

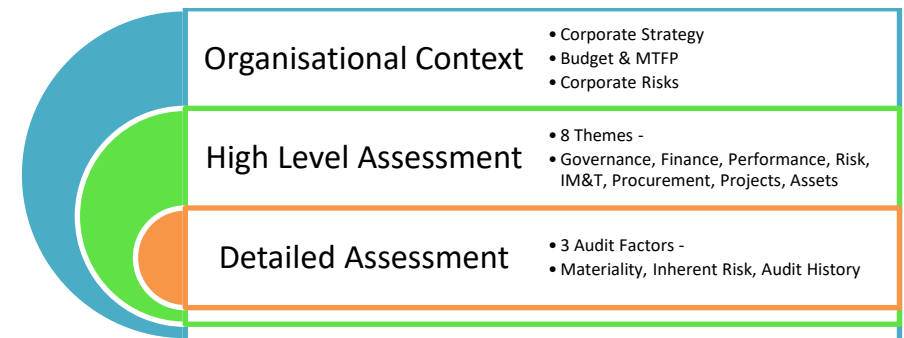


Each Theme has a set of questions and the answers to these questions help assess the level of assurance and the level of risk for each theme. The Reasonable Assurance Model informs the Internal Audit Annual Plan and enables an assessment of compliance with the seven principles of good governance as recorded in the Council’s Local Code of Corporate Governance.

In addition to the Reasonable Assurance Model assessment the annual plan is created by:

1. Consideration of risks recorded in the Council’s Corporate and Directorate Risk Registers and objectives within the Corporate Plan and Annual Directorate Statements.
2. Horizon scanning – external publications and networking groups e.g., LACAN (Local Authority Chief Auditors Network)
3. Consultation with Directorate Leadership Teams, key Corporate Officers, Statutory Officers and the Audit Committee – discussions cover any issues, and new / heightened risks based on new or changes in responsibilities.
4. External Review Body findings or planned reviews.
5. Risk scoring long list of potential areas of audit activity based on factors such as: Internal Audit History (previous assurance opinions, time since last review), Inherent Risk (operational, technical, reputational & people), Materiality (income, expenditure, planned savings), and Audit Management knowledge experience.

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In accordance with the PSIA Standards, the plan needs to be flexible to respond to the changing risks and priorities of the Council and, to this end, audit planned activity will be regularly reviewed and changes reported to management and the Corporate Audit Committee.

4. Detailed Internal Audit Plan

This listing records the core activity of the Internal Audit Service and the planned audit reviews as of 1st April 2023.

The recorded 'Quarter' scheduling is an indication of timing of each review but is intended as a guide only and is subject to change.

Work in addition to that in the plan is also delivered through audit investigations and general advice to service areas, as is required.

Item	Title	Start (Quarter)	Directorate	Theme
1	Grant Funding Requiring Audit Verification	1/ 2/ 3/ 4	CSD	Finance
2	Recruitment and Retention, including Starters and Leavers	1	CSD	Assets
3	Customer Services - Performance	4	CSD	Performance
4	Corporate Health and Safety	2	CSD	Risk
5	Duplicate Payments – Root Cause Analysis	2	CSD	Finance
6	Council Tax and NNDR – Follow-up Reviews	3	CSD	Finance
7	Vehicle Mileage Expense Claims	1	CSD	Finance
8	ICT – Governance	4	CSD	IM&T
9	ICT – Project Management	3	CSD	Projects/ IM&T
10	ICT - Firewalls	1	CSD	IM&T
11	ICT – Cyber Security Incident Management	2	CSD	IM&T
12	ICT – Cyber Security Logging and Monitoring Arrangements	2	CSD	IM&T
13	Compliance with Council Procurement Processes	3	CSD	Procurement
14	Governance - Annual Governance Statement	1/ 2/ 3/ 4	CSD	Governance
15	Governance - Audit Committee, Boards, Advice and Guidance	1/ 2/ 3/ 4	CSD	Governance
16	Local Code of Corporate Governance – Review & Update	1	CSD	Governance
17	Follow-up of Previous Year Recommendations	1/ 2/ 3/ 4	CSD	Performance
18	Fraud - Data Analytics	1/ 2/ 3/ 4	CSD	Finance
19	Fraud - National Fraud Initiative (NFI)	1/ 2/ 3/ 4	CSD	Finance
20	Fraud - Training, Advice and Guidance	1/ 2/ 3/ 4	CSD	Finance
21	North Somerset Environment Company	TBC	CSD	Governance
22	Public Health Funerals	TBC	Public Health	Finance
23	Seafront Concessions	1	Place	Risk
24	Planning Services	1	Place	Performance
25	Parking Services	3	Place	Finance
26	CIL and Section 106 Funding	2	Place	Finance
27	Highways – Payment Bonds	3	Place	Finance
28	Tree Management – Risk Management	TBC	Place	Risk
29	Climate Emergency Action Plan	4	Place	Governance
30	Tropicana – Income, Stock Control and Utility Costs	2	Place	Finance
31	Adult Social Services – New Funding Streams	2	Adults	Finance
32	Housing - Lettings Service	4	Adults	Risk
33	Nursing and Residential Home Provider Visits	3	Adults	Finance
34	Adults Safeguarding - Processes	2	Adults	Risk
35	Unpaid Carers	3	Adults	Risk
36	Local Authority Designated Officer – Statutory Responsibilities	2	Children's	Risk
37	High-Cost Care and Education Packages	1	Children's	Procurement
38	School Financial Value Standard (SFVS)	4	Children's	Governance
39	Safety Valve Scheme	1	Children's	Governance
40	Children Missing Education	3	Children's	Risk

5. Other Key Components of Internal Audit Planned Work

1) Fraud – Prevention & Detection

Counter-fraud and corruption arrangements are a high priority for the Council and assist in the protection of public funds and transparency & accountability. Under the Council's Financial Regulations, the Internal Audit Service must be informed of any 'financial irregularities' and we are committed to responding timely to any reported or identified cases through carrying out our proactive work. Our proactive anti-fraud and corruption testing is focussed on those areas / systems considered to be most at risk to fraud.

The CIPFA guidance ('Code of practice on managing the risk of fraud and corruption'), the CIPFA Fraud and Corruption Tracker (CFaCT) survey, and the Fighting Fraud and Corruption Locally strategy, all assist in assessing and informing fraud and corruption risks and planning the work of the Internal Audit service. Nationally, the notable areas of fraud include Housing Benefit, Council Tax/ Single Person Discount, Housing and Tenancy, Procurement, Insurance, Abuse of Position, Blue Badges, and Direct Payments (Social Care). These areas and the risks are considered as part of the audit planning process and this is evident in the list of audit reviews recorded in Section 5, as well as in previous audit plans.

In terms of other proactive work the Cabinet Office runs a detailed national data matching exercise (National Fraud Initiative - NFI) every two years. Information must be extracted from several Council databases and uploaded to the NFI database run. The results of the most recent exercise at North Somerset Council will be reported in mid-2023.

The Council has an adopted an Anti-Fraud and Corruption Strategy and associated policies and these were reviewed and updated in 2022/23.

Staff awareness of fraud and scams is very important, and the Internal Audit service provide training and regular bulletins to ensure that staff are reminded of the risks and the need for continued diligence. This work will continue throughout 2023/24.

2) Corporate Governance

The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review.

The AGS must be seen as a Council wide document, and it is reviewed and approved by the Audit Committee. The Leader of the Council and the Chief Executive are required to sign the document which is then published with the Council's statement of accounts.

The Internal Audit service provide support by using an adopted methodology to carry out an Annual Governance review.

3) Independent Certification of Grant Funding

Significant funding is provided to the Council by funding bodies such as the West of England Combined Authority and Government Departments. The Internal Audit service are required to independently verify expenditure and provide an opinion on whether expenditure is in compliance with Grant Terms & Conditions.

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Internal Audit Charter

This document sets out the purpose, authority and principal responsibilities of the Internal Audit Service for North Somerset Council.

1 Internal Audit's Purpose and Mission

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on its control environment. Internal Audit helps the organisation to achieve its objectives through a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control, processes. Its mission is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight

2 Internal Audit's Statutory Role

- 2.1 The Accounts & Audit Regulations 2015 (Local Government England & Wales) states 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 public sector internal auditing standards or guidance”.

- 2.2 Section 151 of the Local Government Act 1972 requires the Council to designate an Officer to be responsible for “making arrangements for the proper administration” of the Council’s financial affairs. One of the ways by which this duty is discharged is by maintaining an adequate and effective Internal Audit Service.
- 2.3 The Audit Committee responsibilities are recorded in its Terms of Reference which were updated significantly during 2019/20.

3 Standards for Professional Practice of Internal Auditing

- 3.1 Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors’ International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Head of Audit and Assurance will report periodically to the Council’s Chief Financial Officer (S151 Officer) and the Audit Committee regarding Internal Audit conformance to the Code of Ethics and the Standards.

4 Management's Responsibilities for Internal Control

- 4.1 Responsibility for internal control rests fully with Management, who shall ensure that arrangements are appropriate and adequate. Management shall establish and maintain an adequate system of internal control to enable them to discharge their responsibilities and to ensure that the Council's resources are properly applied in the manner intended. This includes responsibility for the prevention and detection of fraud.

5 Internal Audit Responsibility & Objectives

- 5.1 Internal Audit is responsible for carrying out an appraisal of all the Council's activities, financial or otherwise, in line with this Internal Audit Charter. Internal Audit will provide an annual opinion to the Council (Audit Committee) and will carry out Audits and other assurance work in order to deliver this opinion. In addition, Internal Audit will report to Management any material facts that may affect the delivery of the opinion.
- 5.2 As stated in Section 3 Internal Audit will comply with the Professional Practices Framework, (including the Public Sector Internal Audit Standards), and will complete internal assessment of compliance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The findings of internal assessments and any required actions will be reported to the Council's Audit Committee. Compliance will also be verified through an external review assessment every five years.
- 5.3 One of the key service objectives of Internal Audit will be to produce a risk based Annual Audit Assurance Plan for approval by the Council's Audit Committee. The Audit Plan will remain flexible to take account of the Council's changing environment and risk profile.
- 5.4 Completion of all or a significant proportion of the approved Audit Plan will be a key performance measure of the Internal Audit Service.
- 5.5 Internal Audit will directly employ staff and contract as necessary to provide a service to the Council. This is carried out through a services agreement with Bath & North East Somerset Council who work in partnership with North Somerset Council for Internal Audit Services.

6 The Scope of Internal Audit

- 6.1 Internal Audit's work is not limited to the Council's financial systems and records, it extends to all activities of the Council. This enables Internal Audit to give an independent and objective opinion on the adequacy and effectiveness of governance, risk management and the control environment as a source of assurance to management. Work includes: reviewing and evaluating compliance with policies, laws and regulations; assessing the reliability and integrity of information; and, safeguarding Council assets. In addition to this core internal audit work, it will undertake, where appropriate, other non-assurance work at the request of management. This may include consultancy and fraud / irregularity related work.

- 6.2 Where appropriate, there may be instances whereby Internal Audit works in partnership to meet objectives and deliver services. In these instances, Internal Audit will decide whether to conduct the work required itself or can place reliance on the work carried out by other Auditors or sources of assurance. If Internal Audit were to carry out the work, then access rights need to be established to all systems and documents. Management should ensure these are established as part of the partnership arrangements.

7 Internal Audit reporting lines

- 7.1 The Head of Audit and Assurance fulfills the role of the Council's "Chief Internal Auditor" through its contractual arrangements and reports to the Client - Director of Corporate Services/ Section 151 Officer. The Head of Audit and Assurance has freedom of reporting access without fear or favour to all relevant Members and Officers (including the Leader of the Council, the Chair of the Audit Committee and the Council's Statutory Officers - Chief Executive {Head of Paid Service}; Director of Corporate Services {Section 151} and the Assistant Director Legal & Governance and Monitoring Officer.
- 7.2 The Council has an Audit Committee whose Terms of Reference include responsibility for monitoring the performance of the Internal Audit Service and approving its Annual Audit Plan. The Head of Audit and Assurance reports regularly to the Audit Committee and is required on an annual basis to provide a formal opinion of the adequacy of the Internal Control Framework and systems to manage risk.

8 Internal Audit Independence

- 8.1 A critical element of the performance of Internal Audit is independence from the activities it audits. This enables Internal Audit to form impartial and effective judgment for the opinions and recommendations made. To help ensure independence Internal Audit is allowed unrestricted access to Senior Management & Members, as stated in Section 7.1. the Head of Audit and Assurance reports in his own name and has enhanced independence through the contractual arrangements with Bath & North East Somerset Council.
- 8.2 Internal Auditors will be impartial, have an unbiased attitude and avoid any conflict of interest. Auditors will not undertake audit reviews in services where they have previously worked (directly working for the function or carrying out 'consultancy services') in the last two years. In terms of 'consultancy services' this is work which is going beyond providing an opinion on the control environment, i.e., they are designing or developing systems to fulfil an objective.
- 8.3 Internal auditors will disclose any impairments of independence or objectivity, in fact or appearance, to appropriate parties.
- 8.4 Before Internal Audit agrees to carry out consultancy services consideration will be given to any potential conflicts of interest. If it is concluded that the proposed work

would compromise delivery of the service's prime function, then the work would be declined.

- 8.5 Where the Head of Audit and Assurance has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 8.6 The Head of Audit and Assurance will confirm to the Audit Committee at least annually of the independence of the internal audit activity.

9 Internal Audit Fraud related work

- 9.1 Internal Audit does not have responsibility for the prevention and detection of fraud. However, Internal Audit staff shall be alert in all their work, to risks and exposures that could allow fraud or corruption. Internal Audit work alone cannot guarantee that fraud and irregularities will be picked up even when work is performed in compliance with the Public Sector Internal Audit Standards.
- 9.2 The main source for Internal Audit to be alerted to possible fraud and irregularities will be through the awareness of Council Officer and Members of the Council's Anti-Fraud & Corruption Strategy and associated policies (Anti-Money Laundering Policy; Anti-Bribery & Corruption Policy and Whistleblowing Policy). Internal Audit maintain the Council's Strategy and Policies and report on this to the Audit Committee. The Strategy adheres to the themes and principles of the CIPFA Local Government Counter Fraud Strategy.
- 9.3 Internal Audit assist in the detection of fraud by assisting the Council's Director of Corporate Services (Section 151 Officer) in roles related to the Cabinet Office National Fraud Initiative. Internal Audit assists Council Services in the preparation and submission of data to the Cabinet Office and then the review and investigation of data matches.
- 9.4 Internal Audit may also be requested by Management to assist with the investigation of potential cases of fraud and financial irregularities. The objective of the Internal Audit Service is to ensure that: 1) the matter is fully investigated and if deemed necessary referred for Police or disciplinary action; and 2) the system of internal control is enhanced to avoid a repeat of the issue. All reported irregularities would be investigated in line with adopted strategies, policies and protocols.

10 Internal Audit's Right of Access

- 10.1 The Accounts & Audit Regulations 2015 provides that any Officer of the Council must make available such documents of the Council which relates to its' accounts and other records as appear to be necessary for the purpose of the Audit.

In addition, the Council's Financial Regulations state that the Head of Audit and Assurance or their authorised representative, shall have authority to:

- Enter at any reasonable times, any operational or administrative Council premises or land and have access to all Council property;
- Have access to (and where necessary to copy or retain) all records whether manually or electronically held, documentation, correspondence and computer systems relating to any transaction of the Council, or non-official funds operated by Council staff;
- Require and receive such explanations as are necessary concerning any matter under examination;
- Require any employee of the Council to produce or account for cash, stores or any other property under their custody or control,
- Examine any work or services carried out for the council by an employee or contractor, and any goods purchased on behalf of the Council,
- Review appraise and report on the soundness, adequacy and application of internal controls. This includes those controls to protect Council resources, property and assets from loss / waste.

11 Relationship with External Audit & other Assurance Providers

- 11.1 The relationship between Internal Audit and the Council's External Audit should take account their differing roles. The External Auditor has a statutory responsibility to express an opinion on the Council's financial statements, whilst Internal Audit is responsible for assessing the adequacy and evaluate the effectiveness of its risk management, control and governance processes and advising Management accordingly.
- 11.2 Internal Audit will co-operate and co-ordinate with External Audit and other review agents to:
- Ensure that duplication of work is minimised
 - Consider joint delivery where appropriate
 - Determine the level of assurance that can be obtained from their work
 - Review the reliance that can be placed on that assurance as part of Internal Audit's opinion on the control environment
 - To enable access to all Internal Audit records as appropriate.
- 11.3 As part of its drive to secure efficiencies, Internal Audit will use all sources of assurance available to it to inform its opinion.

12 Quality Assurance and Improvement Plan

- 12.1 The Head of Audit and Assurance has developed a quality assurance and improvement programme that covers all aspects of the internal audit activity. It has been designed to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Institute of Internal Auditors Code of Ethics. Identifying opportunities for improvement is a key requirement of the programme.

- 12.2 Internal assessments will be carried out to review compliance with the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. The results of internal assessments referencing any related action plans will be reported in the annual report to the Council's Audit Committee.
- 12.3 An external assessment will be carried out at least every five years by a qualified, independent assessor from outside the organisation.
- 12.4 The Head of Audit and Assurance will inform the Audit Committee of the form of the external assessment and clarify the qualifications and independence of the external assessor. The results of the external assessment including any action plans will be reported in the relevant annual report to the Audit Committee.
- 12.5 Any non-conformance to the International Standards for the Professional Practice of Internal Auditing and Code of Ethics will be highlighted for consideration for inclusion in the Council's Annual Governance Statement.

North Somerset Council

Report to the Audit Committee

Date of Meeting: 9th March 2023

Subject of Report: Counter Fraud Update Report

Town or Parish: None

Officer/Member Presenting: Peter Cann, Audit West

Key decision: no

Recommendations

The Audit Committee is asked to note the Counter Fraud Update Report.

1. Summary of Report

This is an update report to outline the main counter fraud activity that took place during the 2022-23 financial year.

2. National Picture and Emerging Fraud Risks

- 2.1 The CIPFA Fraud and Corruption Tracker (CFaCT) survey is the definitive survey of fraud and corruption activity in local government. It tracks the level of fraud and corruption local authorities have detected, the number of investigations undertaken and the types of fraud encountered.

The CIPFA Tracker Report was last published in 2020 and detailed the main themes for national fraud indicators within Local Government. This can be accessed via the CIPFA website:

<https://www.cipfa.org/services/cipfa-solutions/fraud-and-corruption/fraud-and-corruption-tracker>

The tracker report is supported by the National Audit Office (NAO) and the Local Government Association (LGA). The annual financial loss to fraud in the UK public sector was last estimated to be £40.3bn annually, with £7.3bn of this total being lost in local government.

- 2.2 Key fraud risk areas in Local Authorities include, Council Tax Fraud, Disabled Parking Concessions (Blue Badge), Business Rates and Housing Fraud.

Accordingly, work is scheduled within the 2023/24 internal audit plan to review:

- NNDR (Business Rates) and Council Tax
- Housing (Lettings Service)

At the time of writing this report, the Internal Audit Service are also undertaking planned internal audit work withing Housing on the Homelessness Prevention Service and this includes a review of associated fraud risks.

An audit review of Blue Badges was last completed in 2020/21 and then followed up in 2021/22 to confirm that the recommendations made in the (2020/21) review had been implemented. It is anticipated that Blue Badges will next be reviewed as part of the 2024/25 audit plan, although it does form part of the NFI exercise (see section 3).

2.3 Emerging Fraud Risks

Information regarding known and emerging fraud risks are obtained from a number of organisations and professional bodies. One of these is the National Anti-Fraud Network (NAFN). NAFN are one of the largest shared services in the country, managed by, and for the benefit of its members, and is hosted by Tameside MBC. Currently, almost 90% of local authorities are members, including North Somerset Council.

A new fraud risk was recently raised by a member of the Audit Committee and this regarded QR (Quick Response) code fraud. An article was subsequently published in the staff newsletter 'The Knowledge' and included details on QR 'code jacking' and 'quishing', details on how to report a QR code scam, and also awareness tips for QR code safety. The Audit service are grateful to the Committee for bringing this matter to their attention.

3. National Fraud Initiative (NFI)

3.1 The Internal Audit function also carry out other anti-fraud activity, such as co-ordinating the National Fraud Initiative (NFI) on behalf of the Council's Section 151 Officer.

3.2 The NFI is a Cabinet Office initiative, matching data from a large number of public and private sector organisations. These organisations provide data from their systems as prescribed by the Cabinet Office. The data is then matched and data matching reports are made available for each participating organisation to review. It is for each organisation to make the necessary enquiries and any identified fraud is recorded within the NFI system to enable the effectiveness of the initiative to be monitored.

For Local Authorities such as North Somerset Council, example data sets for matching purposes include (but are not limited to); Housing Benefit, Council Tax reductions, Payroll, Adult Social Care Personal Budgeting and Disabled Parking (Blue Badges).

3.3 Work on the current exercise (2022/23) is ongoing and the outcome of this work will be reported once complete. Members are advised that North Somerset Council has a total of 2,383 matches to be reviewed.

4. Internal Audit Targeted Work and Investigations

4.1 Internal Audit Planning and Reviews

The risk of Fraud is considered during all internal audit planning activity. This includes right from initially building the Annual Audit Plan (i.e. the audit reviews planned to be carried out during the financial year) through to considering the objectives, fraud risks, controls and focus of each review to be carried out, i.e. each individual work programme. As described in section 2.2, targeted work will be carried out in 2023/24 on known key fraud risk areas, including Council Tax, Business Rates and Housing.

4.2 Data Analytics

Data analysis and data matching are important tools for identifying fraud and error in local government. The Fighting Fraud and Corruption Locally Strategy for the 2020s recommends that local authorities should share data across its own departments and engage in the use of data analytics as a key response to fraud.

As well as participating in the National Fraud Initiative (see section 3), Audit West wishes to support effective data analysis with the use of existing information that the authority already holds. Therefore, internal data matching takes place regularly throughout the year and this is partly completed via IDEA – an internal audit data analytics software tool.

The internal matches were completed primarily on data from the payroll and creditor system. The main checks that took place were as follows:

- Duplicate payments by invoice number, supplier I.D. and amount – *59 matches*
- Duplicate payments by invoice number and amount – *632 matches*
- Supplier gap detection – *8 matches*
- Duplicate suppliers by bank account – *334 matches*
- Payroll match by bank account – *38 matches*
- Duplicate National Insurance Number – *0 matches*
- Over retirement age – *419 matches*
- Creditors to payroll by bank details – *312 matches*

The matches highlighted above were reviewed and we are pleased to report that there were valid reasons for the matches and no instances of fraud or serious error were identified. However, we were concerned by the number of duplicate payments by invoice number, supplier I.D. and amount (59), and whilst it was found that the payments had already been identified by the Accounts Payable and had either been cancelled or reversed (and thus no outstanding duplicate payments remained) we have scheduled an internal audit in the 2023/24 plan so that we can work with the Accounts Payable team to understand the root cause of how the duplicate payments originally occurred.

4.3 Investigations

During Internal Audit investigations, the themes of prevent and pursue as recorded in the Anti-Fraud and Corruption Strategy are the focus of the work of the Auditor. The key objectives are to:

- a) Identify the breakdown in controls and correct this to avoid further losses
- b) Collect evidence to be able to pursue responsible individuals, i.e. through criminal prosecution or a disciplinary route.

There was one main Audit investigation in the 2022/23 financial year which was previously reported in-year to the Audit Committee. The investigation concerned two allegations within the Place Directorate which related to reported non-compliance with procurement processes. The investigation was completed and concluded that neither of the two allegations were substantiated.

4.4 Fraud Reporting

In the financial year 2022/23, a total of 35 potential fraud referrals were received from the public through our dedicated fraud email address and referral form. This compares to 34 referrals received in 2021/22 and 22 received in 2020/21. The majority of the referrals related to areas such as Housing Benefit and Single Person Discount and were passed to the relevant area for action. We did however also receive details of a safeguarding concern within the referrals, which underlines the importance of the ability for the public to make a referral easily – either via the dedicated fraud email address or the simple referral form on the Council's website.

4.5 Staff Training and Awareness

4.5.1 A sustained focus on providing fraud information and awareness to staff has continued throughout the year, with regular articles in the staff newsletter 'The Knowledge'.

A special article to coincide with 'International Fraud Awareness Week' (13th – 19th November) was published and as well as outlining all the key fraud prevention information that is available to officers, additional audit time/ resource was also spent updating the intranet pages in order to further signpost staff to the guidance and training available to them.

4.5.2 Further, the audit service provided additional fraud prevention information to staff through some new bitesize training PowerPoint videos that they developed entitled "5 Minutes of Fraud". These videos can be accessed by staff at their convenience and give a broad overview of fraud risks to look out for, as well as what staff can do to prevent them. Videos produced within the year covered:

- An Introduction to Fraud
- Mandate Fraud
- Payroll and HR Fraud
- Procurement Fraud
- Social Care Fraud

The videos have proved to be popular and we plan to produce more videos in 2023/24 to cover further service areas and highlight new and emerging risks.

4.5.3 Through circulation of fraud alerts to staff and continued work with service areas that are particularly exposed to fraud, prevention and detection by officers has continued to strengthen and in turn reduced likely losses to the Council.

An example of this was when an attempted fraud of £58,560 was prevented by the Accounts Payable team. They had received email correspondence from someone purporting to be the 'Director' of a company asking the Council to replace an invoice already received (by the Council) with a revised copy which had different bank details, citing that the company's usual bank account had been blocked.

The Accounts Payable team followed the correct procedures and telephoned the company Director using previously verified contact details to confirm the legitimacy of the change of bank details email. The real Director confirmed that this was a scam and that his email address had seemingly been compromised.

The Accounts Payable team were congratulated on preventing this large fraud and for continuing to follow the robust controls previously agreed with internal audit.

4.5.4 In a second example, the Council's Community Learning Team contacted Internal Audit regarding an unexpected invoice payment request that they had received via email from a special school far outside of the North Somerset area. In order to view and pay the invoice they needed to open an attachment, and having seen previous guidance, instead decided to contact the Internal Audit service. The Audit service spoke with various finance officers within the Council to check that this wasn't a school that the Council used for say, out of county education. No record could be found of interaction between the Council/ school. Internal Audit then contacted the school directly to discuss the validity of the email and the school confidentially confirmed that their email system had very recently been compromised and that this was a scam payment request, albeit from a genuine email account of a member of staff. Had the Council officer originally opened the attachment, then its possible that the Council's email system may also have been at risk of compromise.

5. Strategy and Policy Updates

5.1 Nationally, the Fighting Fraud and Corruption Locally 2020 document is the most recent counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities.

5.2 The Council's own Anti-Fraud & Corruption Strategy adopts the national strategy at a local level and is the "umbrella strategy" that brings together all fraud related policies. Its objective is to ensure that the Council is proactive in preventing and detecting fraudulent activities and corrupt practices and takes the necessary action to punish those involved and recover losses. The Council's Anti-Fraud and Corruption Strategy was refreshed, updated, and then approved in April 2022 by the Audit Committee.

5.3 Policies linked to the Strategy were also reviewed, updated, and approved in April 2022. These included the following:

- i) Whistle Blowing Policy
- ii) Anti-Money Laundering Policy and Guidance
- iii) Anti-Bribery & Corruption Policy

The Council's Anti-Fraud and Corruption Strategy is next due to be reviewed in 2024.

6. Consultation

The Audit Committee is asked to note the Counter Fraud Update Report.

7. Financial Implications

There are no direct financial implications from this report which is focused on updates.

8. Legal Powers and Implications

There are no direct legal implications from this report which is focused on updates.

9. Climate Change and Environmental Implications

The council faces a wide variety of climate change and environmental impacts whilst delivering its many services to residents, some of which have a direct or indirect financial impact or consequence. These are referenced or noted, where appropriate, throughout the report.

10. Risk Management

It is recognised by Government that the current economic climate in the United Kingdom including the cost-of-living crisis have the potential to increase the risk of fraud and irregularity as never seen before in the Public Sector. Furthermore, as the Council makes continued cuts in its future budgets, it is essential that it continues to maintain strong defences against fraud and irregularity, directing its resources most effectively to mitigate the areas of highest risk.

11. Equality Implications

Embedded within the approach to fraud prevention is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

12. Corporate Implications

There is a requirement to have a strategy which applies to all aspects of the council's business and has in place policies and processes to support the prevention and detection of fraud and corruption.

13. Options Considered

None.

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Background papers

Internal Audit Update Reports to Audit Committee, 2022/23

North Somerset Council Audit Progress Report and Sector Update

Year ending 31 March 2023

March 2023
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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

The paper also includes:

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

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

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

Progress at March 2023

Financial Statements Audit 2021-22

We undertook our initial planning for the 2021/22 audit in January 2022, and interim audit in February and March. We began our work on your draft financial statements in July.

In April we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2021/22 financial statements.

We reported the outcomes from our initial work in the Audit Findings Reports in September 2022 and issued an update in November 2022. Following approval of the accounts, we gave our opinion on the financial statements on 1 February 2023. We have been unable to issue the certificate to close the audit as the following areas have yet to be completed:

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Issuing of the Auditor's Annual Report summarising our work on the Council's value for money arrangements

Audit and submission of the Whole of Government Accounts return.

We have completed and discussed updated Audit Findings Reports, for the Council, with management and the Chair of the Audit and Governance Committee prior to the signing of the audit opinion. These reports have been shared with Members.

Financial Statements Audit 2022-23

We will undertake our initial planning for the 2022/23 audit in March 2023, and discuss with management a suitable timetable for the interim audit. We begin our work on your draft financial statements in July.

We will issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2022/23 financial statements.

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC)

previously stated their intention to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. This is enacted by The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) that came into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021/22 was extended to 30 November 2022 and thereafter changed to 30 September for years up to 2027/28.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

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

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

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. We anticipate issuing our Auditor's Annual Report in March 2023.

Progress at March 2023(cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DwP). This work is ongoing and we continue to have discussions on delivery dates with the DwP. We will update the Committee members on any updates

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2021/22 return began in October, and was completed by the deadline of 30 November.

Meetings

We met with Finance Officers in January 2023 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers have been invited to our Accounts Workshop in February 2023, which provided an opportunity to work through new reporting requirements for local authority accounts and give insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "limited improvements" (2) rating means that additional audit work is required.

We continue to review the impact of these changes on both the cost and timing of audits. We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and will communicate fully with the Audit Committee.

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

Audit Deliverables

2022/23 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report</p>	April 2023	Not yet due
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit within our Progress Report.</p>	April 2023	Not yet due
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the September Audit Committee.</p>	September 2023	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	September 2023	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	December 2023	Not yet due
2021/22 Audit-related Deliverables	Planned Date	Status
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	March 2023	Not yet Due
<p>Teachers Pensions Scheme – certification</p> <p>This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	November 2022	Complete
<p>Housing Benefit Subsidy – certification</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	TBC	Not yet due (see pg 5)

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

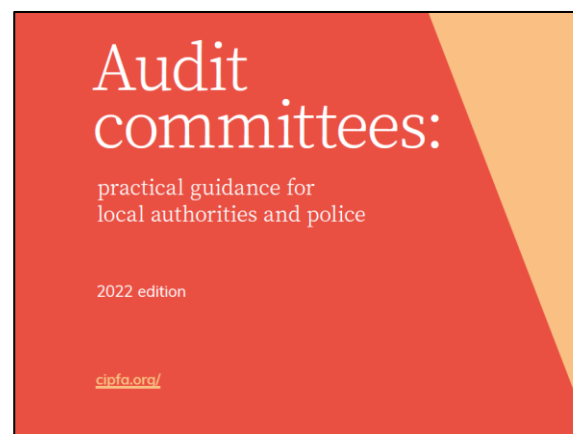
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)



Audit and Risk Assurance Committee effectiveness tool – NAO

The National Audit Office (NAO) has published this tool which supports Audit Committees in assessing their effectiveness.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

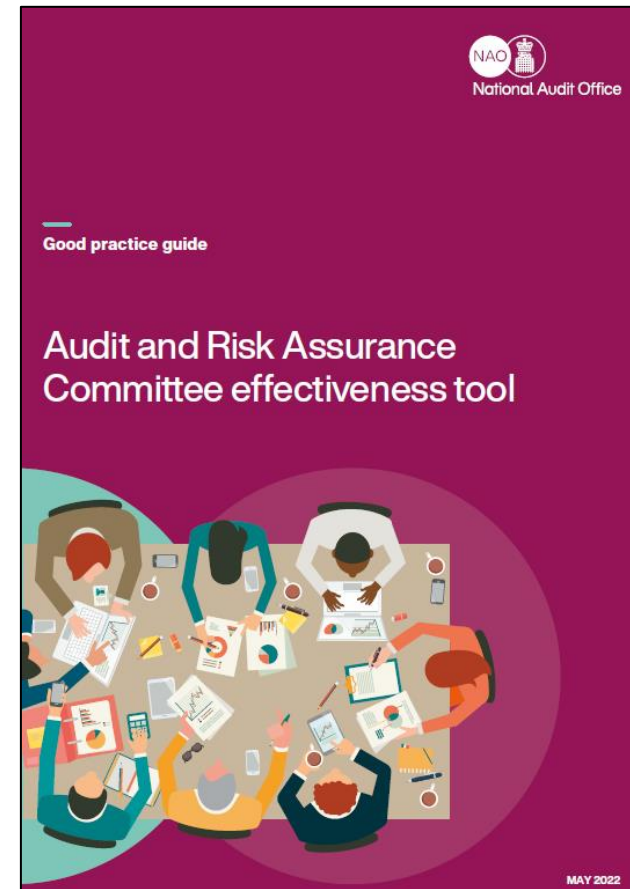
Against this background, the NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The NAO’s effectiveness tool is a comprehensive way for ARACs to assess their effectiveness on a regular basis.”

The tool covers:

- Membership, independence, objectivity and understanding
- Skills and experience
- Roles and responsibilities
- Scope
- Communication and reporting

Although the tool is designed for central government Audit Committees it is also relevant to local government.



The guide can be found here:

[Audit and Risk Assurance Committee effectiveness tool - National Audit Office \(NAO\) Report](#)



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The Audit Findings for North Somerset Council

Year ended 31 March 2022

November 2022
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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

Name : Barrie Morris
For Grant Thornton UK LLP
Date : 13 September 2022

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of North Somerset Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during June-September 2022. Our findings are summarised on pages 5 to 20. In our work to date we have not identified any adjustments to the financial statements. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our audit report opinion is unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by December 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of financial sustainability. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory power or duties

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice (‘the Code’). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Audit approach

Our audit approach was based on a thorough understanding of the group’s business and is risk based, and in particular included:

- An evaluation of the group’s internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group’s gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of North Somerset Environment Company was required, which was completed by Thomas Westcott.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have completed our audit of your financial statements and we have issued an unqualified audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted on page 18 of our audit plan presented to the Audit Committee in April 2021, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely produced by the entity.

2. Financial Statements



Our approach to materiality

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.

We have revised the performance materiality from the Audit Plan on receipt of the first year group accounts.

We detail in the table below our determination of materiality for North Council and group.

Group Amount (£) Council Amount (£) Qualitative factors considered

Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£7.85m	£7.75m
Performance materiality	£5.9m	£5.8m Our performance materiality has been set at 75% of our overall materiality
Trivial matters	£390k	£380k This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties
Materiality for senior officer remuneration	-	£20k This is a politically sensitive figure of interest to the users of the accounts.



2. Financial Statements - Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under IAS (UK) 240, there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatements.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals through our data analysis software Inflo gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness we have reviewed manual journals within inflo to identify those deemed to be high risk being selected for testing. We have selected and shared the sample of journals with the Council for them to provide us with evidence to support the entries. tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration <p>Our testing of journals followed the approach adopted in the previous year. During the year the Council posted 119,796 journals with a total value of £13.7bn. The number of journal users was 62.</p> <p>Within the journal population we identified one entry that had been posted by an officer that was no longer employed by the Council. Further investigation identified that this was an automated interface with a named officer for the purpose of administration. Whilst this has no impact on the financial statements it is still considered best practice that all system information is updated to reflect officers no longer employed by the Council. We have raised a recommendation in relation to this finding. We have also noted that the control recommendation raised in prior year in respect of journals has not been implemented and remains a recommendation this year.</p> <p>No other issues have been identified in our work on journals</p>



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Income from Fees, Charges and other service income (ISA240 revenue risk)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

For North Somerset Council, we have concluded that the greatest risk of material misstatement relates to 'Fees, Charges and other service income'. We have therefore identified occurrence and existence of 'Fees, Charges and other service income' as a significant risk.

Having considered the risk factors set out in ISA240 and the nature of the other revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition for these can be rebutted, because:

- 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 North Somerset Council, mean that all forms of fraud are seen as unacceptable.
- The majority of income in subsidiaries is a single source of funding from the Council in the form of a small number of management fees or loan transactions which are easily verifiable. This, along with minimal third party income, means there a limited opportunities to manipulate revenue.

For 'Fees, Charges and other service income', we have:

- Evaluated the groups accounting policy for recognition of income from 'Fees, charges and other service income' for appropriateness;
- Gained an understanding of the Council's system for accounting for income from 'Fees, Charges and other service income' and evaluated the design of the associated controls;
- Agreed, on a sample basis, amounts recognised as income from 'Fees, Charges and other service income' in the financial statements to supporting documents.

Testing of fees and charges included low value items which were defined as those below £1,000 in line with the Council's accrual policy. This testing identified two errors from five sample items with an extrapolated misstatement value of approximately £3.5m although we would do not require that the Council adjust for an extrapolated error. The value is below materiality and therefore assurance has been provided that the Council's policy is appropriate. Testing of larger items within the sample population did not identify any errors.

The expenditure cycle includes fraudulent transactions

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)

We have considered both pay and non pay costs and considered there to be little opportunity for fraudulent transactions. Pay costs are determined b employee contracts and are standard monthly payments. Non pay costs are based on supplier invoice transactions and have to be paid within a set timeframe.

As part of the audit we have considered the completeness, accuracy and occurrence of expenditure transactions by:

- Evaluating the design and implementation effectiveness of the accounts payable process
- Testing a sample of transactions incurred around the year end to ensure these have been accounted for in the appropriate financial period
- Testing a sample of accruals made at year end that have not yet been invoiced to assess whether the valuation has been calculated on an appropriate basis.

Therefore we do not consider this to be a significant risk for North Somerset Council and have rebutted this presumed risk.

Our testing has not identified any issues in relation to fraudulent transactions in the expenditure cycle

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings (rolling revaluation)

The Council revalue its land and buildings on a rolling basis. This valuation represents a significant estimate by management in the financial statements due to the size of the number involved (£184m at 31/03/21) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used).

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work.
- evaluated the competence, capabilities and objectivity of the valuation expert.
- written to the valuer to confirm the basis on which the valuations were carried out.
- reviewed the fixed asset register and valuation reports to identify a sample of land and buildings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2021 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation
- for each item within our sample requested detailed calculation sheets for the 2021 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations.

From our work we identified a trivial balance of assets that were last revalued in 2014-15 which is outside of the prescribed five year period as per the Code. This is a control issue that the Council should review to ensure that they are complying with the requirement of the code.

Our work identified that there is no formal exercise undertaken to verify the existence of assets and reliance is placed upon additions and disposals transactions. We further noted that within the fixed asset register (FAR) there were a large number of assets that had a nil net book value, i.e. were fully depreciated and therefore at the end of their useful economic life. However, their gross book value remained on the FAR, with a value of £20.3m. We queried with management whether these assets remain operational and if so whether the useful economic life assumptions are appropriate. A recommendation has been raised.

Valuation of Investment Property

The Authority revalue its investment property on an annual bases to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. The Authority's commercial investment portfolio consists of the North Worle District Centre and the Sovereign Centre in Weston-Super-Mare.

Management has engaged the services of a valuer to estimate the current value of these two assets as at 31 March 2022.

We therefore identified valuation of investment property, particularly revaluations and impairments as a significant risk, which was one of the most significant assessed risks of material misstatements, and a key audit matter.

We have:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- Evaluated the competence, capabilities and objectivity of the valuation report;
- Written to the valuer to confirm the basis on which the valuations were carried out;
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- Engaged our own expert to assess the instruction to the Council's valuers, the Authority's valuer's report and the assumptions that underpin the valuation of the investment properties;
- Tested revaluations made during the year to see if they have been input correctly into the Council's asset register; and
- Tested on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register. We have been provided with evidence by management and have agreed movements in year back to the supporting documentation

No issues have been identified in relation to this area of work.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£266m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We:

- Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;
- We have discussed with the pension fund auditor the controls surrounding the validity and accuracy of membership data; contributions data and benefits data, sent to the actuary by the pension fund, and the fund assets valuation in the pension fund financial statements. Additional queries have been required to be made following clarification by the regulators that they expect admitted body auditors to gain sufficient assurances over the independent valuation of all investment assets and controls within the Pension Fund. We have requested this information and [have been provided with a response by the Pension fund auditor. We have reviewed this information and no further issues have been identified](#)

Our work not identified any issues

2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
North Somerset Council	Grant Thornton	See pages 7 to 10 for significant risks work undertaken and any issues identified	There is no impact on the group audit opinion
North Somerset Environment Company	Thomas Westcott	Full scope UK statutory audit performed by North Somerset Environment Company Auditors, Thomas Westcott. The nature, time and extent of our involvement in the work included a discussion on risks and meeting with appropriate members of management. A review of the relevant aspects of North Somerset Environment Company auditor's audit documentation including a review of payroll transactions is to be carried out and we will report any findings to the Committee	We have yet to complete our work in this area and our enquiries to date have not identified any issues
North Somerset Council	Grant Thornton	<p>We have reviewed the consolidation process and identified that there is a variance between the movement in the group balance sheet reserves - £67.428m – and the total comprehensive income reported in the CIES - £67.478m. Discussion with management has confirmed that this is most likely due to an element of trading profit from the part year operation in 2020-21 but are unable to accurately identify the balance to provide confirmation.</p> <p>The code requires that comparator information be provided for all primary statements. Management have chosen not to provide a comparator for the group MIRS as there is not a material variance between the entity accounts and the group position. Audit considers that a comparator disclosure should be included.</p> <p>Given that the variance is below trivial management have chosen not to adjust or provide an explanation as to the variance within the accounts.</p>	The variance is below trivial but is a variance within the primary statements and therefore audit expectation is that this would be amended and an appropriate explanation included within the disclosures. We have included the issue within appendix C

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year

Issue	Commentary	Auditor view
<p>Employee Expenditure:</p> <p>As part of our audit work we have tested a sample of starters and leavers within the year to ensure that these have been appropriately processed and that employee costs are accurately included in the statement of accounts.</p>	<p>Testing of a sample of starters and leavers identified the following issues:</p> <ul style="list-style-type: none"> The Council were not able to provide supporting documentation for an employee's start date. Management provided evidence for a secondary post undertaken by the employee with a separate start date. Testing identified that the Council's HR function is not responsible for the hiring of temporary staff within schools. Confirmation is provided by schools and payment made by the Council. It is unclear what processes are in place to provide assurance over the validity of new temporary starters within schools. The start dates recorded for new school staff is the date that the staff members details are entered into the Schools SIMS database rather than the actual start date – this could lead to inaccurate start dates being recorded. Our testing of a sample of leavers identified one leaver, a casual worker employed in a school, who was not removed from the system for a number of years after they had left the employment of the Council. The staff member was only removed once it had been ascertained that they had not completed any work in this time period and the leave date was when this was confirmed rather than their actual leave date. Testing requires assurance over employers NI and pension contributions using the FTE reports through proof in total assurance. The audit team have been unable to gain assurance over the completeness of the FTE reports as significant variances were identified for which management could not provide an explanation. Therefore, alternative procedures have been undertaken and assurance has been provided over the disclosure 	<p>Employee expense are a significant cost to the Council and testing has identified a number of weaknesses within the process. We have taken assurance over the overall value of employee expenses through our other audit procedures, including the overall reconciliation to monthly payroll records.</p> <p>The issues identified are control deficiencies rather than an indication of fraudulent activities and we have gained sufficient assurance that the employee expenses included in the statement of accounts are not materially misstated.</p> <p>We have raised a recommendation in appendix A</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £176m</p>	<p>Other land and buildings is comprised of specialised assets such as schools and libraries, which are required to be valued at depreciated cost (DRC) at year end, reflecting the modern equivalent asset necessary to deliver the same service provision. The remainder of land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council revalues its land and buildings on a rolling programme with a maximum period of five years between revaluations. The Council has engaged its internal valuer to complete the valuation of properties as at 1 January 2022 and 80% of land and building assets were revalued during 2021-22.</p> <p>Management has considered the year end value of non-valued properties, and the potential value change in the assets revalued at 1 January 2022 by applying indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties values.</p> <p>The total year end valuation of land and buildings was £176m, a net decrease of £8m from 2020-21 (£184m)</p>	<p>We have reviewed the detail of your assessment of the estimate considering:</p> <ul style="list-style-type: none"> The assessment of the Council's in-house valuers The completeness and accuracy of the underlying information used to determine the estimate The reasonableness of the overall decrease in the estimate The adequacy of the disclosure of the estimate in the financial statements The sensitivities used by the valuer to assess completeness and consistency with our understanding and Consistency of the estimate against Gerald Eve reported indices <p>Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. Management have been able to provide appropriate audit evidence to support these underlying assumptions</p> <p>Where assets are revalued before the end of the financial year, assurance is required that these are not materially different to the current value at year end. Assets are valued at 1 January with a valuation date of 31 March and a report confirming that no material variance exist should be provided. We have undertaken a review of those assets not revalued in the year against the auditor's experts indices and considered any movement between the valuation date and the year end. This identified a variance of £6m which is not material but has required further assurance be provided by the valuer. This further work has not identified any further issues with the valuation of land and buildings.</p>	<p>Light Purple</p>

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £46m	<p>The Council revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date</p> <p>The Council's commercial investment portfolio consists of the North Worle District Centre and the Sovereign Centre in Weston-Super-Mare.</p> <p>The Council has engaged JLL, as an external expert, to complete the 2021-22 valuation of these two investment properties.</p> <p>The Council engaged its internal valuer to undertake the valuation of the remaining investment properties.</p> <p>The total year end valuation of investment properties was £46m, a net increase of £1m from 2020-21 (£45m)</p>	<p>We have reviewed the detail of your assessment of the estimate considering:</p> <ul style="list-style-type: none"> The assessment of the Council's internal valuers and management's expert JLL The completeness and accuracy of the underlying information used to determine the estimate The reasonableness of the overall increase in the estimate The adequacy of the disclosure of the estimate in the financial statements We have used an auditor's expert to review the work undertaken by both the external valuer. <p>Our work requires that we review and gain assurance over the assumptions and any indices used and our work has not identified any issues in regards to this work.</p> <p>We have employed an auditor's expert to provide assurance over the assumptions used by management's external valuer. This considered that the underlying assumptions and metrics used by the valuer were appropriate and that the valuations were in line with market expectations.</p>	Light Purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £266m	<p>The Council's net pension liability as 31 March 2022 is £266m (PY £299m) comprising the Local Government and unfunded defined benefit pension scheme obligations.</p> <p>The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from these schemes</p> <p>A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in the intervening periods, which utilises key assumptions such as a life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pensions fund liability small changes in assumptions can result in significant valuation movements.</p> <p>There has been a decrease of £33m in the net actuarial deficit during 2021-22</p>	<ul style="list-style-type: none"> We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place. We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made: <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.8%</td> <td>2.7% - 2.8%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.5%</td> <td>3% - 3.5%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.9%</td> <td>CPI + 1.5% = 4.9%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>98% / 92%</td> <td>92% - 131%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>88% / 87%</td> <td>87% - 106%</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> We checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports and did not identified any inconsistencies. The Council has considered that the impact of GMP equalisation is not material to the Statement of Accounts. Based on our review of this area we concur with this view 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.8%	2.7% - 2.8%	●	Pension increase rate	3.5%	3% - 3.5%	●	Salary growth	4.9%	CPI + 1.5% = 4.9%	●	Life expectancy – Males currently aged 45 / 65	98% / 92%	92% - 131%	●	Life expectancy – Females currently aged 45 / 65	88% / 87%	87% - 106%	●	Light Purple
	Assumption	Actuary Value	PwC range	Assessment																							
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Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £95.5m	<p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p> <p>There is a requirement to assess whether income received has conditions attached and should therefore be considered grant income or another classification of income. This will allow the Council to ensure the correction presentation of revenue in line with the Code.</p>	<ul style="list-style-type: none"> We have reviewed management's processes for identifying whether they are agent or principal for grant income and ensured that the appropriate disclosures have been made in the statement of accounts We have agreed a sample of grant income to third party documentation including the grant paying body to ensure that revenue has been correctly disclosed We have reviewed supporting documentation to identify any conditions an ensure that the Council has complied with these We have reviewed year end accruals to understand how these have been calculated and that these are appropriately accounted for. We have reviewed the Council's assessment as to whether they are acting as principal or agent in the treatment and recognition of grant revenue, and specifically covid grant funding, and considered that this is appropriate <p>Testing of a sample of grants received in advance identified one transaction for which the Council was unable to provide supporting evidence. We have gained assurance over the value of the transaction through other audit procedures, but management should ensure all primary evidence is retained for audit purposes.</p> <p>This issue does not impact on our assessment and we still consider management's processed to be appropriate.</p>	Light Purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Minimum Revenue Provision - £6m

The CLG guidance requires the Authority to approve an annual MRP statement each year end. For capital expenditure incurred before 1st April 2008 MRP will be determined on accordance with the former regulations that applied on 31st March 2008.

For unsupported capital expenditure incurred after 31st March 2008 MRP will be determined by charging expenditure over the expected useful life of the relevant assets in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over the life of the asset.

Where loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead. This may be reviewed and replaced by a prudent provision if it becomes apparent that the loan may not be repaid

We have completed this work and are satisfied that the MRP calculation is appropriate.

Light Purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	<ul style="list-style-type: none"> An ITGC review was undertaken by our IT audit team in 2019-20 which identified 4 control issues in regards to the Council's IT systems The review identified 1 significant deficiency in relation to segregation of duty due to the system administrator's ability combined with their financial role and responsibilities 3 deficiencies which we have followed up in our 2020-21 and 2021-22 audit. These deficiencies relate to: <ul style="list-style-type: none"> An excessive number of domain administrators as 101 accounts were identified A lack of service auditor reports Passwords were not compliant with the Council's own password policy In discussion with management it has been ascertained that the issues identified are still applicable and that the significant deficiency still exists. This has impacted our risk assessment and in some cases, such as journals, has led to a larger sample size to address the issues and provide sufficient audit assurance. We continue to discuss the issues with management and will give consideration to employing IT audit in 2022-23 to provide further assurance on the impact to our risk assessment for future audits. 	<ul style="list-style-type: none"> Recommendations have been shared with management in a separate report for consideration. These recommendations have been accepted by management and management responses received. These issues have still to be fully addressed and remain as outstanding within our audit. We have undertaken a fully substantive audit and this has concluded that the deficiencies identified have not materially impacted the statement of accounts and no further issues have been identified <p>Management response</p> <ul style="list-style-type: none"> We have yet to receive the outcomes and recommendations from the 2021-22 update of the ITGC review. We will respond to any recommendations when they are raised

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Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

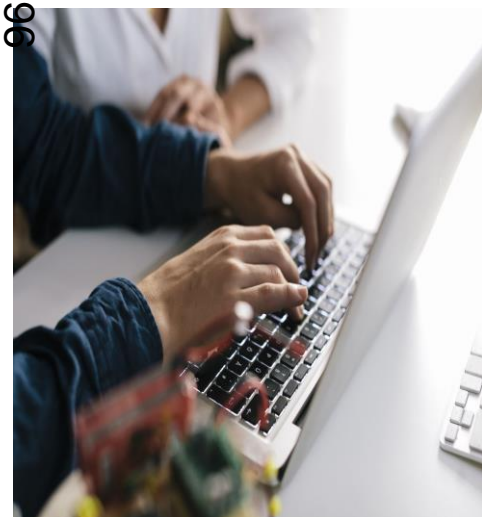
2. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
<p>Infrastructure Assets:</p> <p>The Code requires infrastructure to be reported in the balance sheet at historic cost less accumulated depreciation and impairment and that where there is 'enhancement' to the assets, that the replaced components are derecognised. Where authorities are not fully compliant with these requirements, there may be a risk of material misstatement.</p>	<p>Most local government entities own infrastructure assets and the balance is likely to be material in most cases. For Local Government entities with material infrastructure assets, at either a gross or net value basis, there is therefore, a potential risk of material misstatement in relation to this balance.</p> <p>We have held discussions with management over their treatment of this balance and have sought further evidence to support these assertions.</p> <p>Further consideration of this issue has been undertaken by the key stakeholders, DLUHC, CiPFA, the NAO and the FRC, and it has been agreed that a statutory override will be applied.</p> <p>We have discussed the options with management which are, earlier completion but with a potential qualified opinion or waiting for the statutory override to come in to force. The statutory instrument is currently forecast to come into legislation on 25 December 2022 and waiting for this will mean that the reporting date of 30 November 2022 will not be met. Management have indicated their preference for waiting for the legislation to come into force and we continue to discuss the issue and provide updates to members.</p> <p>Following the issue of the statutory instrument on December 25 2022 we have reviewed management's assumptions around the Useful Economic Lives of infrastructure assets and whether these are in line with expectations. This work identified a limited number of assets that were outside of expectations for which management have provided an adequate explanation. Therefore we consider the in year infrastructure disclosures to be appropriate.</p>	<p>We have completed our work in this area and consider that the infrastructure assets are appropriately disclosed in the statement of accounts</p>

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.



Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council, including specific representations in respect of the Group.
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. We have received a response to all requests and no issues have been identified . We requested from management permission to send confirmation requests to the Pension Fund auditor. This permission was granted and the requests were sent. We have received a response and no issues have been identified
Accounting practices	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management were provided. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

2. Financial Statements - other communication requirements



Our responsibility

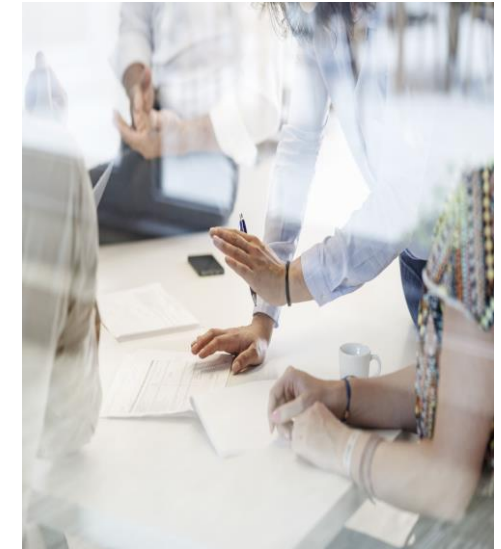
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA [UK] 570).

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We have completed our work in this area and in the work undertaken no inconsistencies have been identified.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>Our work in this area is complete and to date we have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required at North Somerset Council as they do not exceed the threshold required for the completion of this work.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2021-22 audit of North Somerset Council in the audit report.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

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Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have yet undertake our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by December 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	18,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £18,850 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 12 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Our review of related parties identified that two elected members had not made the appropriate declarations in line with the Council's requirements as stated in the Members Code of Conduct. Whilst we acknowledge that for one of the individuals concerned, there was a health related matter that precluded a return being made, we have been unable to identify any mitigating circumstances as to why Cllr Goddard has not complied with these requirements to make the necessary declarations. Elected members and senior officers are required to make appropriate and accurate declarations to ensure proper transparency in the governance arrangements of the Council and all Members and senior officers should ensure that they comply with these requirements	<p>Management should continue to ensure that all appropriate declarations are received from members to provide assurance that Financial Regulations and Council Policy are being complied with</p> <p>Management response</p> <p>We accept the recommendation being made and will look to implement changes to the current arrangement so that Members provide declarations in accordance with the Code of Conduct</p>
Medium	Management have provided monthly payroll reports for the purpose of ensuring that employee remuneration disclosures in the statement are accurate. Whilst management could provide monthly reports they were unable to provide a valid explanation for year on year variances. This was due to an issue with the way the i-Trent system was running reports in prior year.	<p>We recommend that the Council reviews how the i-Trent system is generating FTE reports to ensure that going forward reliable reports are run from the system.</p> <p>Management response</p> <p>We will obtain and review the FTE reports on a regular basis throughout the year rather than at year end, and investigate significant variations with HR and payroll colleagues to ensure that the reports are meaningful</p>

Key

- High – Significant effect on control environment or a potential material impact on the financial statements
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- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
<p>Medium</p>	<p>It has been identified again this year that finance users do not require journal authorisation prior to being posted to the system and that journals can be posted without a narrative being entered.</p> <p>We therefore continue to recommend this in 2021/22.</p>	<p>We recommend that risk-based journal authorisation controls are implemented in the form of a preventative (system based) control which requires authorisation before posting to the general ledger, or a detective/corrective control such as a retrospective review of journal entries by an individual other than the posted.</p> <p>We also recommend that a narrative is entered for each journal so that an audit trail is maintained.</p> <p>Management response</p> <p>As in previous years the council recognises the perceived risk being highlighted within the report which could result in potential fraud or error within the financial statements. We have reviewed the core system controls which indicate that it is not possible to implement an automated approval process for finance user batch journals prior to them being posted, but we will look to implement processes that would provide a review and approval of all batches prior to posting, as well as a retrospective review of material journals or those with significant impact. As a response to recommendations raised in previous years we have previously implemented changes to the template for posting batch journals to highlight lines missing narrative, and review for journals posted without narrative on a monthly basis, with feedback to officers posting such journals. We will continue with this robust scrutiny.</p>
<p>Medium</p>	<p>Within the journal population we identified one entry that had been posted by an officer that was no longer employed by the Council. Further investigation identified that this was an automated interface with a named officer for the purpose of administration. Whilst this has no impact on the financial statements it is still considered best practice that all system information is updated to reflect officers no longer employed by the Council. There is a risk that the Council do not have robust enough processes in place to identify and remove user access for leavers and that journals will be posted either inappropriately or fraudulently.</p>	<p>Management should review the processes for identifying and removing user access for officers no longer employed and ensure that these are appropriate and properly implemented.</p> <p>Management response</p> <p>The items highlighted were not journals (transactions initiated by a user, using judgement to decide on the coding of entries, and the amounts to be posted / adjusted), but the automated posting of interface files, posted by the system under the user name of a former system administrator, where the content of the file is set in the feeder system which is interfacing into Agresso. Hence, we do not agree that this indicates a weakness in identifying leavers, or removing their access rights to post in the financial ledger, or increased risk of inappropriate or fraudulent transactions. We have subsequently reviewed and updated all interfaces and processes using system administrators as the system user to a generic 'System' user.</p>

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A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	Assets are valued at 1 January with a valuation date of 31 March. There is, therefore, the possibility of significant movement in asset values between the date they are valued and the valuations date. The valuer does not currently provide formal assurance that this has not occurred and therefore the risk of a material movement has not been fully mitigated.	<p>When providing the asset valuations the valuer should provide formal documented evidence to confirm that there has been no material movement in the asset valuations between the date they are valued and the valuation date</p> <p>Management response</p> <p>The council has a process in place to routinely review asset values to ensure that there are no material movement in the asset valuations between the date that they are valued and the valuation date and this is carried out in discussion with the qualified valuer however, we accept that this is not documented or included within the final reports. Changes will be made to the process to ensure that this is fully documented in future years.</p>
Medium	There is a requirement within the code that where contingent rents are reviewed and an increase is applied that the increase in the rent is charged as financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement. Review of leases identified that this has not happened and therefore rental increases are not being appropriately recognised. The value of the rental increased is £59k and there is a risk that expenditure will be understated.	<p>Management should review disclosures in the statement of accounts and ensure that this is in line with the requirements of the Code.</p> <p>Management response</p> <p>The Council only holds 2 finance leases and the contingent rents in relation to these two leases has been quantified in the ledger, and any departure from the accounting treatment recommended in the is clearly not material, and considered to be below the external audit limit for triviality in reporting. As there are only this small number of relevant leases, we do agree that there is a risk of understatement of such leases, but accept the finding that if the council had more leases then this may have led to a potential understatement of such leases. The council's processes will be updated to ensure that such items are captured in future.</p>
Low	We identified a trivial balance of assets that have not been valued since 2014-15 which is not in line with the requirement of the code. Whilst the balance is trivial there is a risk that failure to identify assets that have not been valued in an appropriate timeframe could have a material impact on the statement of accounts	<p>We recommend that management ensure that all accounting policies are being adhered to and that all disclosures in the statement of accounts are in line with the requirements of the Code</p> <p>Management response</p> <p>The council has a process which seeks to revalue all of its assets over a three year period, which is more frequent than the Code requirements. Evidence shows that the council has also gone beyond this by revaluing approximately 80% of its assets during 2021/22 and so have established procedures which adhere to the accounting policies and recognise the risk being highlighted. Unfortunately an error has occurred meaning that an asset has been omitted and so the council will implement a further review step for future years.</p>

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A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	<p>Management gain assurance that information submitted to the actuary for the pension liability calculation is accurate. During the audit we identified that management had reviewed the month 9 data and that the pension fund had submitted the month 12 data to the actuary. This is the standard approach for all Avon Pension fund admitted bodies and there is currently no process in place for the pension fund to notify admitted bodies or for the Council to identify any significant changes in the data. There is a risk that data will be submitted to third parties that could have a material impact on the accounts that management have not reviewed.</p>	<p>We are satisfied that a process is in place to review data prior to submission and recommend that management ensure this is being used to review the most up to date and relevant information prior to submission to third parties.</p> <p>Management response</p> <p>As noted, The Council complies with the existing arrangements for reconciliation of information provided by the pension fund at month 9, relating to contributions and staff numbers within the pension scheme to the Council's ledger. The Council also complies with existing arrangements for the communication of significant changes impacting on the actuary's report between month 9 and month 12, such as bulk transfers of staff or schools achieving academy status. There is no agreed process across the bodies covered by the Avon Pension Fund for the information provided to the actuary to be provided to local authorities at month 12 for review or reconciliation. Hence the Council does not have the opportunity to review this data, and instead reviews the outputs included in the actuary's report for reasonableness. Hence any recommendation for such a process would not apply solely to the Council, but would need reported by auditors of the Avon Pension Fund and all member bodies, and processes agreed for future years.</p>
Low	<p>The net book value of assets is based on the depreciated replacement cost which is calculated using the useful economic life (UEL) of the asset and depreciating on a straight line basis. Review of the FAR identified assets with a gross book value of £20.3m that had been depreciated to nil and remain on the asset register. It is unclear from review whether these assets continue to be operational and whether it is the maintenance of the FAR or the calculation of the UEL that requires review. Testing of opening balances have identified that assets remain operational and therefore we have assurance that the balances are not materially misstated. There is a risk that UELs are not appropriate and that the Council retain operational assets that are fully depreciated.</p>	<p>Management should review both the maintenance of the FAR and calculation of the UEL to ensure that these remain appropriate. Where fully depreciated assets are maintained on the FAR management should review these annually to assess whether they are operational or not and whether they should remain on the asset register.</p> <p>Management response</p> <p>Agreed – Review of assets held at nil Net Book Value will be included in next year's capital closure processes.</p>

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Key

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A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	Asset verification is required to ensure that assets maintained on the FAR are still owned by the Council and that any impairment can be identified where necessary. There is a risk that the Council are disclosing assets that they no longer own or that have not taken into account any impairment that would affect the valuation.	<p>Management should undertake an annual asset verification exercise to ensure that all assets included within the Council’s accounts are still owned by the Council and that no impairment review is required.</p> <p>Management response</p> <p>Not agreed – All land and building assets are covered by a cyclical programme of revaluations which ensures all assets are revalued at least every 3 years. Revaluations include review of the title of property, and generally include physical inspection of the property. In addition, processes are in place to identify the disposal of assets in the asset register, through identification of sales proceeds as capital receipts, and notifications from the Council’s legal services team and other service managers.</p>
Low	Audit work requires agreement to appropriate audit evidence to provide assurance that balances are accurately and appropriately stated in the financial statements. Where evidence is not available there is a risk that audit will not be able to gain that assurance and that further work, leading to potential material adjustments, may have to be undertaken. Testing within Grants received in Advance identified one transaction where evidence could not be provided. We were able to gain assurance over the transaction through other testing and no variance in disclosure amounts were identified.	<p>Management should ensure that all evidence is retained for audit purposes to ensure full assurance can be gained over the balances in the statement of accounts.</p> <p>Management response</p> <p>Agreed</p>
Low	Testing of employee expenses has identified a number of control weaknesses in regards to starters and leavers and retention of documentation. There is a risk that payments will be made to fictitious employees or that there will be errors made in employee payments leading to errors in the statement of accounts.	<p>The Council should ensure that processes exist that allows review of casual posts, specifically at schools, to ensure these are appropriate expenses. Further management should ensure that starters and leavers forms are appropriately and accurately completed and that dates are those on which the employee actually started or left.</p> <p>Management response</p> <p>Agreed – Management will discuss controls over the documentation of start and leave dates of temporary staff in schools with the Head of Human Resources.</p>

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A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	A reconciliation of the group accounts disclosures identified a variance between the CIES, the MIRS and the balance sheet. The variance is between the movement in reserves and the total comprehensive income and is £50,000. This has been traced to 2020-21 trading activities in NSEC and, whilst this is trivial, the adjustment through the balance sheet, made by management, will continue into future years as an ongoing variance. There is a risk that cumulative adjustments and variances will continue to accrue.	<p>Management review the treatment of prior year balances and ensure that an adjustment is made in the 2022-23 accounts to ensure that all primary statements reconcile in line with the requirements of the Code</p> <p>Management response Agreed</p>

Key

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B. Follow up of prior year recommendations

We identified the following issues in the audit of North Somerset Council's 2020/21 financial statements, which resulted in 4 recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note 2 are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Related Parties</p> <p>The Council has a policy whereby all members, together with the Council's Corporate Management Team, are required to sign a declaration detailing any relevant transactions entered into by them or close members of their family during the year</p> <p>It was identified that three declarations had not been completed by members at the time that the accounts were produced</p>	<p>We have reviewed the declarations in 2021-22 as part of our review of related party transactions and have identified that two members have failed to complete the declaration, although we accept that there were mitigating circumstances for one of these individuals. This has resulted in a recommendation being raised in appendix A</p>
✓	<p>Disposals</p> <p>The Council identified one primary school, which transferred from the Council's control to Academy status in 2017-18, was erroneously not included as a disposal in the Council's accounts that year. The transfer was for an immaterial balance and the Council included this as a disposal in the 2020-21 accounts</p>	<p>We have not identified any issues with disposals as part of our 2021-22 audit and, therefore, consider that the Council has appropriately addressed the recommendation</p>
X	<p>Journals</p> <p>Journals posted by finance users do not require authorization prior to being posted to the system. In addition, journals can be posted without narrative being entered</p>	<p>Testing of journals has identified that these issues have not been addressed and that users are still able to post journals without authorization. We have raised a recommendation in appendix A</p>
✓	<p>Retention of supporting documentation</p> <p>Sample testing noted weaknesses in documentation maintained to support transactions</p>	<p>Detailed transaction testing undertaken in 2021-22 has not identified any deficiencies in management's retention of documentation to support transactions and, therefore, we consider that this issue has been addressed</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
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No adjustments identified to date.

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
A small number of amendments were made to the Accounting Policies to more accurately reflect	Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader. We have shared the areas for presentational amendments and these will be reflected in the revised accounts.	✓
Related parties note in draft accounts show 3 Councillors disclosed and should state	The Council should ensure that disclosures in the statement of accounts accurately reflect the organisational position	✓
the exit package was identified to relate to the prior year.	Management should review the statement of accounts to ensure that transactions are recorded in the correct period	✓
Figure representing 2020/21 total of (Surplus) / Deficit brought forward as at 1st April in the Collection Fund table does not agree with the prior year statement of accounts	Management should review the draft statement of accounts prior to issue to ensure that all prior year figures agree to the published final statements	✓
Leases - Note 36.2 - Discrepancy between supporting documentation and the statement of accounts. The disclosure should be updated to show 'The Council has leased out 6 secondary schools and 38 primary schools.	The Council should ensure that disclosures in the statement of accounts accurately reflect the organisational position	✓
Leases - Note 36.1 - Discrepancy between supporting documentation and Statement of Accounts. The disclosure should be updated to show 256 years for property.	The Council should ensure that disclosures in the statement of accounts accurately reflect the organisational position	✓
Some assets within the Land & Building category have useful lives which exceed the range (ie 1-50 years) as per accounting policy within the draft Statement of Accounts	The Council should ensure that all accounting policies are appropriately implemented and reviewed to ensure that they are fit for purpose.	✓
The total movement in the group balance sheet is an increase of £67.428m and the group CIES totals £67.478m which is a variance of £50k. The two balances should reconcile and discussions with management have identified that the variance is most likely due to an element of trading profit from the part year operation in 2020-21 but are unable to accurately identify the reason. Given that the variance is below trivial management have chosen not to adjust	Management should ensure that the total movements in the primary statements reconcile and that where an adjustment is required that the reason for the adjustment is disclosed appropriately in the statement of accounts Management Response Agreed	x

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
No adjustments identified to date.				

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
No prior year unadjusted misstatements.				

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services

Audit fees	Proposed fee	Final fee
Council Audit	151,784	151,784
Total audit fees (excluding VAT)	£151,784	£151,784

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services*		
Certification of Teacher's Pension Return	4,200	4,200
Certification of Housing Benefit Claim	15,776	15,776
Total non-audit fees (excluding VAT)	£19,976	£19,976

*these fees are those charged in the 2021-22 financial period and will differ to those on slide 24 which are agreed fees for delivery of the 2021-22 certification work which will be undertaken in 2022-23

Details of variations in final fees from the proposed fee per the audit plan

- fees per financial statements – £214,000
- Less additional fees 2019/20 - £12,000
- Less additional fees 2020/21 - £39,850
- Less VFM costs 2020/21 - £26,000
- Additional fees 2021/22 - £15,634
- total fees per above - £151,784

E. Audit letter in respect of delayed VFM work

Councillor J Cato
Chair of the Audit Committee
North Somerset Council
Town Hall
Walliscote Grove Road
Weston-super-Mare
BS23 1UJ

Dear Councillor Cato

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

As a result of the delay and resource pressures as a result of pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Barrie Morris, Director
On behalf of Grant Thornton UK LLP

