



Members of the Audit Committee:  
(Councillors S Y Goss (Chairman), E May (Vice Chairman),  
M J Chilcott, M O A Dewdney, R P Lillis, D D Ross, D Sanders)

Our Ref Corporate Support  
Contact Emma Hill e.hill@tauntondeane.gov.uk

Date 20 June 2014

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

Dear Councillor

I hereby give you notice to attend the following meeting:

**AUDIT COMMITTEE**

**Date: Monday 1 July 2014**  
**Time 2.30 pm**  
**Venue: Council Chamber, Council Offices, Williton**

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

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

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

Yours sincerely

**BRUCE LANG**  
Proper Officer

## RISK SCORING MATRIX

Report writers score risks in reports uses the scoring matrix below

**Risk Scoring Matrix**

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

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

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

**The Council's Vision:**

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

**AUDIT COMMITTEE**

**AGENDA**

**1 July 2014 at 2.30 pm**

**Council Chamber, Williton**

**1. Apologies for Absence**

**2. Minutes**

Minutes of the Meeting of the Committee held on 24 March 2014 – **SEE ATTACHED** – to be confirmed.

**3. Declarations of Interest**

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

**4. Public Participation**

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

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

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

**5. Audit Committee Action Plan**

To update the Audit Committee on the progress of resolutions and recommendations from previous meetings – **SEE ATTACHED.**

**6. Audit Committee Forward Plan**

To review the Audit Committee Forward Plan 2013/14 – **SEE ATTACHED.**

**7. Southwest Audit Partnership Governance Arrangements**

To consider Report No. WSC 90/14 to be presented by Richard Sealy, Assistant Director Corporate Services – **SEE ATTACHED.**

The purpose of the report is a change to the West Somerset Council “Director” to the Southwest Audit Partnership (SWAP) to reflect the responsibilities of the new Joint Management Team (JMT).

**8. Debt Analysis Report - as at 31 March 2014**

To consider Report No. WSC 91/14, to be presented by Steve Plenty, Principal Accountant – **SEE ATTACHED.**

The purpose of the report is to provide the Audit Committee with an update on the level of debts outstanding to the Authority as at 31<sup>st</sup> December 2013.

**9. Internal Audit Annual Report and Opinion**

To consider Report No. WSC 92/14, to be presented by Claire Hodgson, Audit Manager, SWAP – **SEE ATTACHED.**

The Accounts and Audit Regulations (England) 2011 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit.

**10. Review of Effectiveness of Internal Audit**

To consider Report No. WSC 93/14, to be presented by Shirlene Adam, Strategic Director - Operations – **SEE ATTACHED.**

The purpose of the report is to inform the Audit Committee of the recent review of the effectiveness of the delivery of Internal Audit through SWAP (South West Audit Partnership) during 2013/14.

**11. Grant Thornton Update Report**

To consider Report No. WSC 94/14, to be presented by Peter Barber, Appointed Auditor, Grant Thornton – **SEE ATTACHED.**

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

**12. Fees Letter**

To consider Report No. WSC 95/14, to be presented by Peter Barber, Appointed Auditor, Grant Thornton – **SEE ATTACHED.**

The purpose of the report details the fees for the external audit service for 2014/15.

**13. Changes to the Accounting Requirements for the 2013/14 Accounts**

To consider Report No. WSC 96/14, to be presented by Steve Plenty, Principal Accountant – **SEE ATTACHED.**

The purpose of the report is to update the Committee on the significant changes which are applicable to the Statement of Accounts 2013/14 and the associated disclosures and restatements which have resulted.

**14. Draft Annual Governance Report 2013/14**

To consider Report No. WSC 89/14, to be presented by Kim Batchelor, Efficiencies & Performance Manager – **SEE ATTACHED.**

The purpose of the report is to ask the Audit Committee to review the Annual Governance Statement prior to its signature by the Leader of the Council and the Chief Executive.

**15. Treasury Management Outturn Report 2013/14**

To consider Report No. WSC 97/14, to be presented by James Howells, Principal Accountant – **REPORT TO FOLLOW.**

**COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS**

**The Council's Vision:**

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

**The Council's Corporate Priorities:**

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

**The Council's Core Values:**

- Integrity
- Respect
- Fairness
- Trust

**AUDIT COMMITTEE****Minutes of the Meeting held on 24 March 2014 at 4.30 pm  
in the Council Chamber, Williton****Present**

Councillor S Goss .....Chairman  
Councillor E May .....Vice Chairman

Councillor M O A Dewdney – from Item 10                      Councillor R P Lillis  
Councillor D D Ross    Councillor D J Sanders

**Members In Attendance**

Councillor K V Kravis

**Officers In Attendance**

Section 151 Officer (S Adam)  
Assistant Director Corporate Services (R Sealy)  
Principal Accountant/Deputy Section 151 Officer (S Plenty)  
Performance & Efficiencies Manager (K Batchelor)  
Meeting Administrator (H Dobson)

**Also In Attendance**

Peter Barber, Associate Director, Grant Thornton  
Claire Hodgson, Audit Manager of South West Audit Partnership (SWAP)

**A42 Apologies for Absence**

An apology for absence was received from Councillor M J Chilcott.

**A43 Minutes**

(Minutes of the Meeting of Audit Committee held on 3 December 2013, circulated with the Agenda).

**RESOLVED** that the Minutes of the Meeting of Audit Committee held on 3 December 2013 be confirmed as a correct record.

**A44 Declarations of Interests**

Members present at the meeting declared the following personal interests in their capacity as a Member of a County, Parish or Town Council:

<b>Name</b>	<b>Minute No</b>	<b>Description of Interest</b>	<b>Personal or Prejudicial</b>	<b>Action Taken</b>
Cllr S Y Goss	All	Stogursey	Personal	Spoke and voted

#### **A45 Public Participation**

No members of the public had requested to speak on any item on the Agenda.

#### **A46 Audit Committee Action Plan**

(Audit Committee Action Plan, circulated with the Agenda).

With reference to Minute No. A38, Actuarial Review, Members noted that the Principal Accountant would confirm actual numbers of the active members, deferred pensioners and pensioners after the meeting.

**RESOLVED** that the Audit Committee Action Plan, be noted.

#### **A47 Audit Committee Forward Plan**

(Audit Committee Forward Plan, circulated with the Agenda).

**RESOLVED** that the Audit Committee Forward Plan be noted.

#### **A48 Risk Management Update**

(Report No. WSC 63/14, circulated with the Agenda).

The purpose of the update was to provide an update on progress with the council's approach to Risk Management. Further, the new Joint Management Team (JMT) has recently undertaken a fundamental review and refresh of the Corporate Risk Register which has been created as a joint risk register for West Somerset and Taunton Deane Borough Council. This will enable JMT to manage strategic risks for both councils across the 'One Team' organisation.

The Lead Member for Resources and Central Support reported that there were minor changes to the Risk Management Strategy to reflect the changes to senior management from January 2014. The Corporate Risk Register sets out the risks that both Councils shared and those that were pertinent to West Somerset Council.

During the discussion the following points were raised:

- The formation of the joint risk register and joint risk strategy was a very good example of increased resilience. Not only did it provide savings but also a better organisation.
- The Performance and Efficiencies Manager noted the suggested amendments:
  - It was requested that tables not be spread over more than one page, unless necessary.
  - That Full Council be included in figure 3 – Roles and Responsibilities, in order for risk management to be most effective and become part of the Council's culture.
- The Assistant Director Corporate Services would enquire as to whether the Taunton Deane Borough Council Risk Register might be shared with WSC.

The Assistant Director Corporate Services provided an explanation as to the scoring of the risks set out in the register and advised that the wider transformation programme would be a very detailed and comprehensive piece of work. As yet it

was unknown as to how exactly it would work, what the changes would be and what appetite members would have to making changes in both Councils. The risk register was a moment in time and would be kept under constant review.

**RESOLVED (1)** that the amendments to the Risk Management Strategy reflecting the new Management Structure in place, be noted;

**RESOLVED (2)** that the following be noted:

- progress regarding Corporate Risk Management,
- the updated combined Corporate Risk Register, and
- the approach and actions to achieve joint Risk Management for West Somerset Council and Taunton Deane Borough Council.

#### **A49 Certification Report 2012/13 for West Somerset Council**

(Report No. WSC 54/14, circulated with the Agenda).

The purpose of the update was to summarise their overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

The Associate Director for Grant Thornton presented the report. The Housing and Council Tax Benefit Subsidy and National Non-Domestic Rates Returns totalling £27M had been submitted by the required deadline with supporting paperwork. He highlighted that due to the complexity of the work it was not unusual for errors to be identified, therefore this was a very good report. He confirmed that the fees contained within Appendix C to the report were correct.

Members thanked the Associate Director for the clear report.

**RESOLVED** that the Certification Report 2012/13 for West Somerset Council, be noted.

#### **A50 West Somerset District Council Audit Plan 2013/14**

(Report No. WSC 55/14, circulated with the Agenda).

The purpose of the update was to enable Grant Thornton to set out the audit plan for West Somerset District Council in respect of the 2013/14 financial year.

The Associate Director for Grant Thornton set out the report advising how the Council's business and identified risks informed the audit approach and ensured compliance with International Standards on Auditing.

The Chairman was pleased to note that there were no significant issues arising from the interim audit work to bring to the Committee's attention.

**RESOLVED** that the West Somerset District Council Audit Plan for 2013/14, be noted.

#### **A51 Audit Committee Update for West Somerset Council**

(Report No. WSC 56/14, circulated with the Agenda).



The purpose of the update was to update the Committee on the work of the external auditor, Grant Thornton, and provides a useful update on emerging national issues that may have relevance to this Authority.

The Engagement Lead for Grant Thornton referred to the progress made to-date, that work was on target and that the 2013-14 Accounts Audit Plan was now complete. He highlighted the national issues including the Local Audit and Accountability Act whereby the Council would at some point in the future have to establish an auditor panel with independent members that will have responsibility of appointing the Council's auditors. Further, estimating the impact of business rate appeals and the expected increase in appeals and how that would relate to Hinkley and that it was likely to be a significant entry in the Council's accounts.

In response to concerns regarding provisions within the Council's budget relating to unplanned outages the Section 151 Officer advised that they were working as closely as possible with the Valuation Office to get as accurate a picture as possible. The Engagement Lead informed that they would be looking to see that the Council had used all appropriate information to make as informed a decision as possible.

On consideration of the national issues relating to alternative delivery methods in particular contracts, the importance of ensuring that the Council were in a position to be able to deliver 'water-tight' contracts was highlighted.

With regard to concerns relating to Universal credit, members noted that once the Council was in receipt of a detailed understanding from central government as to what and when it was to happen then members would be briefed accordingly. Government were going to expand the trials to establish whether Job Seekers Allowance and couples claiming benefit could be absorbed into Universal Credit. Also, it appeared that central government were still being driven with an end date of 2017 for Universal Credit to be achieved.

**RESOLVED** that the Audit Committee Update for West Somerset Council, be noted.

#### **A52 Internal Audit Charter**

(Report No. WSC 57/14, circulated with the Agenda).

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

The Audit Manager of South West Audit Partnership (SWAP) presented the report advising that the Charter was updated every year and advised of the minor changes.

**RESOLVED** that the Internal Audit Charter from the South West Audit Partnership be noted.

#### **A53 Internal Audit Plan 2014/15**

(Report No. WSC 58/14, circulated with the Agenda).

The purpose of the update was to inform the Audit Committee of the proposed work to be undertaken by South West Audit Partnership during 2014/15.

The Audit Manager of SWAP advised that the Internal Audit Plan sets out the work of the partnership for the year 2014/15. The plan was aligned with Taunton Deane and also had common areas with other local authorities in Somerset.

**RESOLVED** that the South West Audit Partnership Internal Audit Plan for 2014/15 be noted.

#### **A54 Report of Internal Audit Activity Quarter 4, 2013/14**

(Report No. WSC 59/14, circulated with the Agenda).

The purpose of the update was to inform the Audit Committee of the internal audit activity in respect of Quarter 4, 2013/14 and to identify any level 4 and 5 control weaknesses.

The Audit Manager of SWAP summarised the report and advised that Managers had committed to producing an action plan by the end of April to address the two level 4 recommendations, as listed in Appendix C to the report. She confirmed that a follow-up audit regarding Social Media was planned for 2014/15.

**RESOLVED** that the report of Internal Audit Activity Quarter 4, 2013/14, be noted.

#### **A55 Accounting Policies – 2013/14 Statements of Accounts**

(Report No. WSC 60/14, circulated with the Agenda).

The purpose of the update was to request that members of the Audit Committee approve the accounting policies for 2013/14 in order that the Statement of Accounts can be prepared on this basis.

The Principal Accountant advised that the Accounting Policies, used to prepare the accounts, had been updated where necessary using the Code of Practice on Local Government Accounting in the UK 2013/14. There were no major changes. The accounting policies would be reviewed again during the closedown process of the accounts and any changes would be brought back to the Audit Committee.

**RESOLVED** that the Accounting Policies, as detailed in Appendix A and attached to the report, be approved.

#### **A56 Debt Analysis Report – as at 31 December 2013**

(Report No. WSC 62/14, circulated with the Agenda).

The purpose of the update was to provide the Audit Committee with an update on the level of debts outstanding to the Authority as at 31 December 2013.

The Principal Accountant presented the report advising that the Committee's comments regarding the level of detailed information provided had been taken into

consideration and would continue to be refined. The overall outstanding corporate debt from all invoices raised as at 31 December 2013 and since April 2003 was approximately 0.04%.

Members thanked the Principal Accountant for the improved report and asked whether it was possible to make improvements to procedures in order to reduce housing benefit overpayments and put in place measures to avoid debts building up regarding business rate debt.

In response the Section 151 Officer informed that the Council's procedures were strong and robust. She suggested the Audit Committee might wish to consider whether this level of debt could go to a Scrutiny Committee as part of a review of debt with relevant officers in attendance to answer questions.

The Principal Accountant confirmed that the Council were recollecting some debts that had been previously written-off and that he would advise the Committee of the details after the meeting.

**RESOLVED** that the Debt Analysis Report as at 31 December 2013, be noted.

#### **A57 Treasury Management Strategy Statement 2014/15**

(Report No. WSC 61/14, circulated with the Agenda).

The purpose of the update was to approve the Treasury Management Strategy Statement for 2014/15.

The Principal Accountant informed that the Treasury Management Strategy Statement had been prepared in conjunction with Arlingclose, who would be the Council's treasury management advisors from 1 April 2014. Hinkley Point C and associated anticipated receipts had been incorporated into the strategy. He highlighted the fact that the credit rating of National Westminster Bank plc had been downgraded to BBB+, on the advice of Arlingclose the Council had relocated some of its surplus monies.

In response to questions the Principal Accountant confirmed that if necessary it would be possible to extend the short-term loan should asset sales not be realised within the necessary time frame. Further, he would confirm the lending rate of the short-term loan after the meeting.

**RESOLVED** that the combined Treasury Management Strategy, Minimum Revenue Policy and Annual Investment Strategy for 2014/415 be noted and recommended for approval by Full Council.

#### **A58 Consideration of an Independent Member**

The Chairman asked the Committee for their views as to whether they were of the opinion that it was necessary to appoint an Independent Member onto the Audit Committee.

**RESOLVED** that the Audit Committee did not deem it necessary to appoint an Independent Member at this time and that should the Audit Committee consider the situation to change in the future this matter be brought back to the Audit Committee to reconsider.

The meeting closed at 6.13 pm.

DRAFT

**AUDIT COMMITTEE ACTION PLAN**

Date/Minute Number	Action Required	Action Taken
<p><b>24 March 2014</b></p> <p>There were no resolutions/recommendations from the meeting held on 24 March 2014 that required monitoring.</p>		

## WEST SOMERSET COUNCIL

## AUDIT COMMITTEE

## FORWARD LIST OF AGENDA ITEMS 2014

MEETING	DRAFT AGENDA ITEMS	LEAD OFFICER
22/09/14	Quarterly Review of Internal Audit Activity Audited Statement of Accounts 2013/14 Annual Governance Report Debt Analysis Report – As At 30 June 2014 Forward Plan	Claire Hodgson (SWAP) Steve Plenty Paul Fitzgerald Steve Plenty Steve Plenty
02/12/14	Annual Audit Letter External Audit Fee Letter Quarterly Review of Internal Audit Activity Risk Management Update 6-Month Review of Treasury Management Activity Debt Analysis Report – As At 30 September 2014 Forward Plan	Peter Lappin (Grant Thornton) Peter Lappin (Grant Thornton) Claire Hodgson (SWAP) Kim Batchelor James Howells Steve Plenty Steve Plenty

*Report Number:* WSC 90/14  
*Presented by:* Cllr Kate Kravis, Deputy Leader & Resources  
*Author of the Report:* Richard Sealy, Assistant Director – Corporate Services  
*Contact Details:*  
     *Tel. No. Direct Line* 01823 358690  
     *Email:* r.sealy@tauntondeane.gov.uk  
  
*Report to a Meeting of:* Audit Committee  
*To be Held on:* 1 July 2014

## **SOUTHWEST WEST AUDIT PARTNERSHIP GOVERNANCE ARRANGEMENTS**

### **1. PURPOSE OF REPORT**

- 1.1 This report proposes a change to the West Somerset Council “Director” to the Southwest Audit Partnership (SWAP) to reflect the responsibilities of the new Joint Management Team (JMT).

### **2. CONTRIBUTION TO CORPORATE PRIORITIES**

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

### **3. RECOMMENDATIONS**

- 3.1 The Members of the Audit Committee are recommended to request Full Council to approve the nomination of:
- i) The Assistant Director – Resources as the Council’s Director on the Board of SWAP; and
  - ii) The Assistant Director – Corporate Services as the Alternate Director.

### **4. RISK ASSESSMENT (IF APPLICABLE)**

#### **Risk Matrix**

<b>Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall</b>
No specific risks have been identified in respect of this report and recommendation	N/A	N/A	N/A

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

### **5. BACKGROUND INFORMATION**

- 5.1 SWAP was formed in 2005 to deliver the internal audit function to two authorities in Somerset. By 2013 the partnership had expanded to twelve partners across the South West and a different governance model was needed.
- 5.2 Members agreed in 2013 to form a Company Limited by Guarantee and the Southwest Audit Partnership Ltd came into being in April 2013. The governance structure for the new company provided for each Authority providing a Member representative to the Members Board and an Officer Director to the Company Board.
- 5.3 The Member representative to the Members Board is the Chair of the Audit Committee. This arrangement is working well and no change is proposed.
- 5.4 Representation at officer level, as the Director to the Company Board, has been undertaken by the Principal Accountant (Steve Plenty). Clearly with the new Joint Management Team in place we need to amend the directorship to reflect the new roles and responsibilities.

## **6. THE PROPOSAL**

- 6.1 The Board of Directors continues to be a “hands on” role and it is appropriate that this continues to be carried out by Officers.
- 6.2 It is recommended that the Assistant Director – Resources becomes the nominated Director for West Somerset with the Assistant Director – Corporate Services acting as the Alternate Director. (NB. The Assistant Director – Corporate Services is the Director for TDBC with the Assistant Director – Resources acting as the Alternate Director for TDBC).
- 6.3 Whilst each Council will continue to have a separate nominated Directors to the Board, in practice and by utilising the proxy voting arrangements we will generally only have one of the two Nominated Directors attend board meetings to represent both Councils. This will save time and money, but have no impact on quality. Generally this will be the Assistant Director – Corporate Services, who has the responsibility for Audit under the new structure.

## **7. FINANCIAL/RESOURCE IMPLICATIONS**

- 7.1 There are no financial implications resulting from this report.

## **8. COMMENTS ON BEHALF OF SECTION 151 OFFICER**

- 8.1 This change is required in order to ensure that the ongoing representation at the SWAP Board reflects the change in responsibilities resulting from the implementation of the new Joint Management Team.

## **9. EQUALITY & DIVERSITY IMPLICATIONS**

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

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

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

- 9.1 There are no implications for equalities and diversity resulting from this report.



**10. CRIME AND DISORDER IMPLICATIONS**

10.1 There are no implications.

**11. CONSULTATION IMPLICATIONS**

11.1 This proposal has been discussed with the Chief executive of SWAP who is supportive of the proposed approach.

**12. ASSET MANAGEMENT IMPLICATIONS**

12.1 There are no implications.

**13. ENVIRONMENTAL IMPACT IMPLICATIONS**

13.1 There are no implications.

**14. HEALTH & WELLBEING**

Demonstrate that the authority has given due regard for:

- People, families and communities take responsibility for their own health and wellbeing;
- Families and communities are thriving and resilient; and
- Somerset people are able to live independently.

14.1 There are no implications.

**15. LEGAL IMPLICATIONS**

15.1 Good, transparent governance arrangements are essential. The Director of the Board of SWAP Ltd will have legal responsibilities to the company.

*Report Number:* WSC 91/14  
*Presented by:* Steve Plenty / Steve Perkins  
*Author of the Report:* Steve Plenty  
*Contact Details:*  
     *Tel. No. Direct Line* 01984 635217  
     *Email:* sjplenty@westsomerset.gov.uk  
  
*Report to a Meeting of:* Audit Committee  
*To be Held on:* 1st July 2014  
*Date Entered on Executive Forward Plan* N/A  
*Or Agreement for Urgency Granted:*

## DEBT ANALYSIS – AS AT 31 MARCH 2014

### 1. PURPOSE OF REPORT

- 1.1 To provide the Audit Committee with an update on the level of debts outstanding to the Authority as at 31st March 2014.

### 2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 The Council's debt position links to the Local Democracy priority of achieving financial sustainability.

### 3. RECOMMENDATIONS

- 3.1 That Audit Committee note the information contained within the report.
- 3.2 The Audit Committee support the recommendation that debt analysis and monitoring information is reported to Scrutiny and Cabinet in future.

### 4. RISK ASSESSMENT

#### Risk Matrix

Description	Likelihood	Impact	Overall
That the Council does not put in place appropriate arrangements to recover monies that are owed to the Authority.	3	4	12
<i>Continued collection of debt following the procedures and arrangements the Authority has in place.</i>	2	3	6
That from 1 <sup>st</sup> April 2013 there is a detrimental financial impact on the Council due to unpaid Business Rates.	4	4	16
<i>Continued collection of debt following the procedures and arrangements the Authority has in place.</i>	2	3	6

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

- 4.1 As the table shows, the arrangements in place in respect of income collection has a positive impact on mitigating the identified risks.

## 5. **BACKGROUND INFORMATION**

- 5.1 Analysis of the Authority's current level of debt used to form part of the Corporate Performance Report presented to Members on a quarterly basis. During discussions it was suggested by the then current Section 151 Officer that scrutiny of these debts would be better undertaken by the Audit Committee separately. Therefore set out below are details of the different streams of debt owed to the Authority as at 31st March 2014, comparing this to what was outstanding as at 31st March 2013 (the previous year).

### **Corporate Debts**

<b>Age of debt</b>	<b>Amount Outstanding As At 31 Mar 2014 (£)</b>	<b>Amount Outstanding As At 31 Mar 2013 (£)</b>
Less than 3 months	248,190	87,963
3 to 6 months	11,149	3,920
6 months to 1 year	11,284	26,244
Over 1 year	139,584	131,040
<b>Total</b>	<b>410,207</b>	<b>249,167</b>

- 5.2 On the corporate recovery front the old debt figures (over 1 year) remain on a par when compared to the previous year and the chasing of these old debts via various means, which includes County Court action in extreme cases, continues to work well.

### **Housing Benefit Debts**

	<b>Amount Outstanding As At 31 Mar 2014 (£)</b>	<b>Amount Outstanding As At 31 Mar 2013 (£)</b>
Debts being recovered from ongoing entitlement to housing benefit	178,308	168,217
Debts being recovered from former claimants	318,956	289,858
<b>Total outstanding</b>	<b>497,264</b>	<b>458,075</b>

- 5.3 Somewhat surprisingly even in the current economic climate this income stream has shown the greatest year on year improvement. The in-year collection rate has risen to a record breaking 47.07% (target 43% - 2012/13 collection rate 43.70%). This figure is also the highest collection rate when compared to the ten members of the South West Overpayments Liaison Group.
- 5.4 Unfortunately overpayment creation each year continues to rise from £459,000 in 2012/13 to £513,000 last year. However, this has resulted in automatic recovery from claimants Housing Benefit increasing from £262,000 to £308,000 and manual officer collection (through invoices, reminders and further recovery action) rising from £123,000 to £149,000. Officer resource has continually been directed at this income stream because the Council benefits greatly financially. It should be noted that we receive additional income through benefit subsidy on most overpayments, therefore, it is possible therefore to receive more money than the original overpayment if you aggregate the collected amount along with the

amount received in government subsidy. Full recovery action is taken on these unpaid debts to include County Court action in appropriate cases. However, the number of costly and time consuming County Court cases is now dropping because the new 2013 Social Security Regulations now allow us to directly contact a person's employer for an attachment to their earnings.

### Council Tax Debts

Year from 1 April	Amount Outstanding As At 31 Mar 2014 (£)	Amount Outstanding As At 31 Mar 2013 (£)
Pre 2000	(1,920)	7,822
2001	6,116	7,253
2002	7,936	11,144
2003	8,461	11,718
2004	12,949	24,839
2005	15,124	24,867
2006	28,871	43,953
2007	43,244	62,293
2008	48,336	76,518
2009	41,296	84,332
2010	81,429	116,098
2011	113,783	197,300
2012	194,344	519,090
2013	637,492	
<b>Total</b>	<b>1,237,461</b>	<b>1,187,227</b>

5.5 Levels of overall debt have increased with balances subject to court action at year end increasing from £786,000 to £812,000. This is reflected in the collection rate decreasing from 97.53% in 2012/13 to 96.90% in 2013/14. It is appropriate to compare collection rates with previous years in the context of recent changes that have increased risk of delayed or non-collection including:

- 15% Council Tax now payable by 1,433 working age claimants (who paid nothing in previous years)
- A full Council Tax charge for owners of empty properties after 1 month (they were previously entitled to a 6 months empty exemption)
- 150% premium for long term empty properties (an increase of 50%)

5.6 Therefore, a fairer comparison on a level playing field will be able to be made at the end of this financial year. The Recovery team has a finite amount of resource and workloads have increased therefore adaptations have been made to try and collect from a lot of smaller balance cases. Benchmarking has been carried out and bar one of the five Somerset Authorities reflect a common theme in that they are experiencing a dip in their collection rates.

## Business Rates Debts

Year from 1 April	Amount Outstanding As At 31 Mar 2014 (£)	Amount Outstanding As At 31 Mar 2013 (£)
Pre 2000	(338)	0
2001	(160)	0
2002	1,899	2,139
2003	516	768
2004	642	1,705
2005	624	1,357
2006	309	1,293
2007	25	5,518
2008	4,998	8,430
2009	3,828	14,441
2010	17,203	26,540
2011	49,960	63,567
2012	111,515	255,825
2013	184,365	
<b>Total</b>	<b>375,386</b>	<b>381,583</b>

5.7 Levels of overall debt have dropped slightly; however, balances subject to court action at year end remain constant at around £120,000. This is reflected in the collection rate increasing from 97.90% in 2012/13 to 98.40% in 2013/14.

## 6. FINANCIAL/RESOURCE IMPLICATIONS

6.1 Clearly the collection of income and debts due to the authority is important as the Net Budget for provision of services includes assumptions and targets for income. Where costs are not covered by general grant funding or council tax, the customer pays additional fees and charges as set by the Council. This income is therefore necessary for the provision of services. Failure to collect debts could eventually lead to losses which would be a cost to the General Fund, and therefore adversely affect reserve balances.

6.2 As the billing authority for council tax and business rates, we also collect taxation income that is due to be paid over to Central Government, the County Council, Police and Fire authorities. Failure to collect these monies will affect this Council's funding, but also that of these other organisations.

6.3 The risk of non-collection is assessed each year as part of the financial year end arrangements, with some provision made for potential losses, however the Council's takes all possible action to avoid non-collection. Debt write-off is very much a last resort.

## 7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

7.1 Levels of debt can adversely affect the Council's cash flow as well as the underlying funding position as described above. As such all debt is actively managed to keep outstanding amounts to a minimum.

7.2 The risk in respect of cash flow and non-collection is greater than previous years following the introduction of business rates retention, as the payments of Standard Shares in business rates to Government, County and Fire authorities is based on budget estimates. As from 1st April 2013 the Council also has to bear 40% of the costs of any debts written off in respect of Business Rates.

- 7.3 Advice from the Assistant Director Resources is that monitoring of the Council's debt position is more closely aligned with the function of Scrutiny and Cabinet, in discharging their responsibilities in respect of financial performance for the authority. It is therefore recommended that Debt Analysis information is reported to those committees in future.

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

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

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

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

- 8.1 None in respect of this report.

## **9. CRIME AND DISORDER IMPLICATIONS**

- 9.1 None in respect of this report.

## **10. CONSULTATION IMPLICATIONS**

- 10.1 None in respect of this report.

## **11. ASSET MANAGEMENT IMPLICATIONS**

- 11.1 None in respect of this report.

## **12. ENVIRONMENTAL IMPACT IMPLICATIONS**

- 12.1 None in respect of this report.

## **13. LEGAL IMPLICATIONS**

- 13.1 None in respect of this report.



## **West Somerset Council**

Internal Audit Plan – Annual Opinion 2013-14

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SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.



## Annual Opinion:

**The Audit Manager is required to provide an annual opinion report to support the Annual Governance Statement.**

## **Purpose of Report**

The Accounts and Audit Regulations (England) 2011 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

## **Background**

The Internal Audit service for West Somerset Council is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness through the work based on the Annual Plan agreed by Senior Management and this Committee.

## Annual Opinion:

The Audit Manager is required to provide an annual opinion report to support the Annual Governance Statement.

## Audit Manager's Opinion

Internal Audit has not reviewed all risks and assurances relating to West Somerset and cannot provide absolute assurance on the internal control environment. Our opinion is derived from the completion of the risk based internal audit plan and as such it is one source of assurance on the adequacy of the internal control environment.

Of the 8 reviews that have an Assurance Opinion no reviews were given 'No Assurance', and 2 were given 'Partial Assurance'. This left 2 reviews that returned a favourable opinion of 'Reasonable Assurance' and 4 with 'Substantial Assurance' which is to be commended.

In total there have been 48 agreed actions for improvement, 6 at Service Priority Level 4 and 42 at Level 3.

Over the year SWAP continue to find the Joint Senior Management of the Council to be supportive of SWAP findings and responsive of the recommendations made.

I have considered the balance of audit work and outcomes against the context that WSC is operating in and I am able to offer '**reasonable assurance**' in respect of the areas reviewed during the year, as the majority were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

## Performance:

The SWAP Chief Executive reports performance on a regular basis to the SWAP Management and Partnership Boards.

## SWAP Performance

With regards to the 2013/14 Annual Plan for West Somerset Council, a total of 14 planned reviews have been completed. 1 is to be completed and 2 were dropped or deferred at client request.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. As part of the Balanced Scorecard presented to the SWAP Boards, a target of 85% is set where 80% would reflect the fact that the client agreed that the review was delivered to the expected standard. For West Somerset Council the average feedback score was 86%.

Last April SWAP became a Publicly Owned Company, Limited by Guarantee. We have again managed to absorb some Partner day reductions and maintain day rates for the eighth consecutive year.

SWAP have not been able to undertake any accurate Benchmarking work as there are very few Partnerships of its size or nature. It is also not possible to obtain information on Private Sector costs from which to draw comparisons. We do know however that some larger firms charge well in excess of £300 per day and even more for IT Audit.

Last year, one of our partners completed the CIPFA Benchmarking exercise, comparing the service they receive from SWAP with others. Comparing day rates, SWAP came out the second lowest for the family group to which this partner belongs to for comparative purposes. The average day rate was £319 against the rate charged by SWAP of £280; £39 per day more expensive. Based on WSC's Annual plan days for 2013/14 of 167, this represents a reduced charge of £6,513 per annum.

Members will also be interested to note that the Unitary Council of Herefordshire has now joined SWAP, bringing the total number of Partner Councils to 13.



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

## Summary of Work 2013-14

*The agreed Annual Audit Plan covers the following*

*Key areas of Activity:*

- ◆ OPERATIONAL AUDITS
- ◆ INFORMATION SYSTEMS
- ◆ KEY CONTROLS
- ◆ GOVERNANCE, FRAUD & CORRUPTION
- ◆ SPECIAL REVIEWS
- ◆ FOLLOW-UP

## Internal Audit Work Programme

The schedule provided at [Appendix A](#) contains a list of all audits agreed for inclusion in the Annual Audit Plan 2013-14 and the final outturn for the financial year. In total, 14 audit reviews were completed during the year with 1 in progress and a further 2 audits dropped at the time of this report. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Of the 14 reviews in the 2013-14 audit plan, they are broken down as follows:

- |                                    |   |
|------------------------------------|---|
| • Operational Audits               | 2 |
| • Information Systems              | 1 |
| • Key Control                      | 3 |
| • Governance & Fraud               | 3 |
| • Special Investigations & Reviews | 3 |
| • Follow-up                        | 2 |

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” [Appendix B](#).

Summary of Work 2013-14

*Continued.....*

**Audits Completed - Operational**

Operational Audits — are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested; risks are assessed against the risk appetite agreed with the SWAP Management Board. Where weaknesses or areas for improvement are identified, actions are agreed with management, prioritised and target dated. Based on the findings of each review, an overall Control Assurance is offered.

Operational Audits completed by SWAP for the period April 2013 to March 2014, together with the Control Assurance offered, are summarised in the following table:

Audit Area	Audit Opinion
Public Safety in Open Spaces	Partial
Section 106	Substantial

The 2 reviews returned 8 recommendations for improvement. The breakdown of these recommendations in terms of priority scores are; 2 priority four and 6 priority three. For a summary of Control Assurance Definitions, Categorisation of Recommendations and Definitions of Risk Levels, please refer to [Appendix C](#).



## Summary of Work 2013-14

*Continued.....*

### **Audits Completed – Information Systems**

Information Systems — IS audits are completed to provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given. The following IS audits were in the plan for 2013/14:

Audit Area	Audit Opinion
Data & Communications Centre	Substantial

The review returned 5 priority three recommendations for improvement.

Summary of Work 2013-14

*Continued.....*

## Audits Completed – Key Controls, Finance

Key Control Audits — The Key Control Audit process focuses primarily on key risks relating to the Council’s major financial systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. The findings from these reviews are considered by the External Auditors when they assess the Council’s Financial Statements at year end.

It is noted that there has been improvements within the finance key controls when compared to previous years. Key Control Audits completed by SWAP during the period April 2013 to March 2014 are as follows:

Audit Area	Audit Opinion
Council Tax & NNDR	Reasonable
Housing Benefit & Council Tax Rebate	Substantial
Main Accounting	Substantial

A total of 4 priority 3 recommendations were raised between the 3 reviews which were all priority three. It was pleasing to find that the vast majority of key controls were all operating effectively.

A follow up audit of payroll was also undertaken which found that three actions were complete and two were in progress.

**Summary of Work 2013-14**

*Continued.....*

## Audits Completed — Governance and Fraud

Governance and Fraud Reviews — The Governance, Fraud and Corruption Audit process focuses primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. The following reviews of this type were completed:

Audit Area	Audit Opinion
Delivering Good Governance	Non-Opinion
Fighting Fraud Locally	Reasonable
Social Media	Partial

These governance reviews with resulted in 19 recommendations for improvement. There were 3 priority four recommendations and 16 priority three recommendations.

A follow up audit of Delivery of Major Projects – Risk Management was also undertaken, and found that four actions were complete and one was in progress.



## Priority Actions

Internal Audit is required to bring to the attention of senior managers and members significant internal control, risk management and governance issues identified through our work. As agreed with this Committee where a review has a status of 'Final' and has been assessed as 'Partial' or 'No Assurance' I provide further details to inform Members of the key issues identified. I normally summarise those actions where the Auditor has assessed the priority to be a level 4 (Medium/High) or 5 (High).

There have been no level 4 and 5 priority recommendations identified since the last Committee. Social Media and Public Safety in Open Spaces both were given partial assurance with priority 4 recommendations made and these have been reported to Members throughout the year.

The Social Media audit found that there was no approved social media policy at the time of audit and the risk of reputational damage through social media channels was not recognised. The review of Public Safety in Open Spaces identified that the risk assessment register was incomplete and there was no condition survey for trees. These audits are both to be followed up during 2014/15.

## Audit Plan Progress 2013-14

## APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Operational Audit	Public Safety in Open Spaces	2	Final	Partial	8	0	0	6	2	0
Operational Audit	Section 106	2	Final	Substantial	0	0	0	0	0	0
ICT Audit	Data & Communications Centre	4	Final	Substantial	5	0	0	5	0	0
Key Control	Council Tax & NNDR	3	Final	Reasonable	4	0	0	4	0	0
Key Control	Housing Benefit & Council Tax Rebate	3	Final	Substantial	0	0	0	0	0	0
Key Control	Main Accounting	3	Final	Substantial	0	0	0	0	0	0
Governance Fraud & Corruption	Delivering Good Governance	1	Final	Non-Opinion	4	0	0	4	0	0
Governance Fraud & Corruption	Fighting Fraud Locally	2	Final	Reasonable	6	0	0	5	1	0
Governance Fraud & Corruption	Social Media	2	Final	Partial	9	0	0	7	2	0
Follow-up	Payroll	3	Final	Follow-up						
Follow-up	Delivery of Major Projects – Risk Management	2	Final	Follow-up						
Governance, Fraud & Corruption	Partnership risks with TDBC	Not required, days c/f to 2014/15								
Governance, Fraud & Corruption	Asset Management	Deferred at client request to 2014/15								



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

## Audit Plan Progress 2013-14

## APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Special Review	Use of Council Vehicles		Final	Non-opinion	5	0	0	4	1	0
Special Review	Whistleblowing complaints – regulatory services		Final	Non-opinion	7	0	0	7	0	0
Special Review	Cash and Banking		Complete (no report)	Non-opinion						
Operational	Council Tax Support Scheme	2	In Progress							
Key Control	Creditors <b>(Dropped – replaced by Fighting Fraud Locally)</b>	3	Dropped							
Key Control	Debtors <b>(Dropped – replaced with Special Investigations)</b>	3	Dropped							
Key Control	Treasury Management <b>(Dropped – replaced with Special Investigations)</b>	3	Dropped							
Key Control	Capital <b>(Dropped – replaced with Special Investigations)</b>	3	Dropped							



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

## Control Assurance Definitions

## Appendix B

<b>Substantial</b>	▲▲▲▲ I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>	▲▲▲▲ I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	▲▲▲▲ I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>None</b>	▲▲▲▲ I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

## Categorisation Of Recommendations

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

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

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

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

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

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

## Definitions of Risk

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

*Report Number:* WSC 93/14  
*Presented by:* Shirlene Adam  
*Author of the Report:* Shirlene Adam, Director – Operations  
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*Report to a Meeting of:* AUDIT COMMITTEE  
*To be Held on:* 23<sup>RD</sup> JUNE 2014  
*Date Entered on Executive Forward Plan*  
*Or Agreement for Urgency Granted:* Not applicable

## REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

### 1. PURPOSE OF REPORT

- 1.1 To inform the Audit Committee of the recent review of the effectiveness of the delivery of Internal Audit through SWAP (South West Audit Partnership) during 2013/14.

### 2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 There is no direct contribution to the Corporate Priorities - this is a governance matter.

### 3. RECOMMENDATIONS

- 3.1 Members are requested to note the findings of the review, and

### 4. RISK ASSESSMENT (IF APPLICABLE)

#### Risk Matrix

Description	Likelihood	Impact	Overall
The Authority fails to maintain an adequate system of internal control; monitored and controlled by internal audit	3	4	12
The Authority has in place suitable internal audit arrangements.	1	4	4

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

## **1. BACKGROUND INFORMATION**

- 1.1 The South West Audit Partnership (SWAP) is a partnership that provides the Internal Audit service to all of the six Somerset authorities, Dorset County Council, Weymouth and Portland Borough Council, West Dorset District Council, Forest of Dean District Council, East Devon District Council, and Wiltshire Council as well as a number of related bodies such as the Somerset Waste Partnership. There is also the potential for a new partner to join in the next few months.
- 1.2 SWAP has recently moved from being governed via a Joint committee format to a Company structure.
- 1.3 Internal audit forms a part of the corporate governance and internal control framework that provides accountability to stakeholders on all areas of the Council Plan. Their opinion on the adequacy and effectiveness of the Council's internal control framework forms a part of the evidence used in preparing the corporate Annual Governance Statement (AGS) for 2013-14, which will be published as part of the Council's Statement of Accounts in September 2014.
- 1.4 There are several statutory requirements regarding Internal Audit:
- The Accounts and Audit (England) Regulations 2011 require authorities to review the effectiveness of the system of Internal Audit. They also state "A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control."
  - Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the proper administration of those affairs." CIPFA has defined "proper administration" in that it should include "compliance with the statutory requirements for accounting and internal audit"
  - The CIPFA Statement on the Role of the Chief Finance Officer in Local Government states that the Chief Finance Officer (CFO) must:
    - Ensure an effective internal audit function is resourced and maintained;
    - Ensure that the authority has put in place effective arrangements for internal audit of the control environment;
    - Support the authority's internal audit arrangements: and;
    - Ensure that the Audit Committee receives the necessary advice and information, so that both functions can operate effectively.
- 1.5 Therefore it is important for the findings of the review of the effectiveness of the system of Internal Audit are considered by a committee such as the Corporate Governance Committee as a part of the consideration of the system of internal control. This review has to be carried out by someone independent of SWAP.

## **2. COMPLIANCE WITH PSIAS AND LOCAL GOVERNMENT APPLICATION NOTE**

2.1 The 2006 CIPFA Code of Practice for Internal Audit has been superseded by the Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note on the 1st April 2013 that sets out how an internal audit function should be fulfilled. The main focus is the internal audit service itself, but the Standards also refer to the wider elements of the “system of internal audit”, including the importance of the direct relationship between Internal Audit and the Audit Committee. The Standards cover:

- Purpose, authority, and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality Assurance and Improvement Programme;
- Managing the Internal Audit Activity;
- Nature of Work;
- Engagement Planning;
- Performing the Engagement;
- Communicating Results;
- Monitoring Progress.

2.2 The Audit Charter for 2013-14 was approved by the Audit Committee on 24<sup>th</sup> March 2014. All aspects of the Standards will be covered by SWAP through the Audit Charter and reviewed and approved by the Audit Committee on an annual basis.

## **3. THE REVIEW OF SWAP**

3.1 West Somerset Councils’ review of Internal Audit has been carried out by the Director of Operations (the Council’s S151 Officer). The findings have been reported as part of the overall evaluation and supporting evidence for the Annual Governance Statement. The following criteria were used in the evaluation:

- Annual report and opinion of the Head of Internal Audit;
- Audit plan and monitoring reports;
- Reports on significant findings;
- Key performance measures and service standards;
- View of the Council’s External Auditor covering the extent of reliance placed on internal audit work on key financial systems.

3.2 It was found that overall the team performed well and that this view was supported by the comments of external auditors and client satisfaction. The table below shows some of the overall performance of the service during the year compared to the previous three years:

Performance Measure	2010/11	2011/12	2012/13	2013/14
Levels of satisfaction from feedback questionnaires	83%	83%	83%	86%
Audits and reviews completed in year compared to the plan (all at least at final draft stage)	96%	92%	97%	88% + 2 audits deferred by client
Managed audits completed in year compared to plan	100%	100%	100%	100%
Total completed audits and reviews				15 (2 deferred)
Cost of audit service to WSC	£76,890	£68,300	£68,490	£56,780
Number of actions for improvements agreed by managers.	122	118	87	48
No of audit recommendations considered High Risk (Priority 5)	2	0	0	0
Value for Money – average cost of audit day compared to private sector (benchmarking)	SWAP = £280 Private Sector = £320	SWAP = £280 Private Sector = £320	SWAP = £280 Private Sector = £320	SWAP = £280 Private Sector = £320
SWAP A/Cs outturn on spend compared to budget – (brackets indicate net income)	Budget £(48,943) Actual £(142,928)	Budget £(26,830) Actual £(99,256)	Budget £(4,540) Actual £(58,584)	Budget £(x) Actual £(x)

(X Final Accounts not ready until July 2014; outturn figure currently unavailable)

\* Only in relation to assignments at final report stage.

- 3.3 The table shows that the satisfaction with the audits carried out at West Somerset Council is 86%, an improvement from last year.
- 3.4 The number of audit projects undertaken within the days available has reduced from the previous year – mainly due to the reduction in days from 240 in 2012/13 to 167 in 2013/14.
- 3.5 There were no new high priority recommendations in 13/14.
- 3.6 The outturn position is likely to show that, as in previous years, the partnership makes a surplus from operations. This gives some room for reinvestment in the business which is managed via the Board of Directors for SWAP.
- 3.7 As SWAP is now a company limited by guarantee the Directors of the company will be required to act in the interests of the company. As s151, I still have access to the



SWAP Management Team to influence service delivery and priorities from a customers perspective.

#### 4. **SERVICE STANDARDS**

4.1 In assessing SWAP's performance it is important to review the standards of service and that each authority is afforded the same standards and also senior officer time. The following table outlines the minimum standards to be introduced and delivered for West Somerset Council moving forward:

<b>Service Standard</b>	<b>Expected Standard</b>
<b>Attendance by Head of SWAP/ Group Audit Manager at Audit Committee.</b>	At least 1 times per annum
<b>Attendance by Audit Manager at Audit Committee</b>	At least 4 times per annum
<b>Attendance by Head of SWAP at Corporate Governance Officer Group</b>	4 times per annum
<b>Liaison meetings with S151 Officer and Audit Manager</b>	6 times per annum
<b>Agreement of Audit Plan:</b>  Prepared for Management Board/S151  Prepared for Audit Committee  Audit Plan monitoring reports	By mid January each year  By end January each year  4 times per annum including Annual Report
<b>Agreement of Audit Charter:</b>  Prepared for Management Board/S151  Prepared for Audit Committee	By mid January each year  By end January each year
<b>To assist with member/officer training in audit and governance</b>	As necessary

#### 5. **2013/14 ACTION PLAN UPDATE**

The report shared with the Audit Committee in July 2013 did not share any improvement action plan.

## **6. ACTIONS TO BE COMPLETED IN 2014/15**

6.1 The following areas will be monitored for progress during 2014/15:-

- To improve the information flows between the SWAP MKI System and the Council, to reduce the manual intervention currently required to maintain up to date records of audit recommendations. (This will allow closure monitoring by the s151 Officer and her team of progress against outstanding audit recommendations)
- To develop the audit universe for West Somerset Council. This will create a database of knowledge to be used to manage risk across the authority and ensure there are no obvious gaps in internal control.
- To look for further efficiencies in delivering audit work across Taunton Deane and West Somerset to benefit both Councils.
- To improve on the current 13/14 delivery times re moving from draft to final audit reports.
- To work with the Council on improving the reporting (by SWAP) of key audit information to the Audit Committee.

## **7. OPINION**

7.1 It is the opinion of the Director of Operations the system of internal audit is effective.

## **8. FINANCIAL ISSUES / COMMENTS**

8.1 There are no financial implications arising from this report.

## **9. SECTION 151 COMMENTS**

9.1 The review has been carried out by the s151 Officer – who is satisfied that the systems of internal audit is satisfactory.

## **10. EQUALITIES & DIVERSITY IMPLICATIONS**

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

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

- Eliminate discrimination, harassment, victimisation

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

## **5. CRIME AND DISORDER IMPLICATIONS**

5.1 There are no implications in respect of this report.

## **6. CONSULTATION IMPLICATIONS**

6.1 There are no implications in respect of this report.

## **7. ASSET MANAGEMENT IMPLICATIONS**

7.1 There are no implications in respect of this report.

## **8. ENVIRONMENTAL IMPACT IMPLICATIONS**

8.1 There are no implications in respect of this report.

## **9. HEALTH & WELLBEING**

9.1 Demonstrate that the authority has given due regard for:

- People, families and communities take responsibility for their own health and wellbeing;
- Families and communities are thriving and resilient; and
- Somerset people are able to live independently.

There are no implications in respect of this report.

## **10. LEGAL IMPLICATIONS**

10.1 There are no legal implications from this report.

*Report Number:* WSC 94/14  
*Presented by:* Cllr Kate Kravis, Deputy Leader & Resources  
*Author of the Report:* Richard Sealy, Assistant Director – Corporate Services  
*Contact Details:*  
     *Tel. No. Direct Line* 01823 358690  
     *Email:* r.sealy@tauntondeane.gov.uk  
  
*Report to a Meeting of:* Audit Committee  
*To be Held on:* 1 July 2014

## EXTERNAL AUDIT (GRANT THORNTON) UPDATE REPORT

### 1. PURPOSE OF REPORT

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

### 2. CONTRIBUTION TO CORPORATE PRIORITIES

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

### 3. RECOMMENDATIONS

- 3.1 Members are requested to note the update report.

### 4. RISK ASSESSMENT (IF APPLICABLE)

#### Risk Matrix

Description	Likelihood	Impact	Overall
The details of any specific risks identified will be contained in the attached report.			

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

### 5. BACKGROUND INFORMATION

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

## **6. FINANCIAL/RESOURCE IMPLICATIONS**

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

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

7.1 The external auditors perform a key role in relation to ensuring the accuracy of the Council's accounts, our compliance with legislation and in helping us to meet our value for money obligations. It is important therefore that Members receive regular progress updates from the external auditors.

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

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

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

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

8.1 There are no implications in respect of this report.

## **9. CRIME AND DISORDER IMPLICATIONS**

9.1 There are no implications in respect of this report.

## **10. CONSULTATION IMPLICATIONS**

10.1 There are no implications in respect of this report.

## **11. ASSET MANAGEMENT IMPLICATIONS**

11.1 There are no implications in respect of this report.

## **12. ENVIRONMENTAL IMPACT IMPLICATIONS**

12.1 There are no implications in respect of this report.

## **13. HEALTH & WELLBEING**

Demonstrate that the authority has given due regard for:

- People, families and communities take responsibility for their own health and wellbeing;
- Families and communities are thriving and resilient; and
- Somerset people are able to live independently.

13.1 There are no implications in respect of this report.

## **14. LEGAL IMPLICATIONS**

14.1 The majority of the functions undertaken by external audit are required by statute.

# Audit Committee Update for West Somerset Council

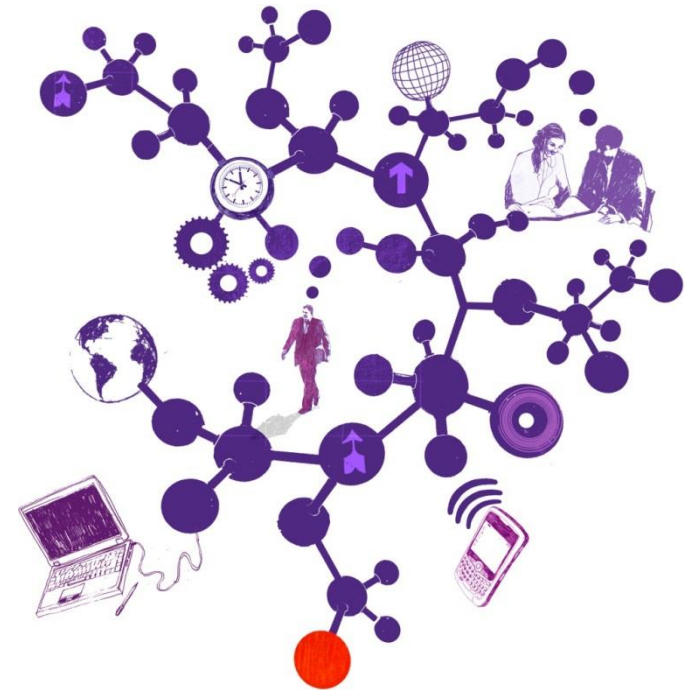
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**Year ended 31 March 2014**

20 June 2014

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

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# Introduction

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.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths

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 Audit Manager.

Peter A Barber, Engagement Lead, T 0117 305 7897, M 07880 456 122, [peter.a.barber@uk.gt.com](mailto:peter.a.barber@uk.gt.com)  
Ashley J Allen, Audit Manager, T 0117 305 7629, M 07775 705 341, [ashley.j.allen@uk.gt.com](mailto:ashley.j.allen@uk.gt.com)

# Progress at 20 June 2014

Work	Planned date	Complete?	Comments
<p><b>2013-14 Accounts Audit Plan</b>            We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements</p>	March 2014	Yes	<p>Our audit plan sets out our approach for the final accounts visit in the summer of 2014.</p> <p>The plan is informed by our interim accounts audit and was reviewed at the 24 March 2014 Committee meeting.</p>
<p><b>Interim accounts audit</b>            Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion</li> </ul>	January to March 2014	Yes	<p>We have updated our understanding of the Council's financial systems and have completed walk-through tests.</p>
<p><b>2013-14 final accounts audit</b>            Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion</li> </ul>	July to September 2014	Not yet done	None

# Progress at 20 June 2014

Work	Planned date	Complete?	Comments
<b>Value for Money (VfM) conclusion</b> The scope of our work to inform the 2013/14 VfM conclusion comprises: <ul style="list-style-type: none"><li>• detailed review of financial resilience</li><li>• review of arrangements for securing economy and efficiency</li><li>• follow up of recommendations made last year</li></ul>	March to August 2014	In progress	None

# Revaluing your assets – clarification of accounting guidance

## Accounting and audit issues

### Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note

# Accounting for pensions

## Accounting and audit issues

### Accounting for and financing the local government pension scheme costs

#### Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively. The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

#### Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

# Changes to the public services pension scheme

## Accounting and audit issues

### Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited)

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.



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*Presented by:* Richard Sealy, Assistant Director – Corporate Services  
*Author of the Report:* Richard Sealy, Assistant Director – Corporate Services  
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*Report to a Meeting of:* Audit Committee  
*To be Held on:* 1 July 2014

## EXTERNAL AUDIT FEES 2014/15

### 1. PURPOSE OF REPORT

1.1 The report details the fees for the external audit service for 2014/15.

### 2. CONTRIBUTION TO CORPORATE PRIORITIES

2.1 There is no direct contribution to the corporate priorities.

### 3. RECOMMENDATIONS

3.1 Members are requested to note the external audit fees letter dated 14 April 2014 from Grant Thornton.

### 4. RISK ASSESSMENT (IF APPLICABLE)

#### Risk Matrix

Description	Likelihood	Impact	Overall
No risks have been identified in connection with this report.	N/A	N/A	N/A

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

### 5. BACKGROUND INFORMATION

5.1 The external audit function for West Somerset Council transferred from the Audit Commission to Grant Thornton during 2012. This change was part of the national programme of “outsourcing” the external audit work and has resulted in significant savings for local authorities.

5.2 The attached letter provides details of the agreed fee for 2014/15.



- 5.3 The letter also sets out details of the process and timetable for completing the external audit work for 2014/15 together with details of the team who will lead the work. However, since receiving the letter we have been notified of a change to the team – Peter Lappin has been replaced by Ashley Allen as Engagement Manager.

## **6. FINANCIAL/RESOURCE IMPLICATIONS**

- 6.1 The indicative audit fee for 2014/15 is £67,750. This amount is split between the fee for the main audit of £55,800 (which remains unchanged from last year) and the grant certification work of £11,950.
- 6.2 Any additional audit work, outside of the planned audit and grant fee work, will be billed separately and in addition to the fee quoted.

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

- 7.1 I have reviewed the fee letter and am satisfied with the fee quoted.

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

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

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

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

- 8.1 There are no equalities and diversity implications in relation to the audit fees.

## **9. CRIME AND DISORDER IMPLICATIONS**

- 9.1 There are no implications in respect of this report.

## **10. CONSULTATION IMPLICATIONS**

- 10.1 There are no implications in respect of this report.

## **11. ASSET MANAGEMENT IMPLICATIONS**

- 11.1 There are no implications in respect of this report.

## **12. ENVIRONMENTAL IMPACT IMPLICATIONS**

- 12.1 There are no implications in respect of this report.

## **13. HEALTH & WELLBEING**

Demonstrate that the authority has given due regard for:

- People, families and communities take responsibility for their own health and wellbeing;
- Families and communities are thriving and resilient; and
- Somerset people are able to live independently.

13.1 There are no implications in respect of this report.

**14. LEGAL IMPLICATIONS**

14.1 There are no implications in respect of this report.



# Grant Thornton

An instinct for growth™

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14 April 2014

Dear Penny

## **Planned audit fee for 2014/15**

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

## **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £55,800, which is unchanged from the fee for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: [www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415](http://www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415)

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

## **Scope of the audit fee**

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

### **Chartered Accountants**

Member firm within Grant Thornton International Ltd  
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A list of members is available from our registered office.

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### **Value for Money conclusion**

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

### **Certification of grant claims and returns**

The Council's composite indicative grant certification fee has been set by the Audit Commission at £11,950.

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2014	13,950
December 2014	13,950
March 2015	13,950
June 2015	13,950
	55,800
<b>Grant Certification</b>	
December 2015	11,950
<b>Total</b>	<b>67,750</b>

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures in December 2014 to February 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed from July to September 2015 and work on the whole of government accounts return in September 2015.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2014 to February 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to Sept 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2015	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Review of the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2015	Grant certification report	A report summarising the findings of our grant certification work

### Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	Peter Barber	0117 305 7897 07880 456122	<a href="mailto:peter.a.barber@uk.gt.com">peter.a.barber@uk.gt.com</a>
Engagement Manager	Peter Lappin	0117 305 7865 07880 456135	<a href="mailto:peter.lappin@uk.gt.com">peter.lappin@uk.gt.com</a>
Audit Executive	Sarah Crouch	0117 305 7881	<a href="mailto:sarah.crouch@uk.gt.com">sarah.crouch@uk.gt.com</a>

### Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact John Golding, our Public Sector Assurance regional lead partner [john.golding@uk.gt.com](mailto:john.golding@uk.gt.com).

Yours sincerely



Peter Barber  
For Grant Thornton UK LLP

cc Shirlene Adam, Director of Operations

*Report Number:* WSC 96/14  
*Presented by:* Steve Plenty  
*Author of the Report:* Steve Plenty  
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*Report to a Meeting of:* Audit Committee  
*To be Held on:* 1<sup>st</sup> July 2014  
*Date Entered on Executive Forward Plan* N/A  
*Or Agreement for Urgency Granted:*

## **SIGNIFICANT CHANGES TO THE ACCOUNTING REQUIREMENTS FOR THE 2013/14 ACCOUNTS**

### **1. PURPOSE OF REPORT**

1. This report updates the Committee on the significant changes which are applicable to the Statement of Accounts 2013/14 and the associated disclosures and restatements which have resulted.

### **2. CONTRIBUTION TO CORPORATE PRIORITIES**

- 2.1 None.

### **3. RECOMMENDATIONS**

- 3.1 Members are asked to note the changes which will be reflected in the accounts for 2013/14.

### **4. RISK ASSESSMENT (IF APPLICABLE)**

#### **Risk Matrix**

<b>Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall</b>
No Risk Identified	N/A	N/A	N/A

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

### **5. BACKGROUND INFORMATION**

- 5.1 Each year the Code of Practice on Local Authority Accounting is updated by a technical panel from the Chartered Institute of Public Finance and Accountancy (CIPFA) and communicated to authorities via publications and when necessary, workshops.



5.1.2 Sometimes these changes are wide-ranging and have significant impact on the accounts i.e. the move to International Financial Reporting Standards (IFRS). In other years the changes are more subtle and are often for transparency purposes only.

## 5.2 This year's changes

5.2.1 This year there have been two significant changes to the code, one of which has resulted in a "prior-period adjustment" i.e. we have had to amend some of the figures in the approved 2012/13 Accounts but there is no impact on the useable reserves of the Council for this change.

### **a) Accounting for Pension Interest Costs in Relation to Current Service Cost and Pension Administration Costs.**

5.2.2 The accounting standard IAS 19 – Employee Benefits has changed and because the change is reflected in various parts of the accounts it has been necessary to restate last year's figures to provide suitable comparatives. These are only presentational changes to meet the requirements of the Code. The "bottom line" stays the same.

5.2.3 The standard requires that administration costs are split between:

- those that relate to the management of plan assets, these are recognised as a reduction in the return on scheme assets and recorded in Other Comprehensive Income and Expenditure and;
- "other" administration costs which are required to be shown in Surplus or Deficit on the Provision of Services. We have opted to include this amount in "Other operating expenditure in the Comprehensive Income and Expenditure".

5.2.4 In previous years they were all netted off against the return on scheme assets.

## 5.3 Interest Costs in relation to Current Service Cost.

5.3.1 In 2012/13 we included in Note 10 Financing and Investment Income and Expenditure, a line for "Pension interest cost and expected return on pensions assets". The new requirements have "split" these values and the line now contains the "net interest cost" only. The expected return on pension assets is now shown within "Actuarial (gains)/losses on pension assets/liabilities". For this reason we have restated those lines in the notes and the "Comprehensive Income and Expenditure Statement". Last year the administration costs were £2,000 and this year (13/14) they were £7,000, hence not material.

5.3.2 This change also impacts on the Cash Flow Statement and Note 28 as the distinction between the categories has changed. See Appendix A for the Prior Year Adjustments.

5.3.3 Overall, because these entries are notional, they are reversed out before they impact on Council Tax and are therefore for transparency reasons only.

### **b) Non Domestic Rates – Provision for Appeals against the Rateable Value of Business Properties**

5.4 The Local Government Finance Act 2012 introduced a Business Rates Retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013.



- 5.4.1 The change has meant that billing authorities like us, have to make a new provision for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years.
- 5.4.2 To create a provision the following criteria must be met,
- the authority has a present obligation (legal or constructive) as a result of a Past event;
  - it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, i.e. it is more likely than not that a settlement will take place, and
  - a reliable estimate can be made of the amount of the obligation, i.e. that a fair figure can practicably be assessed for recognising the obligation.
- 5.4.3 The Code requires that if the conditions cited in the above are not met, a provision must not be recognised in the financial statements.
- 5.4.4 In the extremely rare case where no reliable estimate can be made, a liability exists that cannot be recognised. That liability is disclosed as a contingent liability.
- 5.4.5. The amount recognised as a provision should be the best estimate at the Balance Sheet date of the expenditure required to settle the present obligation.
- 5.4.6 In order to determine the amount to settle the appeals, the Finance Team together with the Revenues Team had particular discussions surrounding the outstanding appeal lodged in respect of Hinkley Point 'B' Power Station. This also involved contacting the Valuation Office due to the significant amount of any potential refund West Somerset Council may have to make and the impact this could potentially have on the Authority.
- 5.4.7 It was decided to apply a percentage to the total value of outstanding appeals and this has meant an overall provision of £1,849,500 has been included as part of the 2013/14 Statement of Accounts. This is a high risk estimate and fluctuations will impact directly on the "bottom line". In future years this provision will be determined by the financial effect of appeals submitted.

## **6. FINANCIAL/RESOURCE IMPLICATIONS**

- 6.1 We are confident that we have complied with the changes to the Code and have made the necessary amendments.

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

- 7.1 These changes have been made in 2013/14 to ensure that the Authority complies with best practice as set out in the current Code of Practice.

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

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

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

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

8.1 None in respect of this report.

**9. CRIME AND DISORDER IMPLICATIONS**

9.1 None in respect of this report

**10. CONSULTATION IMPLICATIONS**

10.1 None in respect of this report

**11. ASSET MANAGEMENT IMPLICATIONS**

11.1 None in respect of this report

**12. ENVIRONMENTAL IMPACT IMPLICATIONS**

10.1 None in respect of this report

**13. HEALTH & WELLBEING**

Demonstrate that the authority has given due regard for:

- People, families and communities take responsibility for their own health and wellbeing;
- Families and communities are thriving and resilient; and
- Somerset people are able to live independently.

13.1 None in respect of this report

**14. LEGAL IMPLICATIONS**

14.1 We have a statutory requirement to adhere to the Code

## Appendix A

### Changes to the Comprehensive Income & Expenditure Statement

	2012/13 Statements £'000	Adjustments Made £'000
Other Operating Expenditure	867	2
Financing and investment income and expenditure	(9)	219
(Surplus) or Deficit on Provision of Services	1,502	(221)
Actuarial (gains)/losses on pension assets/liabilities	1,150	(221)

### Changes to the Movements in Reserves Statement

#### Movement in Reserves Statement – Usable Reserves

	2012/13 Statements £'000	Adjustments Made £'000
Surplus or (deficit) on provision of services	(1,502)	(221)
Adjustments between accounting basis and funding basis under regulations	1,115	221

#### Movement in Reserves Statement – Unusable Reserves

	2012/13 Statements £'000	Adjustments Made £'000
Other Comprehensive Income and Expenditure	400	221
Adjustments between accounting basis and funding basis under regulations	(1,115)	(221)

Changes to the Cash Flow Statement

	2012/13 Statements £'000	Adjustments Made £'000
Net surplus or (deficit) on the provision of services	(1,502)	(221)
Adjustments for items included in the net surplus or deficit on the provision of services for non-cash movements (Note 28)	950	221

Changes to Note 28 – Cash Flow – Adjustments to Net Surplus on the Provision of Service for Non- Cash Movement

	2012/13 Statements £'000	Adjustments Made £'000
Other non-cash items charged to the net surplus or deficit on the provision of services	1	221

*Report Number:* WSC 89/14  
*Presented by:* Kim Batchelor  
*Author of the Report:* Kim Batchelor  
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*Report to a Meeting of:* Audit Committee  
*To be Held on:* 1<sup>st</sup> July 2014

## ANNUAL GOVERNANCE STATEMENT 2013/14

### 1. PURPOSE OF REPORT

- 1.1 The Audit Committee is asked to review the Annual Governance Statement prior to its signature by the Leader of the Council and the Chief Executive.

### 2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 None.

### 3. RECOMMENDATIONS

- 3.1 Members of the Audit Committee are asked to consider the content of and approve the Annual Governance Statement, as appended (Appendix A)

### 4. RISK ASSESSMENT (IF APPLICABLE)

#### Risk Matrix

Description	Likelihood	Impact	Overall
None in respect of this report			

### 5. BACKGROUND INFORMATION

- 5.1 Regulation 4 of The Accounts and Audit (England) Regulations 2011 reads as follows:

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

(2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control

- (3) The findings of the review referred to in paragraph (2) must be considered-
- (a) in the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and
  - (b) in the case of a smaller relevant body, by the members of the body meeting as a whole, and following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

(4) The relevant body must ensure that the statement referred to in paragraph (3) accompanies

- (a) any statement of accounts it is obliged to prepare in accordance with regulation 7, or
- (b) any accounting statement it is obliged to prepare in accordance with regulation 12.

5.2 CIPFA/SOLACE have issued *Delivering Good Governance in Local Government: Framework* with accompanying guidance. The principles and standards set out in the Framework are aimed at helping local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of business.

5.3 Good governance means:

- (1) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- (2) Members and officers working together to achieve a common purpose with clearly defined functions and roles
- (3) Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- (4) Taking informed and transparent decisions that are subject to effective scrutiny and risk management arrangements
- (5) Developing the capacity and capability of members and officers to be effective in their roles
- (6) Engaging with local people and other stakeholders to ensure robust public accountability

5.4 The framework urges local authorities to test their structures against these principles by:

- (1) Review their existing governance arrangements against the Framework
- (2) Developing and maintaining an up to date local code of governance including arrangements for ensuring its ongoing application and effectiveness
- (3) Preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their annual governance arrangements in the year, and on any planned changes in the coming period

5.5 The Authority's Annual Governance Statement is based on the local code

## **6. FINANCIAL/RESOURCE IMPLICATIONS**

6.1 None in respect of this report

## **7. SECTION 151 OFFICER COMMENTS**

7.1 Contained within the body of the report

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

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

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

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

## **9. CRIME AND DISORDER IMPLICATIONS**

9.1 None in respect of this report

## **10. CONSULTATION IMPLICATIONS**

10.1 The Annual Statement has been reviewed by Joint Management Team

## **11. ASSET MANAGEMENT IMPLICATIONS**

11.1 None in respect of this report

## **12. ENVIRONMENTAL IMPACT IMPLICATIONS**

12.1 None in respect of this report

## **13. LEGAL IMPLICATIONS**

13.1 None in respect of this report

**Scope of responsibility**

West Somerset Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. West Somerset Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, West Somerset Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

West Somerset Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained on request. This statement explains how West Somerset Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 in relation to the publication of a statement on internal control.

**The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Somerset Council's policies, aims and objectives, to evaluate the likelihood of those risks



being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at West Somerset Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

### **The governance framework**

The key elements of WSC's governance arrangements are outlined in the Local Code of Corporate Governance. The main areas and the key evidence for delivery are as follows:

#### **Core Principle 1: focusing on the purpose of West Somerset District Council and on outcomes for the community and with partners creating and implementing a vision for the local area;**

- The Corporate Plan sets out the purpose, vision and priorities for WSC. This plan is reviewed annually and key tasks amended where appropriate to reflect changing circumstances. These key tasks are then reflected in the service plans.
- The Corporate Plan now includes measures of success to demonstrate effective delivery of the outcomes. Reporting against these are included in the quarter 4 report as the end of year annual review.
- A joint Chief Executive (between TDBC/WSC) has been in place since July 2013.
- In Nov 2013, WSC agreed to work in partnership with TDBC. A Joint Management Team (JMT) has been in place since Jan 2014 and a single staffing structure will be implemented by Feb 2015.
- WSC are in various partnerships and contracts to deliver service e.g. Somerset Waste Partnership, South West Audit Partnership, Street cleansing services provided by Veolia under contract
- Service performance measures and delivery of key tasks are included in service plans to monitor services delivered in partnership/under contract.
- The council undertakes an annual satisfaction survey includes questions to determine the level of satisfaction with key services and the results are reported to members, managers and service areas to inform service improvement.
- The Council approved a treasury management strategy and an annual investment strategy during the year, which includes its prudential indicators in accordance with the CIPFA code.
- The council have previously undertaken benchmarking supported by SPARSE but this is not undertaken consistently.
- The proposals to align and integrate TDBC & WSC's Performance Management Frameworks has identified benchmarking as an area for development and improvement.

#### Joint Management and Shared Services –

- TDBC & WSC jointly developed a business case for joint management and shared services. The business case went through the democratic process and was approved by both Councils in Nov 2013.
- Between Jan-Mar 2013, the management teams from both councils met on various occasions to discuss and develop the expectations and vision for a partnership. The Leaders from both councils also worked together early on in the process to ensure they held common aims and expectations.
- During the development of the Business case a Joint Members Advisory Panel (JMAP) was established – JMAP. This included 4 members from each council. following the approval of the business case, this has developed into the Joint Partnership Advisory Panel (JPAG), with a similar format, 4 members from each council and also now includes the leader from each council.
- Member development programme also be developed with the support of the LGA/member peers and a member rep from each council.
- Communications plans during the business case development and since approval, have included activities to keep members from both councils informed of proposals and actions underway. These activities have included member briefing sessions at key stages of the process
- Outcomes and benefits to the community include - Value for money services, Attracting funding to the council to improve the council and maintain level of service delivery, Maintaining local democracy and a greater local/regional/national influence/ representation as a partnership than as individual councils

#### **Core Principle 2: members and officers work together to achieve a common purpose with clearly defined functions and roles:**

- Up to Dec 2013, the Council's senior management was provided by CMT (Corporate Management Team) and from Jan 2014, the newly appointed Joint Management Team were in place and meets monthly. The Chief Executive, Assistant Chief Executive and Directors, operating as the Senior Leadership Team (SLT), meet monthly.
- A Chief Executive was appointed in July 2013 shared between TDBC and WSC;
- The Chief Executive's annual Personal Development Review (PDR) is undertaken by the Leader of the Council, the Lead member for Finance and Resource and the Leader of the Democratic Alliance. The PDR sets out the priorities and targets for the Chief Executive and reviews progress against these.
- Regular meetings are held between the Leader and the Chief Executive in order to maintain a shared understanding of respective roles and the council's objectives.

#### Section 151 -

- Up to Jan 2014, the role of chief financial officer and Section 151 for the council was covered by a part-time secondment from Somerset County Council.
- From Jan 2014 onwards, the Chief Financial Officer and Section 151 provision is covered by the Director – Operations as part of the TDBC/WSC Joint Management now in place

- The Chief Financial Officer is a CCAB (Consultative Committee of Accountancy Bodies) qualified accountant and is responsible for maintaining a robust system of internal control

#### Monitoring officer -

- In the new JMT arrangements in place since Jan '14, the Assistant Chief Executive and monitoring officer is a member of the Senior Leadership Team  
Two deputies are also appointed and are available to cover both WSC and TDBC
- A shared remuneration panel with SCC is already in operation and there are discussions with other Somerset districts regarding their joining. The panel meets as and when required and met twice during 2013/14
- For 2014/15 the shared remuneration panel will be involved in the preparation work regarding training for new members following the district elections in 2015
- As part of the performance management framework, portfolio holders meet regularly with their respective Assistant Directors to discuss performance, current and future issues affecting the services and the public.
- Key Performance Indicators are included in service plans and progress against the agreed targets are reported quarterly to Scrutiny & Cabinet where remedial action is reported and considered
- The council has a robust financial planning process, including the preparation of a medium term financial plan and an annual budget that is monitored regularly. Budget holders receive monthly budget reports and members receive a quarterly financial monitoring report as part of the Quarterly performance management report.
- Service plans are clearly linked to the corporate plan and the MTFP. They provide detail about the key actions to be undertaken to deliver on the corporate priorities. They also identify the performance measures and targets to ensure services achieve their objectives and to the required standard.
- Performance against the corporate plan and the service plans are reported quarterly to Scrutiny Committee and Cabinet

#### Joint Management and Shared Services –

- A transparent, equitable and fair recruitment process has been developed with input from Unison and JPAG to support the re-structure phase of the partnership. The 'Creating a shared workforce and transition redundancy policy' report was presented to and approved by both councils in Nov 2013
- The Chief Executive meets monthly with the Leader of TDBC and Leader WSC individually and again with both Leaders together on a monthly basis.
- All staff briefings are held monthly with sessions at West Somerset House and Deane House. These are headed up by the CEO and Asst CE with support from other Directors and Assistant Directors as required. Senior management Team (SMT) briefings are also being held to disseminate information at key stages of the restructure process.

**Core Principle 3: promoting the values of West Somerset District Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour:**

- The Council undertake an annual appraisal process for all staff.
- The register of interests of councillors is published on the council's website in the 'find a councillor' section and available as a pdf to download.
- The Code of Conduct and the Register of Gifts and Hospitality are all public documents and can be viewed at the Council Offices and available via the website.
- Managers are responsible for making sure staff are aware of, and adhere to the council's policies, procedures, laws and regulations. The financial management of the council is conducted in accordance with its financial regulations and contract standing orders as part of the constitution and updated every year
- The Standards Advisory Committee promotes high standards of behaviour by members, reviewing policies and law as relating to members behaviour. The committee consists of three WSC councillors, three town/parish councillors and three independent members, one of whom is chairman to demonstrate independence and objectivity.
- During 2013/14 75 formal complaints against councillors under their code of conduct were received or were being processed.

**Joint Management and Shared Services –**

- The Joint Partnership Advisory Group (JPAG) that provides the member governance for the JMASS programme encourages mutual working and trust between the member representatives.
- A Member development programme is in development and will encourage opportunities for TDBC/WSC members to meet and work together. There is also the potential in the future for joint committees eg. Audit/Standards.
- The project mandate agreed by both councils, included the non-negotiable issues and these were reflected throughout the development of the business case. eg, retain sovereignty/no cross subsidy.
- The trust and respect of and between the councils and management has been key to the speed of progress that has been made. Following the appointment of the Joint Chief Executive and the establishment of the Joint Management team (in place by Jan 2014) There has been the promotion and endorsement of a 'OneTeam' culture across both councils. This approach is also under-pinned by the agreed employment model where people appointed in the new structure are employed by TDBC.
- Additional HR resource (from SCC and via internal secondment) has been drafted in during the development of the business case and latterly as the restructure gets underway to support the recruitment process.
- A Joint Unison Board (unison representatives from TDBC & WSC) was established at an early stage of the partnership process (first meeting held Mar '13). JUB meet monthly and are consulted at all stages of the process e.g. Employment model, recruitment process, Job evaluation process

**Core Principle 4: taking informed and transparent decisions that are subject to effective scrutiny and risk management arrangements:**

- The council maintains an internal audit service through the South West Audit Partnership (SWAP) that operates to standards specified by the Institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance Accountants (CIPFA).
- In 2013, SWAP changed their legal status and now operate as a limited company. WSC's Senior Accountant represents the council on the board of members.
- The Scrutiny Committee has a right of 'call-in' for Cabinet decisions. Many issues pass through Scrutiny in order for comments to be passed to Cabinet and/or full Council. This improves transparency.
- S106 agreements, flooding and Williton hospital were examples of areas where the Scrutiny Committee undertook reviews.
- The CFO/Section 151 officer has direct access to the Chair of Audit Committee and the Authority's external auditors.
- All council meetings are open to the press and public, except where personal or confidential matters are discussed. Members of the public are allowed to speak at meetings and have done so regularly throughout the year. The public element of all formal meetings are normally subject to audio recording.
- The Cabinet and Scrutiny Committee have forward plans that are available on the council's website via the recording of minutes and agenda
- The Council has an approved risk management strategy that identifies how risks are identified, monitored and managed.
- To ensure that day to day business of the council considers risk within its decision making processes, each committee report must include risk management information, scores and mitigating actions to inform member decisions.
- All high risks are recorded and managed via the corporate risk register and all other identified risks are managed via the appropriate service plan.
- The Whistleblowing policy is available on the Council's website.
- The Council has adopted a constitution that sets out how it operates, how decisions are taken and the procedures to follow. The constitution is regularly reviewed to ensure it is fit for purpose. The constitution was updated in July 2013, to reflect the appointment of the Joint Chief Executive and in January 2014 to reflect the appointment of the Joint Management Team.

#### Joint Management and Shared Services –

- Savings from the Joint Management and staffing restructure were based on a budget envelope to ensure the required savings would be achieved.
- The business case identified savings from joint management and staffing restructure was based on a budget envelope to assure savings are achievable. Savings from future transformation phase were not included because it relies on member appetite for change and cannot be anticipated with enough assurance at this stage.
- There are many services delivered by both councils that can be integrated into a single delivery team
- There are also differences (eg Housing stock/coastal management) which can still be brought together under joint management & structure, although the scope for savings in these areas through joining services is obviously more limited
- Staff briefings held throughout the process have clearly stated the reasons and advantages of the partnership. A monthly project newsletter was produced

during development of the business case to keep staff informed and this has been replaced with the 'OneTeam'

- A risk register was developed and maintained as part of the business case process and was monitored and managed by the project board and JMAP. Following approval of the business case an implementation risk register has been drafted and this is monitored and managed by the project board and JPAG.
- Risks associated with the Partnership project are also included in the joint TDBC/WSC Corporate risk register as appropriate.

**Core Principle 5: developing the capacity and capability of members and officers to be effective in their roles:**

- Job descriptions are in place for all posts and are being reviewed as part of the Joint Management and Shared Services restructure
- The Council has a personal development review (PDR) process in place for managers to discuss with each member of staff their capacity and capability to carry out their role and future roles. They are then responsible for identifying appropriate training and development opportunities
- There is a new member induction programme and members have the opportunity to attend appropriate training courses/workshops
- 12 service managers undertook training provided by the Institute of Leadership and Management and completed the course in July 2013

**Joint Management and Shared Services –**

- Work is currently underway regarding an organisational development programme to ensure that staff appointed into the new structure have the appropriate support, training and development to be effective in their new roles.
- The business case includes an ICT programme including technologies to enable managers and staff are able to work effectively across the disparate office locations. This includes a dedicated secure comms line that has been installed between Deane House and WSHouse. A trust domain has also been established to enable both MS Outlook instances to be integrated, including calendars. Work is underway to combine/integrate building access control systems at both locations.

**Core Principle 6: engaging with local people and other stakeholders to ensure robust public accountability:**

- Area panels ensure local accountability and local access – A representative from the TDBC/WSC Senior Leadership Team attend all area panels.
- An annual customer satisfaction survey is sent to all households, included with the Council Tax bills. The findings are reported as part of the Qtr 4 performance report and its findings influence future service and budget planning.
- Customer complaints/compliments are regularly monitored and feed into service delivery.

- The Council's e-consultation system at [westsomersetsays.com](http://westsomersetsays.com) provides details of the consultations underway and a summarised statement of accounts is available on the council's website
- Regular 'under the spotlight' staff briefings undertaken by the Chief Executive and following Jan 2014, monthly all staff briefings held, with sessions available to attend at West Somerset House & Deane House.

#### Joint Management and Shared Services –

- The communications plan to support the business case process included keeping community groups and key stakeholders informed.
- A press briefing was held on 1<sup>st</sup> Oct '13 to ensure the media were kept in the loop and able to report accurately about the business case proposals.
- TDBC's weekly brief and WSC's community matters have also been used to communicate information at key stages.
- Communications, since the Business case approval has been focused internally (for staff and members), which is appropriate to this stage of the process.
- The communications plan being updated for the next stage of the process and successes at key stages will be communicated to the public as appropriate
- Monthly staff briefings, regular member briefings and the monthly newsletter circulated to all members and officers are key communication channels at this stage of change, to reinforce the 'OneTeam' ethos, to highlight successes and future proposals and developments of the transformation phase.

The authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

#### **Review of effectiveness**

West Somerset Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the South West Audit Partnership acting as the council's internal auditors, and the Joint Management Team who have responsibility for the development and maintenance of the governance environment.

The process that has been applied to maintaining and reviewing the effectiveness of the governance framework include:

- **South West Audit Partnership** - Internal Audit (SWAP) is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by Internal Audit.  
A summary of the Internal Audits undertaken during 2013/14 where level 4 ( ) and 5( ) recommendations together with their mitigating actions and an update on progress of these is attached as Appendix B
- **Grant Thornton** (as external auditors)

- **Local Partnerships** (subsidiary of the LGA) - undertook the assurance review of the Joint Management and shared services business case)
- **Audit Committee** - reviews the effectiveness of Internal Audit, and the Annual Governance Statement. It receives reports from internal audit on a quarterly basis and agrees Internal and External Audit Plan
- **Standards Board**
- **Cabinet**
- The **monitoring officer** has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are adequate. The Council reviews the constitution regularly – the latest review being undertaken in March 2013.
- The Council's **Financial Regulations** are kept under continuous review – the last review was approved in December 2012

In its review of effectiveness, the Authority has assessed its overall governance arrangements as adequate.

Some areas where further improvements could be made have also been identified and these are listed below:

- Improve the communication of the authority's purpose and vision and its intended outcomes to citizens and service users.
- Draft a community engagement and communications plan for the council
- Undertake comparisons with other councils to evidence value for money is being achieved and to identify areas for improvement
- Prepare an annual summary of progress of the key actions to deliver the 2013-16 Corporate Plan, also achievements and challenges throughout the year

Joint management and shared services

- Undertake member development as part of the overall programme.

Over the coming year we will continue to enhance our governance arrangements. We are satisfied that these steps, shown above, will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**On behalf of West Somerset Council:**

**Signed:** .....  
Leader of the Council

**Signed:** .....  
Chief Executive



<b>Internal Audit (South West Audit Partnership) level 4 &amp; 5 Recommendations 2013/14</b>					
Priority 4 & 5s Audit Report	Finding	Recommendation	Management Response	Proposed Delivery Date	Update
<b>Social Media</b>	3.1a There is no social media policy at the authority. It currently in draft stage.	I recommend the Corporate Information Officer ensures that the Social Media Policy is completed, approved and implemented as a working policy to include sections recommended within this	Draft policy to be developed in partnership with Taunton Deane Borough Council and approved by members.	01-Apr-14	Work commenced to draft a combined WSC/TDBC social media policy Advice/Best Practice has been provided by the LGA
	4.4a Reputational damage through social media channels is not included in the Corporate risk register	I recommend the Monitoring Officer complete a risk review for the use of social media and include the results in the Corporate Risk Register.	Issue to be covered during next review of Corporate Risk Register. Scheduled for quarter 3 2013/14.	31-Dec-13	Action completed
<b>Fighting Fraud Locally</b>	1.1a There has been no assessment of current fraud and corruption risks, the risks in Protecting the Public Purse, or horizon scanning of future potential risks.	I recommend the Section 151 Officer undertakes a full assessment of existing and potential fraud and corruption risks, making reference to Protecting the Public Purse. An action plan should be produced and progress should be regularly reported.	This will be an action for the new management structure of the shared service between WSC and TDBC to consider. TDBC are currently producing a Corporate Fraud Policy.	Apr-14	Paul Fitzgerald, AD for Finance is drafting a Corporate fraud policy for WSC – that will be presented to Audit committee for approval
<b>Public Safety in Open Spaces</b>	1.1a Site specific risk assessments have not been completed.	I recommend that the Assistant Director – Operational Delivery identifies and prioritises the sites that require a separate operational risk assessment. Risk assessments to be completed and reviewed on a rolling programme.	At the time of reporting resources are necessarily being diverted by the flooding crisis. However we recognise the seriousness of the issues raised and will produce an action plan by the end of April to deal with them.	End April 2014	<i>The Open Spaces</i> team that will be in place by 1 <sup>st</sup> Aug 2014, will be reviewing the recommendation and preparing an action plan

	1.6a There is no condition survey for trees in public spaces that WSC holds responsibility for.	I recommend that Assistant Director – Operational Delivery reviews the Zurich recommendations and HSE guidance (Appendix 2) to ensure WSC is aware of the extent of risk it is currently carrying with regard to Tree Maintenance and identify any feasible mitigation.			The new post of arboriculture manager (in post from 1 <sup>st</sup> Aug 2014) will undertake the required surveys as part of their duties
<b>Private Use of Council Vehicles</b>	1. No policy or guidance in place for the use of Council vehicles.	I recommend that the Section 151 Officer and the HR Consultant ensure that there is a policy and/or guidance on the use of Council vehicles which covers as a minimum <ul style="list-style-type: none"> <li>· use for council business</li> <li>· personal use</li> <li>· commuting to and from work</li> <li>· carrying of passengers both employees and non-employees</li> <li>· where the vehicle should be kept and ensure the policy and/or guidance is disseminated to all staff who have access to a Council vehicle.</li> </ul>	We will investigate best practice and develop a policy for West Somerset Council following consultation with Unison and vehicle users.	30th Sept 2013	Drafting of policy currently being progressed by HR.
<b>Follow up Reports</b>					
<b>Risk Management in Project Management</b>	2.1a Risk Registers	I recommend that the Corporate Director requires all projects to be risk assessed, using a corporate risk register template, to ensure that all risks are identified, prioritised, allocated to a responsible officer and monitored.	Agreed – part of West Somerset Project Management Took-kit to be developed 1st April 2013  FOLLOW UP ACTION The toolkit includes both a template Risk Register as well as an Issues Log. There is also a Project Risk Prompt List to help with initial thoughts when identifying project risks.		Action Completed WSC – Project Management toolkit developed and includes a risk register template.  Combined TDBC/WSC Risk Management Strategy being drafted and will be presented to Audit Committees at both councils for approval.