

The Council's Vision:

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

AUDIT COMMITTEE

AGENDA

19 July 2013 at 2.30 pm

Council Chamber, Williton

1. Apologies for Absence

2. Minutes

Minutes of the Meeting of the Committee held on 25 March 2013 – **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. West Somerset Council Audit Plan 2012/13

The purpose of the report is to provide the Committee with Grant Thornton's plan of the work for the year ended March 2013 – **SEE ATTACHED.**

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8. Certification Plan 2012/13

To consider Grant Thornton's report on grants certification of claims and returns for 2012/13 - **SEE ATTACHED.**

9. Audit Update Report

The purpose of the report is to provide the Audit Committee with an update in progress from Grant Thornton in delivering its responsibilities as West Somerset Council's external auditors - **SEE ATTACHED.**

10. Fees Letter 2013/14

To consider Grant Thornton's Annual Audit Fee letter 2013/14 - **SEE ATTACHED.**

11. Internal Audit Annual Report and Opinion

The purpose of the report is to provide a review of the Internal Audit activity for the period April 2012 to March 2013 and an opinion to support the Annual Governance Statement – **SEE ATTACHED.**

12. Internal Audit Charter

The purpose of the report is to provide a review of the Internal Audit Charter and approve any changes – **SEE ATTACHED.**

13. Annual Governance Statement 2012/13

To consider Report No. WSC 88/13, to be presented by Sharon Campbell, Section 151 Officer – **SEE ATTACHED.**

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

14. Unaudited Statement of Accounts 2012/13

To consider Report No. WSC 91/13, to be presented by Steve Plenty, Deputy Section 151 Officer – **SEE ATTACHED.**

The purpose of the report is to present to Audit Committee the unaudited accounts for the year ended 31 March 2013.

15. Annual Review of Internal Audit

To consider Report No. WSC 87/13, to be presented by Sharon Campbell, Section 151 Officer – **SEE ATTACHED.**

The purpose of the report is to inform the Audit Committee of the recent review of the effectiveness of the delivery on Internal Audit through SWAP (South West Audit Partnership) during 2012/13.

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16. Debt Analysis - as at 31 March 2012

To consider Report No. WSC 92/13, to be presented by Steve Plenty, Deputy Section 151 Officer – **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 31st March 2013.

COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS

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

RISK SCORING MATRIX

Report writers score risks in reports uses the scoring matrix below

Risk Scoring Matrix

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

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

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

AUDIT COMMITTEE**Minutes of the Meeting held on 25 March 2013 at 4.30 pm
in the Council Chamber, Williton****Present**

Councillor A H Trollope-BellewChairman
Councillor E MayVice Chairman

Councillor S Y Goss
Councillor K M Mills

Councillor R P Lillis
Councillor P H Murphy

Members In Attendance

Councillor K Kravis

Officers In Attendance

Section 151 Officer (S Campbell)
Principal Accountant/Deputy Section 151 Officer (S Plenty)
Planning Manager (A Goodchild)
Principal Recovery Officer (S Perkins)
Meeting Administrator (H Dobson)

Also In Attendance

Peter Lappin, Audit Manager/Engagement Manager, Audit Commission/Grant Thornton
Ian Baker, Group Audit Manager of South West Audit Partnership (SWAP)
Claire Hodgson, Audit Manager of South West Audit Partnership (SWAP)

A38 Apologies for Absence

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

A39 Minutes

(Minutes of the Meeting of Audit Committee held on 28 November 2012, circulated with the Agenda).

RESOLVED that the Minutes of the Meeting of Audit Committee held on 28 November 2012 be confirmed as a correct record.

A40 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:

Name	Minute No	Description of Interest	Personal or Prejudicial	Action Taken
Cllr S Y Goss	All	Stogursey	Personal	Spoke and voted
Cllr A Trollope-Bellew	All	SCC	Personal	Spoke and voted

Cllr P H Murphy	All	Watchet	Personal	Spoke and voted
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In addition, Councillor A H Trollope-Bellew declared a personal interest in Item 15 Verbal update on the Pensions Deficit, he was a member of the County Council Pensions Committee – spoke and voted.

A41 Public Participation

No members of the public had requested to speak.

A42 Audit Committee Action Plan

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

Noted that the meeting scheduled for 16 July would be changed to 22 July and that refresher training on the draft accounts be conducted beforehand at 2.00 pm.

RESOLVED that the Audit Committee Action Plan be noted and that all completed actions be deleted.

A43 Audit Committee Forward Plan

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

RESOLVED that the Audit Committee Forward Plan be noted.

A44 Risk Management Strategy 2013 Update

(Report No. WSC 126/13, circulated with the Agenda).

The purpose of the report was to present to Members an updated Risk Management Strategy for comment and approval, in accordance with the roles and responsibilities of the Audit Committee.

The Section 151 Officer presented the report and advised that the amendments were minor and would ensure that high risks would be recorded in relevant service plans including mitigating actions, and if very high be included in the Corporate Risk Register.

In response to concerns raised the Section 151 Officer advised that she would confirm after the meeting as to whether the whole authority were using the risk management strategy and how the Committee could ensure that everyone in the authority considered risk management accordingly.

RESOLVED that the revised and updated Risk Management Strategy 2013, included as Appendix A to the report, be approved.

A45 Hinkley Point C section 106 (S106) Agreement (Site Preparation Works) – Financial Update

(Report No. WSC 47/13, circulated with the Agenda).

The purpose of the report was to provide a summary of the latest financial monitoring in respect of Hinkley Point C s106 contributions received, allocated and spent. The report also updates the Committee on the Hinkley financial governance audit review recently carried out by the South West Audit Partnership (SWAP), and on community development work being undertaken by West Somerset Council in relation to opportunities to access external funding and s106 impact mitigation monies.

The Planning Manager presented the report and advised that the main expenditure was staff related and the main issue was that the Phase 2 contributions had not been paid to date and there was no confirmation as to when it would be paid. The Financial Governance Audit was almost complete and the recommendations were considered by the Hinkley Point Corporate Management Team, no new significant issues were identified. Points 4.10 and 4.11 of the report, attached to the agenda, provided clarification as to how parishes/community organisations would be assisted to maximise the Hinkley s106 monies. The terms of reference for the scope of the SWAP review would be discussed at appropriate future meetings; democratic roles and responsibilities were discussed at the Corporate PAG and would be reported to Council in April.

In response to questions the Planning Manager did not anticipate that it was a risk that the Council would not be able to identify enough projects, but it would be challenging to focus spend in the areas which would be most impacted. With regard to s106 funds he was content in that the legal team had been able to ensure that there wasn't any 'wriggle room' from the developer perspective. He was not aware that the Council/partner organisations were in a difficult position with any of the funds at this time.

In response to a question regarding further clarification of the figure £220k, as mentioned in 4.10 of the report, he advised that appropriate officers would provide details after the meeting.

The Planning Manager confirmed that match funding was not a fundamental requirement of a bid for Hinkley funding, however if match funding were to be available the project was likely to be scored higher. In order to overcome potential disadvantages part of the Community Development Officer's role was to work alongside small organisations such as parishes and towns to help to identify opportunities and submit bids for match funding.

RESOLVED that the Hinkley Point C section 106 (S106) Agreement (Site Preparation Works) – Financial Update, be noted.

A46 Certifications of Claims and Returns

The Audit Manager reported that both claims were completed by the prescribed deadlines.

The Audit Manager presented the report and advised that the Housing Benefit and Council Tax Benefit Scheme claims and the Non-Domestic Rates return were received from the Council by the prescribed deadlines. The work of Grant Thornton included looking at prescribed testing and sample sizes, which equated to 20 council tax benefit cases and 20 rent allowance cases. The work highlighted

a couple of errors and as a result recommendations to address the issues were set out in Appendix C to the report.

RESOLVED that the Certification work report for 2011/12, be noted.

A47 Debt Analysis as at 31 December 2012

(Report No. WSC 44/13, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update on the level of debts outstanding to the Authority as at 31 December 2012.

The Principal Recovery Officer responded to questions raised by members, which mainly sought a more detailed understanding of the different streams of debt owed to the Council and its processes in place to recover debt.

The Principal Accountant noted the suggestion that another column be added to the Business Rates debt table to show amounts written off. He also suggested that a column showing what the original liability was for each year could also help to give the outstanding debt figures more context.

A further suggestion was made that in order to judge the effectiveness of recovery work it might be helpful to show how the Council's level of debt compares to comparable authorities.

Members noted that a debt analysis report would be presented to the Audit Committee each quarter and that the Principal Recovery Officer would attend the next meeting of the Audit Committee in July to assist with any queries.

RESOLVED that the Debt Analysis as at 31 December 2012, as contained in the report attached to the agenda, and suggested modifications to the report, be noted.

A48 Quarterly Review of Internal Audit Activity

The purpose of the update was to provide a review of Internal Audit activity plus identify any level 4 and 5 control weaknesses.

The Audit Manager of SWAP reported that the planned work for 2012/13 was either completed or in progress. The Hinkley operational report had not yet been completed but a draft had been sent to each of the three councils and it was expected to be finalised soon. She brought to Members attention the two priority 4 recommendations listed in Appendix C to the report, attached to the agenda, relating to guidance notes for writing reports and the requirement for regular updating of the contracts register.

The Chairman advised that he had been informed by the Corporate Director that the guidance notes relating to report writing were in-hand.

Members were concerned that concerns regarding the Contracts Register had been raised for some time and questioned the recommendation implementation date of March 2014 as it was a priority level 4. It was also questioned as to whether the details expected in the register would be relevant and did it need

updating? Once completed what would the benefit be and what would the risk be to the council if it were not updated?

The Section 151 Officer advised that the implementation of the recommendation would ensure that the Council complied with its corporate guidelines.

RESOLVED (1) that clarification be provided on why the priority 4 recommendation implementation date for Contracts Register was 31 March 2014, and be added to the Audit Committee Action Plan;

RESOLVED (2) that the report of Internal Audit Activity for Quarter 4, 2012/13, be noted.

A49 Internal Audit Plan 2013/14

The Audit Manager of SWAP reported that the Audit Charter would be presented to the Committee at a later meeting due to the recent governance changes of the SWAP.

The number of audit days had been reduced from 240 in 2012/13 to 167 in 2013/14, at the request of the Council.

RESOLVED that the Internal Audit Plan 2013/14, be noted.

A50 Accounting Policies – 2012/13 Statement of Accounts

(Report No. WSC 43/13, circulated with the Agenda).

The purpose of the report is to request that members of the Audit Committee approve the Accounting Policies for 2012/13 so that the Statement of Accounts can be prepared on this basis.

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

A51 Consideration of an Independent Member

Members of the Committee discussed whether they felt that it was necessary at this time to appoint an Independent Member. Generally, Members believed that currently they did not feel that it was necessary and that it would be prudent to review the situation in one year's time.

RESOLVED that consideration of an Independent Member be scheduled for the Audit Committee meeting to be held on 24 March 2014.

A52 Verbal Update on the Pensions Deficit

The Section 151 Officer provided a verbal update on the pensions deficit to the effect that she had met with Anton Sweet the Investments Manager and Steve Morton who managed the pensions administration team. Currently the deficit was around £5M, another valuation would be undertaken later in the year which was likely to impact the figure. The Council funded the deficit through revenue from its budget. The deficit was shown on the Medium Term Financial Plan and increases

by £40,000 per year. As long as the Council remained a legal entity the pensions would not crystallise, the deficit would continue to have to be funded by the Council. Wherever the council tax raising power resides that authority will bear the deficit. So should the council share staff and services with another authority the cost would still reside with West Somerset Council, however, the current costs would transfer with staff if staff transferred.

It was hoped that following changes to the scheme, coming into effect next year, there would be a reduction in the amount that the council have to fund, it was expected that the ongoing current services costs would decrease. Currently the council pay 13.9% employers' contribution to the pension fund, the changes could result in the contribution being reduced to 12%. An actuarial valuation was due in September 2013, if the Council wanted a valuation undertaken separately to look at its position the Council would have to fund it.

The Chairman advised that at the last meeting of the Pensions Committee it was resolved to write to the Department of Communities and Local Government to ascertain the process should a council become unviable.

RESOLVED that the pensions deficit update, be noted.

A53 Appointment of Director to SWAP

(Report No. WSC 45/13, circulated with the Agenda).

The purpose of the report was to agree West Somerset Council's representatives on the SWAP Board of Directors and the SWAP Members' Board.

The Section 151 Officer advised that since the changes to the SWAP governance arrangements it was necessary to appoint a director and member representative of the Council to attend SWAP Board meetings.

During the discussion Members believed that the Chairman of the Audit Committee deserved a special responsibility allowance, and that when Member's Allowances were next reviewed consideration be given to the aforementioned suggestion.

RESOLVED (1) that the Deputy Section 151 Officer be appointed to represent West Somerset Council on the SWAP Board of Directors;

RESOLVED (2) that the Chairman of the Audit Committee be appointed to represent West Somerset Council on the SWAP Members' Board.

The meeting closed at 5.13 pm.

AUDIT COMMITTEE ACTION PLAN

Date/Minute Number	Action Required	Action Taken
<p>25 March 2013 A48 – Quarterly Review of Internal Audit Activity</p>	<p>Members were concerned that concerns regarding the Contracts Register had been raised for some time and questioned the recommendation implementation date of March 2014 as it was a priority level 4. It was also questioned as to whether the details expected in the register would be relevant and did it need updating? Once completed what would the benefit be and what would the risk be to the council if it were not updated?</p> <p>RESOLVED (1) that clarification be provided on why the priority 4 recommendation implementation date for Contracts Register was 31 March 2014, and be added to the Audit Committee Action Plan</p>	<p>The completion date of 31 March 2014 is viewed as a realistic deadline for officers to complete this piece of work.</p>

AUDIT COMMITTEE FORWARD PLAN 2013/14

16 July 2013	23 September 2013	3 December 2013	24 March 2014
Internal Audit Charter	Quarterly Review of Internal Audit Activity	Quarterly Review of Internal Audit Activity	Quarterly Review of Internal Audit Activity
Internal Audit Annual Report and Opinion	Statement of Accounts 2012/13	Annual Audit Letter	Internal Audit Plan 2014/15
Annual Review of Internal Audit	Annual Governance Report	Risk Management Update	Internal Audit Charter 2014-15
Unaudited Statement of Accounts 2012/13	Annual Report - Hinkley Point	6-month review of Treasury Management Update	Opinion Audit Plan 2013/14
Annual Governance Report 2012/13	Debt Analysis Report	External Audit Fee Letter	Accounting Policies – 2013/14 Statement of Accounts
Debt Analysis Report		Debt Analysis Report	Certification of Claims and Returns
External Audit Plan			Risk Management Strategy 2014 update
External Audit Certification Plan			Debt Analysis Report
External Audit Update Report			Consideration of an Independent Member
Fees Letter			



The Audit Plan for West Somerset District Council

Year ended 31 March 2013

June 2013

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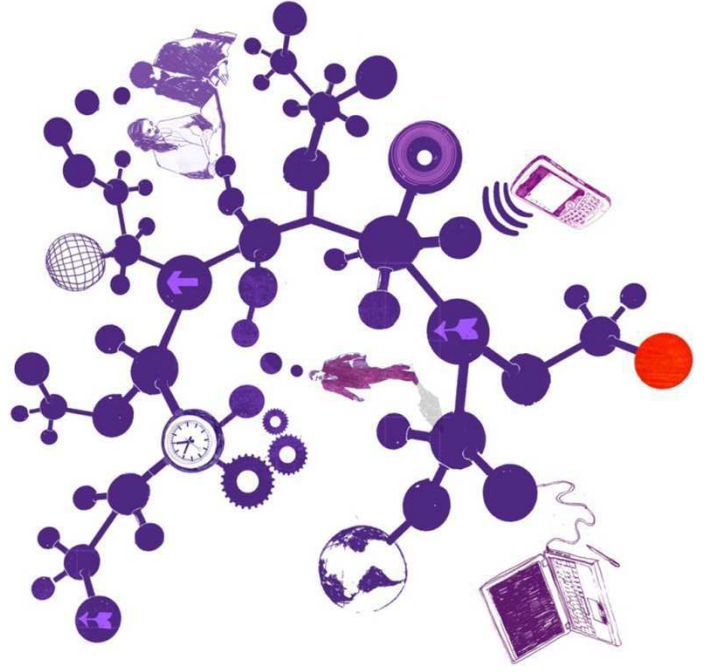
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council 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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1. Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Delivering the medium term financial plan

- The Council faces further significant reductions in Government revenue support grant (from £1.6m in 2013/14 to £1.2m in 2014/15) and further reductions expected in 2015/16 but it anticipates that this reduction will be offset by an increase in retained business rates
- Although the Council has been able to maintain a general fund balance at around £1 million (through savings and the release of some earmarked reserves) the Council will have to find savings at levels higher than those ever achieved in previous years.

2. Local Government Finance Act

- The Local Government Resource Review made three areas of reform to Local Government Finance:-
 - The local retention of Business Rates
 - The replacement of Council Tax Benefit by provision for Local Council Tax support from 1 April 2013.
 - Discretion on the level and period of discount to be applied to certain classes of empty property.

3. Hinkley C

- West Somerset is the lead authority for the agreement with EDF Energy on the administering of planning monies, of up to £28m over the duration of the Hinkley C preparation project over a number of years. Most of this money will be passed on to other public bodies to be spent in accordance with the terms of the agreement.

4. Accounts

- There were a few recommendations arising from the audit of 2011/12 accounts including
 - a review of the method of calculating the impairment of debtors
 - establish process to monitor grant and capital income
 - review estimated useful lives of IT assets

Our response

- We will continue to monitor progress against the Medium Term Financial Plan and review progress in achieving the savings plans.
- We will continue to review the arrangements for securing future economies to inform our Value for Money conclusion and ensure that a balanced budget will be achieved in future years.

- As part of our Value for Money work we will consider the financial planning arrangements in place to address the risks surrounding these financing changes.
- We will discuss and review the accounting impact of these changes with the finance team.

- We will review the Council's arrangements for administering and accounting for the receipts for the Joint Board.
- We will review the Council's arrangements for ensuring that any conditions have been met before recognising the receipts as income.

- We will review the progress of actions taken in response to audit recommendations arising from the 2011/12 audit.
- We will continue to discuss key issues in advance of the audit with the finance team.

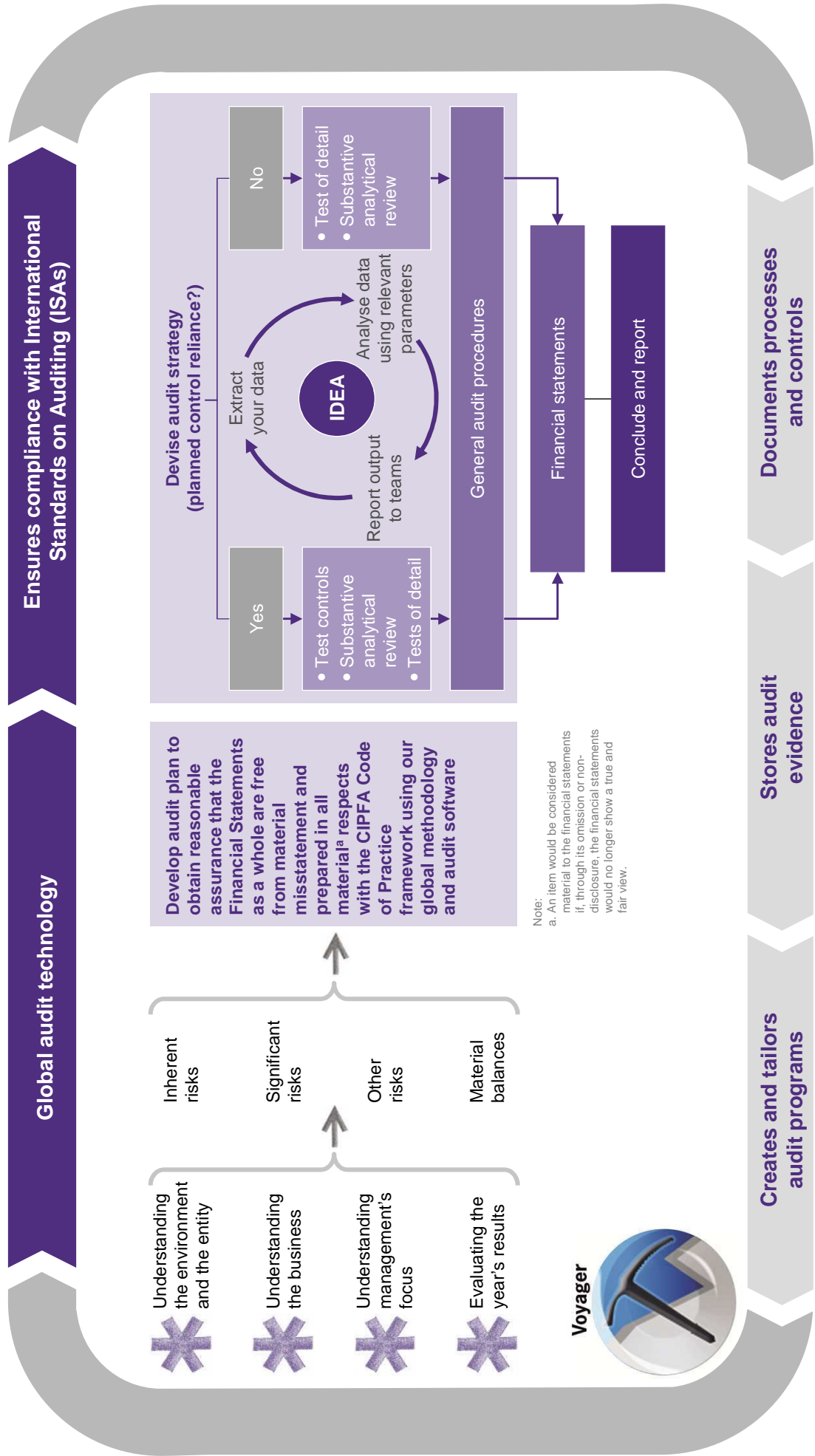
2. Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements					
<p>1. Financial reporting</p> <ul style="list-style-type: none"> Changes to the CIPFA Code of Practice Recognition of grant conditions and income 	<p>2. Legislation</p> <ul style="list-style-type: none"> Local Government Finance settlement 2012/13 Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> Annual Governance Statement (AGS) and the Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> Planning for the impact of 2013/14 changes to the Local Government Pension Scheme (LGPS) 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> Managing service provision with less resource Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion The Council completes grant claims and returns on which audit certification is required

Our response	
<p>We will ensure that</p> <ul style="list-style-type: none"> the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing grant income is recognised in line with the correct accounting standard 	<ul style="list-style-type: none"> We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate
<ul style="list-style-type: none"> We will review the arrangements the Council has in place for the production of the AGS We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management
<ul style="list-style-type: none"> We will carry out work on the WGA pack in accordance with requirements We will certify grant claims and returns in accordance with Audit Commission requirements 	<ul style="list-style-type: none"> We will review the Council's performance against the 2012/13 budget, including consideration of performance against the savings plan We will undertake a review of Financial Resilience as part of our VFM conclusion

3. Our audit approach



4. An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years' audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	Yes	Property, Plant and Equipment	Low	None		×
Payments to Housing Capital Receipts Pool	No	Property, Plant & Equipment	Low	None		×
Precepts and Levies	Yes	Council Tax	Low	None		✓

4. An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	No	Borrowings	Low	None		X
Pension Interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		X
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
Other Government grants	Yes	Grant Income	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓

4. An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		✗
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	Revaluation measurements not correct	✓
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		✗
Intangible assets	No	Intangible assets	Low	None		✗
Investments (long & short term)	Yes	Investments	Low	None		✓
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		✓
Inventories	No	Inventories	Low	None		✗
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

4. An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	No	Debt	Low	None		✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	Yes	Provision	Low	None		✗
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

5. Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Testing on material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work planned:</p> <ul style="list-style-type: none"> • Testing of journal entries • Review of unusual significant transactions • Review of accounting estimates, judgments and decisions made by management

6. Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses and creditors	Operating expenses/creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Review of internal financial controls relating to operating expenses and creditors 	<ul style="list-style-type: none"> Testing of material expenditure streams for the 2012-13 financial year Testing of significant creditor balances Review of after date payments to ensure all liabilities identified
Employee remuneration	Remuneration expenses understated	<ul style="list-style-type: none"> Review of internal financial controls relating to employee remuneration 	<ul style="list-style-type: none"> Substantive testing of employee remuneration expenditure
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> Review of internal financial controls relating to welfare expenditure 	<ul style="list-style-type: none"> Completion of housing and council tax benefits subsidy certification.
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> Review of internal financial controls relating to PPE valuations 	<ul style="list-style-type: none"> Review of accounting entries in respect of any revaluations to ensure they are fully and accurately reflected in the accounts

7. Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement

	Work performed	Conclusion/ Summary
Internal audit	We have reviewed internal audit's overall arrangements. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.	Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council. We will continue to review the internal audit's findings to inform our audit planning.
Walkthrough testing	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. These relate to: <ul style="list-style-type: none"> • Property, plant and equipment • Employee remuneration • Operating expenses and creditors • Welfare Expenditure 	For welfare, operating expenses and payroll the reconciliations are performed by the same person who is involved in the processing of transactions. This limits the effectiveness of the expected control of segregation of duties. This is understandable in a small Council but we have to take into account these weaknesses in the control environment. For operating expenses the creditor control account should be reconciled regularly during the year. Otherwise, in-year internal controls were observed to have been implemented in accordance with our documented understanding.

7. Results of interim audit work (continued)

	Work performed	Conclusion/ Summary
Review of information technology (IT) controls	A high level review of the general IT control environment has been undertaken by our information systems specialist.	<p>We have identified the following improvements that could be made to the IT control environment and we are discussing an action plan with management:</p> <ul style="list-style-type: none"> • Update IT security policy and informing staff of revisions • Draft a remote access policy • Review user access rights
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.	As part of our final accounts visit we will also undertake detailed testing on journal transactions by extracting 'large and unusual' entries .
Follow up of prior year recommendations	We have considered the recommendations made following our 2011/12 audit of the financial statements and discussed progress with the finance team.	We will continue to review the implementation of recommendations relating to the preparation of the 2012/13 financial statements.

8. Value for Money

Introduction

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

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members.

Our planning has identified that the following additional work is required in order for us to reach our conclusion:

- review of how the Council closes the budget gap, identified in our qualified value for money conclusion issued in September 2012.

Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for:

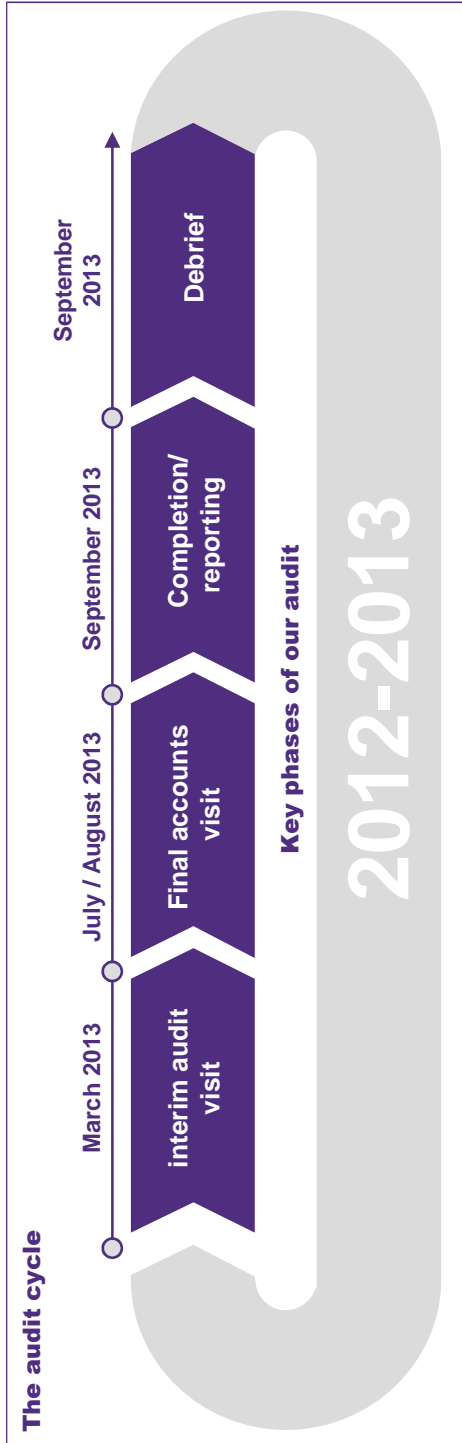
- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget

Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control. Specifically we will assess the arrangements in place to ensure financial resilience.

9. Logistics and our team



Date	Activity
February	Planning meeting
March	Interim site work
May	The audit plan presented to Audit Committee
July	Year end fieldwork commences
September	Audit findings clearance meeting
September	Audit Committee meeting to report our findings
September	Sign financial statements and VfM conclusion
October	Issue Annual Audit Letter

Our team

<p>Alun Williams Director T 0117 305 7797 E Alun.G.Williams@uk.gt.com</p>	<p>Sarah Crouch In Charge Auditor T 0117 305 7881 E Sarah.Crouch@uk.gt.com</p>
<p>Peter Lappin Audit Manager T 0117 305 7865 E Peter.Lappin@uk.gt.com</p>	

10. Fees and independence

Fees

	2012-13	2011-12
Audit of financial statements	£55,800	£93,000
Grant certification*	£14,300	£22,402
Total	£70,100	£115,402

* Indicative fee for 2012-13. 2011/12 certification fee includes £2,455 for follow up work in response to the qualification letter to the Department of Work and Pensions

Fees for other services

Service	Fees £
None	Nil

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

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

11. Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Grant certification work plan for West Somerset District Council

Year ended 31 March 2013

July 2013

Alun Williams

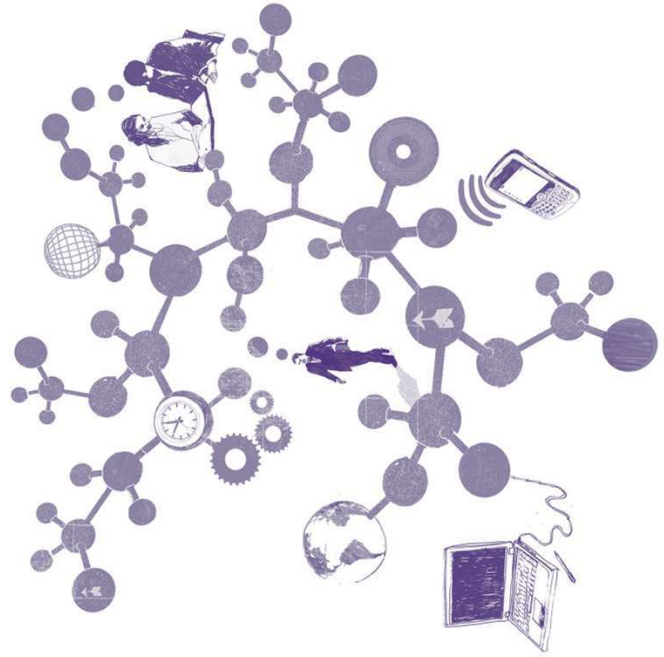
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Our approach to grant certification work

Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return. The arrangements for 2012-13 are:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data

- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems.

Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instructions for auditor work
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines

The Council's role is set out in more detail below:

- the Section 151 officer is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Section 151 officer or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

Claims history

The two claims and returns in 2011-12 were:

- housing benefit and council tax benefit claim
- national non-domestic rates return

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification
- without qualification but with agreed amendments incorporated by the Council or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

Certification work fees

The Audit Commission sets an indicative scale fee for grant claim certification based on 2010/11 actual certification fees for each Council. The indicative scale fee for the Council is £14,300. This fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year
- the Council provides adequate working papers to support each entry in the claim/return
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

The Council has identified all claims and returns requiring certification and this information is incorporated into Appendix A to this plan.

Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to Peter Lappin at the following address:

Grant Thornton UK LLP
Suite 4
Stowey House
Bridport Road
Poundbury
DORCHESTER
Dorset
DT1 3SB

- The **original** claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan
- All claims and returns listed in appendix A should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required. We are required to report the value of these claims to the Audit Commission in our annual certification report.

Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request for any new claims or returns
- We expect to complete the certification of all claims by late 2013 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.

Appendix A: Summary of expected claims & returns for the year ended 31 March 2013

Claim (CI reference)	Authority deadline	Certification deadline	Claim certified in prior year	Prior year outcome
Housing Benefit and council tax benefits scheme (BEN01)	30/04/13	30/11/13	Yes	Claim qualified and amended
National non-domestic rates return (LA01)	28/06/13	27/09/13	Yes	Return was qualified



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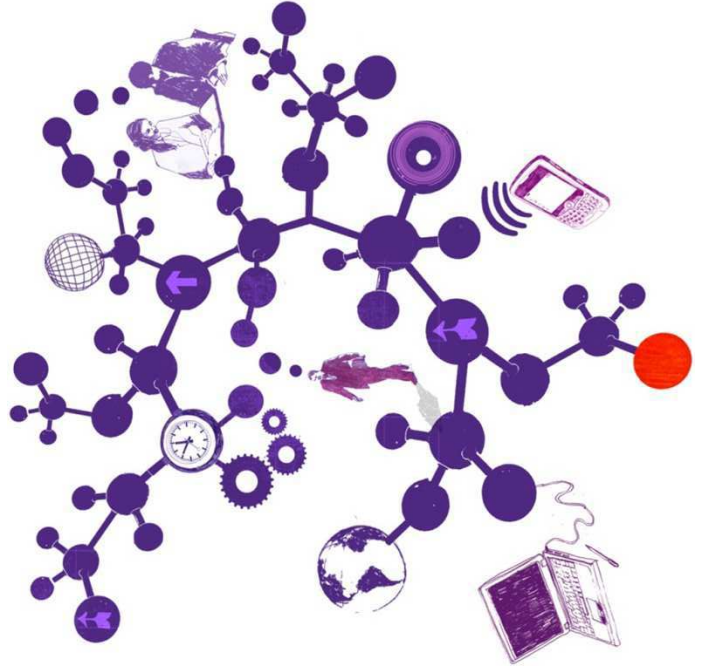
Audit Committee Update for West Somerset District Council

Year ended 31 March 2013
July 2013

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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 as a district council.
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

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

- 'Towards a tipping point?'
- 'The migration of public services'
- 'Local Government Governance Review 2012'
- 'The developing internal audit agenda'
- 'Preparing for the future'
- 'Surviving the storm: how resilient are local authorities?'

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.

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Peter Lappin, Audit Manager T 01173057865 M 07880456135 peter.lappin@uk.gt.com

Progress at 9 July 2013

Work	Planned date	Complete?	Comments
<p>2012-13 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p>	19 July 2013	Yes	Included in Audit Committee agenda
<p>Interim accounts audit Our interim fieldwork visit included the following:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • update understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing 	March and April 2013	Yes	Outcomes of interim audit reported in audit plan
<p>2012-13 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July / August 2013	No	We have agreed with your finance staff our working paper requirements to support your draft financial statements. We started our on-site final accounts work on 8 July 2013 and plan to have the majority of work completed by 26 July.

Progress at 11 June 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2012/13 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • an initial risk assessment • a detailed review of the arrangements against the criteria • bringing forward knowledge from previous auditors • reviewing key documents; and • discussion with officers. 	July / August 2013	No	<p>Our work will be focussed on the two criteria specified by the Audit Commission i.e.</p> <ul style="list-style-type: none"> • The organisation has proper arrangements in place for securing financial resilience; and • The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. <p>We will provide a report setting out the findings from our work on the Financial Resilience criteria.</p>
<p>Other areas of work</p> <p>Certification of NNDR claim</p> <p>Certification of benefits claim</p>	September 2013 June – November 2013	No No	<p>We will certify the claim by the September deadline. We have carried out early testing starting in June and will complete and certify the claim by the end November deadline.</p>

Emerging issues and developments

Accounting and audit issues

Implications of the Local Government Finance Act 2012

The Local Government Finance Act 2012 has now been given Royal Assent. The Act has amendments in two areas of local government finance:

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- 50% of the non domestic rates collected locally will be retained by the local authority. Billing authorities will pay over a share to central government and proportionate shares to their precepting bodies.

In December 2012, CIPFA issued a [consultation](#) on proposed amendments to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom for the implications of business rates retention schemes. In summary, the changes are to account for business rates in a similar way to council tax. The Comprehensive Income and Expenditure Statement will need to show amounts collectible by each authority. Debtors/creditors will be recognised when these amounts do not match the actual amounts paid by each billing authority over to preceptors and government. The Collection Fund adjustment account will be used for accounting for the differences. Top-ups and tariffs and the safety net and levy will be recognised as grant income or expenditure. Individual authorities in a pool will need to account for their share of income and expenditure debtors/creditors as stipulated in any agreement made by individual authorities in the pool.

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- Mutual Municipal Insurance – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect local authorities to recognise a creditor or, if the timing or amount of the payment is uncertain, a provision in their financial statements. West Somerset has included a disclosure in its draft statements as a contingent liability but has not included a provision as a charge to the comprehensive income and expenditure statement.
- Redundancy costs –the recognition point for termination benefits fall under IAS 19 'Employee Benefits'. This is generally earlier than the IAS 37 recognition criteria for restructuring which requires that a valid expectation has been raised in those affected. The requirement in IAS 19 is that the entity is 'demonstrably committed'.

Emerging issues and developments

Accounting and audit issues

'Striking a balance: improving councils' decision making on reserves'

In December, the Audit Commission published '[Striking a balance: improving councils' decision making on reserves](#).' The report covers the findings from research undertaken by the Audit Commission on the level of reserves that councils hold and the decisions councils make on them.

The report encourages English councils to focus more attention on their reserves. It suggests that management should be providing more comprehensive information on reserves to elected members and councils should provide greater clarity on the reasons for holding reserves. The report includes questions for elected members that will help them in their decision making and scrutiny roles.

Emerging issues and developments

Accounting and audit issues

UK Public Sector Internal Audit Standards

From 1 April 2013, the UK Public Sector Internal Audit Standards (PSIAS) are to be used throughout the public sector. The PSIAS are based on existing International Standards for Internal Audit, but have been adapted for use in the public sector.

The objectives of the PSIAS are to:

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

The key changes are:

- the term 'chief audit executive' is used rather than 'head of internal audit' or 'chief internal auditor'.
- the requirement for an internal audit charter. This must formally define the purpose, authority and responsibility of the internal audit activity, as well as the nature of consulting services and the terms 'board' and 'senior management'. It will also cover arrangements for avoiding conflicts of interest if internal audit carries out any non-audit activities.
- there is no longer a requirement to produce an audit strategy. Instead, a risk-based plan must incorporate or be linked to a strategic or high-level statement which sets out how the internal audit service will be provided and developed in accordance with the charter and how it will link to the organisation's objectives and priorities.
- the chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This includes internal and external assessments. The quality assurance and improvement programme is designed to assess the efficiency and effectiveness of internal audit as well as identify opportunities for improvement. The chief audit executive will have to include a statement on the results of the quality assurance and improvement programme in an annual report.

Emerging issues and developments

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'

In December 2012, Grant Thornton published '[Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities](#)'. This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Emerging issues and developments

Grant Thornton

Local Government Governance report

In February, we published '[Local Government Governance Review 2013](#)', our second annual review into local government governance. The report is based on:

- survey responses from over 60 council senior officers and members on governance reporting and the supporting processes
- a desk top review of 2011/12 Annual Governance Statements and explanatory forewords for 153 councils, against our best practice checklists based on the CIPFA/SOLACE framework and guidance notes.

Good governance is essential to both council leaders and the public. It supports leaders in making the best decisions, reduces the likelihood of things going wrong and protects them when problems do occur. It inspires confidence in the public that the best decisions are being taken for the right reasons, that the quality of service is protected and that public money is being wisely spent.

The key findings included:

- one third of survey respondents do not consider that council accounts are aimed at the public and the length and technical complexity makes them difficult to understand
- many council Annual Governance Statements follow too rigidly the example text in the CIPFA/SOLACE guidance, rather than reflecting the unique features and challenges of their own organisation
- explanatory forewords are often far from 'explanatory', being hard to read and not aligned to councils' strategic goals
- on-going governance processes and year-end statements are commonly two distinct exercises.
- there is often a lack of understanding within local authorities about what the governance framework is for and how it fits together
- although external alliances are becoming increasingly important in service delivery, 21% of survey respondents are not clear about council roles and responsibilities when working in partnerships.

Grant Thornton can provide you with a bespoke, bench-marked governance review. If you have any queries on governance, talk to your engagement manager to see how Grant Thornton could help.

Emerging issues and developments

Local government guidance

'Auditing the Accounts 2011/12' report

In December, the Audit Commission published '[Auditing the Accounts 2011/12](#)'. The report summarises the results of auditors' work on the financial statements of both principal and small bodies. The key finding in the report is that bodies have improved the quality and timeliness of their financial reporting in 2011/12.

Local government accounts timetable

The key dates in the local government accounts timetable are as follows:

- by 30 June - the responsible financial officer certifies the presentation of the draft statement of accounts
- by 30 September:
 - the responsible financial officer recertifies the presentation of the final statement of accounts before members' approval
 - members approve the statement of accounts
 - the statement of accounts is published, with the audit opinion, certificate and audit report if issued by the auditor.

The key dates for Whole of Government Accounts are:

- by 31 July - submission of unaudited WGA L-Pack by authority
- by 7 October - submission of audited WGA L-Pack by auditor (where audit required – Christchurch BC might be under the threshold for audit)

Emerging issues and developments

Local government guidance

'Tough Times: Councils' financial health in challenging times'

In November, the Audit Commission published '[Tough times 2012: Councils' financial health in challenging times](#).' This is the second report it has produced looking at how councils are dealing with the issues from the Spending Review and focuses on the financial health of councils.

The report finds that councils generally delivered on their planned savings, however, auditors reported that signs of financial stress were visible.

Challenge question:

- Have you considered the findings of the report and any actions required?

'Protecting the public purse 2012'

In November, the Audit Commission published '[Protecting the public purse 2012: Fighting fraud against local government](#)'. The report provides the results of the Audit Commission's annual survey of English local government bodies. It finds that local government bodies are targeting their investigative resources more efficiently and effectively. Local government bodies detected more than 124,000 cases of fraud in 2011/12 totalling £179m. It also reports that new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.

The report includes a checklist for those charged with governance to use to review their counter-fraud arrangements.

If you have any fraud queries, talk to your audit manager to see how Grant Thornton could help.

Emerging issues and developments

Local government guidance

Draft local audit bill

The Draft Local Audit Bill was published last year to enable consultation and pre-legislative scrutiny. In January, the Draft Local Audit Bill ad hoc Committee published 'Pre-Legislative Scrutiny of the Draft Local Audit Bill'. The Committee concluded that a number of areas required further examination – most significantly the independent appointment of auditors. The Government plans to introduce the new regulatory regime in 2015/16.

The proposals include the following:

- The Financial Reporting Council will act as the overall regulator for auditors and the National Audit Office will set the code of audit practice.
- From 1 April 2017, local government bodies will appoint their own auditors, in consultation with an independent auditor panel.
- In addition to giving their opinion on the financial statements, auditors will continue to have wider responsibilities. These include considering the arrangements for securing economy, efficiency and effectiveness in their use of resources and having the duty to report in the public interest.

The draft bill is still to go through Parliament for approval.



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15 April 2013

Dear Adrian

Planned audit fee for 2013/14

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. 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 2013/14 has been set by the Audit Commission at £55,800 which is unchanged from the audit fee for 2012/13.

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/201314-fees-work-programme.

The audit planning process for 2013/14, 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.

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 Audit Commission has set the Council's indicative grant certification fee at £10,600.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2013	13,950
December 2013	13,950
March 2014	13,950
June 2014	13,950
	55,800
Grant Certification	
June 2014	10,600
Total	66,400

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2013. 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 in September 2013 and work on the whole of government accounts return in September 2013.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2013 to March 2014	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 2014	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 2014	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2014	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2014	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2014	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2013/14 are:

	Name	Phone Number	E-mail
Engagement Lead	Alun Williams	0117 305 7797	alun.g.williams@uk.gt.com
Engagement Manager	Peter Lappin	0117 305 7865	peter.lappin@uk.gt.com
Audit Executive	Sarah Crouch	0117 305 7881	sarah.crouch@uk.gt.com

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) .

Yours sincerely



Alun Williams
Director
For Grant Thornton UK LLP



West Somerset Council
 Annual Report and Opinion - 2012/13

Contents

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SWAP
SOUTH WEST AUDIT PARTNERSHIP
Delivering Audit Excellence

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

Annual Opinion:

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

Purpose of Report and Recommendation

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 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.

Summary of Work 2012/13

The agreed Annual Audit Plan covers the following key areas of Activity:

- Operational Audit
- IS Audit
- Key Control Audit
- Governance Audit
- Follow Up
- Other Reviews

Audits Completed - Operational

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work of the Unit is based on the Annual Plan agreed by Senior Management and this Committee. This report summarises the activity of SWAP for the year April 2012 to March 2013. There were 31 reviews in the 2012/13 Annual Plan and these are all complete.

Operational audits, including IS 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. Where recommendations with a priority of 4 or 5 are made details and updates on action taken are reported to this committee through to satisfactory completion. Appendix A shows all priority 4 and 5 recommendations made during 2012/13, along with updates on progress established through follow ups. Appendix B summarises the control assurance definitions, categorisation of recommendations and definitions of risk levels.

Operational and IS audits completed by SWAP for 2012/13 are summarised in the following table;

Audit Area	Audit Opinion	Audit Area	Audit Opinion
South West Private Sector Housing Partnership	▲ ★★ Reasonable	Hinkley - Site Preparation Works s106	Non-opinion
Data Security Breaches	▲ ★★ Reasonable	ICT Change Management	Non-opinion
		ICT Procurement Checklist	Advice

Summary of Work 2012/13

The agreed Annual Audit Plan covers the following key areas of Activity:

- Operational Audit
- IS Audit
- Key Control Audit
- Governance Audit
- Follow Up
- Other Reviews

Audits Completed - Key Control

A total of 23 priority 3 and 4 priority 4 operational recommendations were made. Follow ups were also undertaken where partial assurance has previously been given, and during 12/13 we followed up Information Security Regulatory Compliance and Community Safety and we found that the agreed actions were in progress or completed.

Key control audits focus 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. For systems not scheduled for review in the year we only follow up issues identified in the previous year’s report and in 12/13 these were; Debtors, Creditors, Treasury Management and Capital. The following key control audits were undertaken;

	Audit Opinion	Audit Area	Audit Opinion
Housing Benefits	▲★★★ Reasonable	Main Accounting	▲★★★ Reasonable
Payroll	▲★★★ Reasonable	Council Tax and NDR	▲★★★ Reasonable

13 actions resulted from these reviews, of which none were a level 4 priority. It is likely that the External Auditors will focus on these findings when they carry out their work to sign off the Council’s Accounts. It was pleasing to find that the majority of key controls were operating effectively and reasonable assurance was given in each case.

Summary of Work 2012/13

The agreed Annual Audit Plan covers the following key areas of Activity:

- Operational Audit
- IS Audit
- Key Control Audit
- Governance Audit
- Follow Up
- Other Reviews

Audits Completed - Governance and Fraud

Governance and Fraud reviews focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. The following governance and fraud audits were undertaken during the year;

	Audit Opinion	Audit Area	Audit Opinion
Freedom of Information	▲★★★ Reasonable	Cash and Bank - Car Parks	▲★★★ Reasonable
Gifts & Hospitality	▲★★★ Reasonable	Creditor Fraud	▲★★★ Reasonable
Delivery of Major Projects - Risk Management	▲★☆☆ Partial	Committee Reporting - Member Decisions	▲★★★ Reasonable
Contract Fraud	▲★★★ Reasonable	Expenses Fraud	▲★★★ Reasonable
Treasury Management (theme)	Non-opinion	Remote and mobile working	▲★★★ Reasonable
Asset Management	▲★★★ Reasonable		



Summary of Work 2012/13

The agreed Annual Audit Plan covers the following key areas of Activity:

- **Operational Audit**
- **IS Audit**
- **Key Control Audit**
- **Governance Audit**
- **Follow Up**
- **Other Reviews**

Audits Completed - Governance and Fraud (continued)

43 priority 3 recommendations and 4 priority 4 recommendations were agreed, the latter are included in Appendix A.

The audit which received partial assurance has been followed up in 13/14 and we are pleased to report that four of the recommendations have been addressed in the production of a Project Management toolkit, and one priority 3 recommendation is in progress.

We also undertook follow up reviews of; Partnerships, Business Continuity Planning, Related Party Transactions, Maximising Income and Car park income. Appendix C shows all priority 4 and 5 recommendations made during 2011/12 and the results of any follow up review. It also shows an update on medium / high and high priority recommendations made during 2010/11 which have not previously been reported as complete.



Corporate Risks and Priority

Actions

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

Significant Corporate Risks

We provide a definition of the 4 Risk Levels applied within audit reports in Appendix B. For those audits which have reached report stage we have assessed that there are no significant corporate risks.

Priority Actions

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring expedient corrective action.

At the request of the Audit 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. Appendix A highlights those actions where the Auditor has assessed the priority to be a level 4 (Medium/High) or 5 (High). There have been 95 agreed actions for improvement; none were rated at a level 5 and eight were rated at a level 4. Most of these have been previously reported to members as part of the quarterly updates but there is an additional priority 4 recommendation finalised since the previous update.



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

SWAP Performance

During the year SWAP were actively working toward becoming a Publicly Owned Company, Limited by Guarantee. This was achieved and became effective from the 1st April 2013. Since its beginning SWAP has been building up a reserve fund which, with the dissolving of the old Partnership, has resulted in approximately £300,000 being returned to SWAP Partners for redistribution.

Again SWAP has managed to absorb Partner day reductions and maintain day rates for the seventh consecutive year.

With regards to the 2012/13 Annual Plan for West Somerset Council, a total of 31 planned reviews have been completed to report stage. In agreement with management one planned audit on Procurement was swapped with Asset Management.

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 87%.

Annual Opinion:

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

Group Audit Manager's Opinion

Of the 16 reviews that have an Assurance Opinion there were no reviews that were given No Assurance, and only one received Partial Assurance; Delivery of Major Projects - Risk Management. No significant corporate risks have been identified.

In total there have been 95 agreed actions for improvement, 8 at Service Priority Level 4, 79 at Level 3 and 8 at Level 2.

Over the year SWAP continue to find the 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 this environment 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.



APPENDIX A

Medium / High Service Priorities identified from Internal Audit work in the period 1 April 2012 to 31 March 2013

Weakness Found	Recommended Action	Management's Agreed Action	Agreed Date
Delivery of Major Projects - Risk Management			
No risk registers were formally documented for any of the 3 projects reviewed.	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 Toolkit to be developed. <i>Follow up June 2013 - 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.</i>	Completed
Contract Fraud			
A contracts register is in place, but it is neither complete nor up to date and there is no current process in place to ensure new contracts are added.	I recommend that the Corporate Director ensures processes are put in place to make certain the contracts register is complete, accurate and regularly updated.	This action has been discussed and agreed by CMT. Although the failing is recognised, it was requested that the priority rating be reduced to level 3 on the basis it will be completed. It should also be recognised that this task will present resource implications.	March 2014
Committee Reporting - Member Decisions			
No guidance notes to assist in the completion of the report template	I recommend that the Corporate Director oversees the creation of guidance notes to assist in the completion of Committee reports.	Agree - propose to provide annotated guidance notes within the standard template document.	May 2013

Hinkley Site Preparation Works s106			
Linkages with community priorities.	Is there a clear picture of the impacts upon communities and priorities for mitigation against which to evaluate bids? Are these effectively captured within performance management and service planning processes?	This is underway and communities' priorities will be reflected in the Corporate Plan and Service Plans.	March 2014
Performance Monitoring	Is there adequate and consistent reporting of performance across each work stream?	A Delivery Steering Group (DSG) is being developed. This group will monitor performance and finances across the three authorities. It will also agree the approach to communications as appropriate and any joint objectives for discussion with Government at the Strategic Delivery Forum.	May 2013 (Ongoing)
Risk management	Are risks and issues being identified for the s106 and mitigating action taken, and is responsibility for this clear?	Hinkley related risks are being compiled from Service Plan risk registers and relevant risks will be included in the Corporate Risk Register. It is envisaged that 'Very High' risks will be included in performance reports to the DSG.	May 2013 (Ongoing)
Governance group	Are the existing governance arrangements within each authority adequate to ensure the success of s106 funded activities?	See comments on performance monitoring above relating to the establishment of a DSG.	May 2013 (Ongoing)
Remote and Mobile Working (not previously reported to Audit Committee)			
Personal Security Alarms are due to be removed from the Council	I recommend that the Corporate Director ensures that the team managers review their lone working procedures and identify alternative practices to mitigate the risk of staff who may be unable to raise an alarm if their personal safety is threatened.	The Health and Safety Group will review the current lone working procedures. As part of this work, the team risk assessments will be reviewed and new procedures will be put into place prior to the personal security alarms being reviewed in June 2013.	June 2013

Audit Framework Definitions

Control Assurance Definitions

Substantial	▲☆☆☆☆	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲☆☆☆☆	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲☆☆☆☆	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲☆☆☆☆	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
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

High and Medium / High Service Priorities identified from Internal Audits: April 2010 to March 2012

	Weakness Found	Management's Agreed Action	Target Date / Responsible Officer	Follow up / Management update June 2013	Status / Revised Date
Health & Safety - Internal Awareness & Training. Followed up July and November 2011.					
1.1	Risk Assessments for Grounds Maintenance have not been updated since 2004.	We recognise that this action needs to be addressed and this is being done as a priority. We will then ensure an annual review process is put in place.	October 2010 H&S Officer October 2011 Parks & Open Spaces Manager	UPDATE FROM IAN TIMMS: This work was completed during 2012. This is now stored centrally and has been rationalised.	Complete
1.3	COSHH assessments have not been completed.	This action has already been recognised and is being addressed	October 2010 H&S Officer	UPDATE FROM IAN TIMMS: This work was completed in line with the amended date.	Complete
1.4	Grounds Maintenance staff felt inadequately trained in several areas including; COSHH assessments, personal safety and conflict resolution and manual handling. In addition, it was felt that refresher training for high risk equipment was also overdue.	Management recognises this high risk area and will work the team to review their training needs against the current training plan. We will then ensure that a revised training plan commences in the winter months.	December 2010 Parks & Open Spaces Manager	UPDATE FROM IAN TIMMS: This training programme is in place. As part of the Performance Appraisal process PDR's area assess annually and further training will be identified. This is an ongoing process that can be closed for the purposes of this report.	Complete
Building Control. Followed up June 2011.					
3.1	The M3 Building Control and Crystal Management Reports do not reconcile with the national and Local Plis stated within the draft Building Control	To be addressed as a priority before end of 2010/2011 – this is dependent on conditions of existing contract with Northgate (software providers)	April 2011 Building Control Manager / IT	UPDATE FROM STEVE WATTS Some progress has been made with reporting Plis, however, further work is still	In progress, date revised with TBC

	Weakness Found	Management's Agreed Action	Target Date / Responsible Officer	Follow up / Management update June 2013	Status / Revised Date
	Service Plan.			required.	
3.2	There is no evidence to demonstrate Councillors are being appraised of the Building Control Service Units performance against national and local performance indicators each quarter because these indicators are being collated annually.	NOTED – dependant on successful enabling of BC data system (Northgate M3). Alternative reporting systems to be investigated.	April 2011 Building Control Manager / IT	UPDATE FROM STEVE WATTS Quarterly reports are now being carried out.	Complete
3.3	Because the M3 Building Control system does not include access to the Diary & Events, GIS and Gazetteer modules Holding Team Meetings are held on a fortnightly basis.	Ensure that back office data system (Northgate M3) is capable of functioning as intended.	April 2011 IT Service / External Contractor (Northgate).	UPDATE FROM STEVE WATTS The problem with Diary & Events module was fixed by Northgate in Aug 2012, however further issues have been encountered which has prevented it being used. This has been logged and chased but with no fix from Northgate today. This has been raised with the Account Manager. For WSC to use the Gazetteer and GIS link requires chargeable work from Northgate, which WSC currently does not have funding for, as this was withdrawn for this year's program.	In progress, revised date TBC
3.4	There is no up-to-date Business Case which defines the requirements of a Building Control system.	A business case will be required if current software issues cannot be resolved with software provider (Northgate M3).	March 2011 Building Control Manager	UPDATE FROM STEVE WATTS The requirements for the system have not altered from the original brief	Closed
3.6	The Building Control Procedures are work in progress and therefore in draft format.	Draw up formal Internal Procedures guidelines	October 2010 Building Control Manager	UPDATE FROM STEVE WATTS The Building Control Procedures manual is a live document, informed by an informal process review of the BC service functions carried out by the BC manager. It has been	Complete

Weakness Found	Management's Agreed Action	Target Date / Responsible Officer	Follow up / Management update June 2013	Status / Revised Date
			accepted as a guidance document by the BC team, but has not been formally adopted through CMT, Cabinet or Council.	
3.7	A walk through test was performed with Building Control Manager on the M3 system. The test proved while looking at the validation screen the Manager was able to change the name of the Surveyor at will. A review of the M3 Guidance made no reference to an audit report.	April 2011 IT Service	UPDATE FROM STEVE WATTS The system set-up is currently being looked at and this is a high priority issue to be addressed by BC Manager and IT.	In progress, revised date TBC
Dog Wardens. Followed up November 2011.				
10.1	The combined dog wardens service and pest control contract was first awarded to SDK Environmental Ltd in 2001 for 5 years. It has since been rolled on year-by-year and is now reaching its ten-year anniversary. This could potentially be viewed as anti-competitive, a breach of European Union procurement law and not best value.	October 2011 Group Manager & (Housing Community)	UPDATE FROM IAN TIMMS: A joint tender is being progressed with TDBC. This is expected to resolve the audit issue by end of summer 2013. Contract Variations have removed pest control as part of the 2013/14 budget savings agreed by council.	Christmas 2013
10.2	The Council pays for 21 days kennel fees instead of the seven statutory days plus a re-homing fee.	July 2011 Group Manager & (Housing Community)	UPDATE FROM IAN TIMMS: This has been renegotiated and costs reduced. This service should become an element of the tender in action 10.1 above which will simplify matters.	
Recovery and Accounting of Homeless Debt - followed up November 2011.				

Weakness Found	Management's Agreed Action	Target Date / Responsible Officer	Follow up / Management update June 2013	Status / Revised Date	
11.2	There is no reporting on outstanding debts.	Group Manager - F&CSS to discuss practicalities of introducing a narrative field to all sundry debts, to record debt type.	September 2011 Group Manager – Finance & Central Support Services	UPDATE FROM STEVE PLENTY: Debtors are now reported by Service and the name of the officer raising the invoice is shown on the report, so any with the initials of two named officers will relate to homeless debts.	Complete
Contract Management					
12.1	There is a risk that inconsistent or not best practice procedures could be adopted by managers due to the Contract Standing Orders lacking detail in some areas.	Group Manager - F&CSS 31/12/2012	Unfortunately the revised Standing Orders have recently been approved by Council but the recommendations in Appendix A will be put forward as part of next year's update. This will be considered as part of the update to CSOs as part of the review of the constitution.	To be followed up during 13/14	
12.2	There is a risk that without central monitoring of contracts, the Council may encounter the following issues: <ul style="list-style-type: none">• It may not be able to answer queries or respond to complaints from members of the public or councillors.• Responsibility for contract management may be unclear (for example if a partnership exists) or unassigned (for example if an officer ceases to work for the council.)• Contracts may not be renewed in a timely fashion, leading to costly	Group Manager - F&CSS 31/8/12	A cleanse of the contracts register is proposed but I don't believe this is a high priority as it is not an operational document. It is for checking that we have arrangements in place and for strategic use.	To be followed up during 13/14	

	Weakness Found	Management's Agreed Action	Target Date / Responsible Officer	Follow up / Management update June 2013	Status / Revised Date
	<p>extensions having to be negotiated, or breaks in service.</p> <p>Management are less able to review information to identify synergies or areas where multiple contracts could be combined for best value.</p>				
12.3	<p>Unless there is a robust system for managing contract information centrally, there is a risk that contracts and other relevant information cannot be located easily and are unavailable for consultation in the event of query or as part of an audit. There is also a risk that contracts may exist but that legal services or Senior Management are unaware of them.</p>	<p>This will be considered as part of the update to CSOs as part of the review of the constitution.</p>	<p>Group Manager - F&CSS 31/12/2012</p>	<p>To be followed up during 13/14</p>	
12.4	<p>Without signatures against changes made to tender opening records, it is difficult to assess whether all tenders have been treated fairly.</p>	<p>This will be considered as part of the update to CSOs as part of the review of the constitution.</p>	<p>Group Manager - F&CSS 31/12/2012</p>	<p>To be followed up during 13/14</p>	
Maximising Income - followed up November 2012					
13.1	<p>The Principal Accountant has confirmed that some budgets were rolled forward this year and not updated in light of actual financial performance in the previous year or accurate predictions of income.</p>	<p>This will be undertaken by the finance team as part of their meetings with budget holders to identify variances in the 2010/11 budget and therefore inform the 2012/13 budget as well.</p>	<p>Principal Accountant 31st March 2012.</p>	<p>There is evidence that budgets, including income budgets, were reviewed for 12/13 in light of actual expenditure and income received. The Principal Accountant confirmed that the Finance Team were more involved from an early stage in the budget setting process, and will be ensuring that virements made during 2012/13 will be reflected in budgets set for 2013/14.</p>	<p>Complete</p>
13.2	<p>The Principal Accountant has confirmed the intention for 2012/13 is to plan budget setting earlier to allow where necessary for benchmarking /</p>	<p>The finance team are engaged earlier in the process this year, starting with the above meetings and more detailed work in updating their budget data.</p>	<p>Group Manager - F&CSS 31st March 2012.</p>		<p>Complete</p>

Weakness Found	Management's Agreed Action	Target Date / Responsible Officer	Follow up / Management update June 2013	Status / Revised Date
forecasting to take place, so more accurate figures are obtained.				
Partnership Arrangements - followed up July 2012				
14.1 The Council has no formal method for classifying partnerships.	Agreed to form a corporate approach to the classification of partnerships.	Group Manager - F&CSS 31.12.11	The internally developed guidance was then applied to the identified partnerships and scores for 11 partnerships were produced.	Complete
14.2 There is no corporate guidance in place for managers which provides direction on how to manage partnerships.	Agreed to draft corporate guidance for the management of partnerships	Group Manager - F&CSS 31.12.11	Corporate guidance has been produced	Complete
14.3 There is no checklist in place as a reminder to managers what to consider when setting up a partnership.	Agreed to draft a corporate checklist for the management of partnerships.	Group Manager - F&CSS 31.12.11	The guidance developed for 1.3 also addresses the requirement for guidance when setting up a new partnership.	Complete
14.4 There is no corporate framework for reviewing partnerships.	Agreed to draft a review framework that can be used to evaluate each partnership on an annual basis.	Group Manager - F&CSS 31.12.11	The Group Manager (Finance and Central Support Services) proposes to add a checklist to determine if WSC should remain in the partnership and for this to be reviewed annually.	Complete
14.5 Although it is acknowledged members receive reports on the progress of specific partnerships, they are not appraised on the performance of significant partnerships annually to assess their vfm and whether or not they continue to support the Council's aims and objectives.	Agreed to ensure a summary report of significant partnerships is prepared for members on an annual basis.	Group Manager - F&CSS 31.12.11	Performance will be assessed as per the review arrangements described in 14.4 which address the required assessment criteria.	Complete
14.6 Other than the Civil Contingencies	Agreed to ensure risk registers, which	Group Manager -	Service plans were presented to the Scrutiny Committee in January 2012.	In progress -

Weakness Found	Management's Agreed Action	Target Date / Responsible Officer	Follow up / Management update June 2013	Status / Revised Date
Partnership, partnership risk registers are not maintained.	reflect the format within the service plans, are maintained for each partnership.	F&CSS 31.12.11	Risk Registers have been informed by a SWOT analysis in each area. Whilst there are references to partnerships in general throughout the SWOT analysis, the only specific reference to a significant partnership is in the Environment plan, noting the "threat of increasing cost of refuse or disposal/SWP costs; WSC has limited control of costs". Other plans were reviewed and none appeared to include any specific risks relating to any of the other significant or key partnerships.	audit to review 13/14 service plans.
Business Continuity Planning - followed up July 2012.				
15.1 There is a lack of clarity as to whether the Council is insured in the event of an incident at Hinkley and may suffer significant financial loss as a result.	Review insurance cover and amend policy accordingly.	Principal Accountant 31 st March 2012	The Accountant responsible for Insurance confirmed "there is no cover for a nuclear leak, as radiation is a specific exclusion under the general exclusions so will apply with any insurers. As a result the denial of access Business Interruption extension would not apply. If there were an incident then the Council will have to apply under the Bellwin Scheme as the risk is NOT insurable, although the Council will bear a certain amount which is linked to turnover."	Complete
15.2 Maximum Period of Disruption - if current tolerances are left unchallenged, implementation of the plan may be	This is being actioned as part of the plan revision. CMT will agree changes through a "reality check" and the plan will be amended accordingly.	BCP Management Team 31 st January 2011	The Housing and Communities Group Manager confirmed that the MTPD priorities were reassessed as part of the refresh of the Business Continuity Plan and are now incorporated in the current	Complete

Weakness Found	Management's Agreed Action	Target Date / Responsible Officer	Follow up / Management update June 2013	Status / Revised Date
	difficult to achieve and harder still to justify to hard pressed, more public facing services at WSC.		version. MTPD priorities are listed by service starting on Page 52 and are also summarised in Annex G.	
Related Party Transactions - followed up July 2012				
16.1	Incomplete disclosure returns from members - there is a risk that the annual statement of accounts may not accurately reflect the Council's position in regards to disclosure of members related party transactions.	Group Manager - Corporate Services 29/02/2012	At the 30th July 2012, one member is still to return their form. This will be chased at the next opportunity.	Complete
Community Safety - followed up December 2012				
17.1	An introduction to Community Safety and the individual's responsibility to Section 17 of the Crime & Disorder Act is not automatically covered at induction or followed up at appraisal. <ul style="list-style-type: none"> Update Induction and training packages to include material for new staff to take account of the proposal to recruit new staff for Hinkley Update Appraisal material and provide guide for line managers to use at annual appraisals. Recruitment material will need to be updated in time for the new posts as a result of the Hinkley S106 monies. 	Group Manager (Housing Community) 30 th March/April 2012 for PDR material. Recruitment material by 28 th February 2012.	The requirement to mainstream and to provide induction and promotional materials were met by the production of a leaflet that has been approved by CMT and the Portfolio Holder. Copies of the leaflet are now included in Induction Packs and this was confirmed with the HR Officer. The leaflet was introduced after the annual appraisal process. This will run again in March 2013 and the Group Manager plans to table the leaflet as a CMT agenda item before this time to ensure it is included in the process.	Revised implementation date: February 2013
17.2	Community Safety is not fully embedded within service planning at	Group Manager (Housing &	Committee reports now include an opportunity for Community Safety issues	Revised implementation

	Weakness Found	Management's Agreed Action	Target Date / Responsible Officer	Follow up / Management update June 2013	Status / Revised Date
	<p>WSC and is not fully considered in papers presented to officers and members when taking decisions.</p>	<p>safety can be considered in committee reports.</p> <p>In terms of service plans this will be considered for inclusion in the planning process for 2013/14.</p>	<p>Community) 30th June 2012</p>	<p>to be included and considered where this is appropriate. Templates include Equality & Diversity Implications and Crime & Disorder Implications.</p> <p>The Scrutiny Committee have also conducted their own review through a Task & Finish Group to:</p> <p>Understand the service outcomes and performance in relation to Community Safety and identify where appropriate areas for improvement.</p> <p>Make recommendations with regard to the future scrutiny of Community Safety Partnerships and crime and disorder matters.</p> <p>It was recommended that the Scrutiny Committee will receive updates from the Police Crime Panel and the local police inspector will be invited to deliver an annual report to ensure the committee discharges it's scrutiny functions relating to community safety.</p> <p>Service planning for 2013/14 is now underway and although not complete, this process will include a consideration of Community Safety issues.</p>	<p>date: February 2013</p>
<p>Information Systems Regulatory Compliance - followed up March 2013</p>					

	Weakness Found	Management's Agreed Action	Target Date / Responsible Officer	Follow up / Management update June 2013	Status / Revised Date
18.1	<p>PCI DSS Submission - there is a risk that the Council could incur transactional fines from the bank should a security breach occur. The greatest risk is that the Council could lose the ability altogether to process card payments if a serious incident was to occur.</p>	<p>Agreed to complete a PCI Data Security Standard Self-Assessment questionnaire for the Council. This will help determine their compliance with the Payment Card Industry Data Security Standard and once completed this should be submitted to a PCI recognised independent assessor for verification. A Working Group has been set up to address this.</p>	<p>IS Manager 21/12/2012</p>	<p>Northgate are planning to offer a PCI compliant card bureau service in the next few months. This will include Chip & Pin technology. The Council will train its Customer Services staff in telephone and face to face customer contact procedures to ensure that the process is PCI compliant.</p>	<p>In progress. Staff are working towards June 2013 implementation.</p>

Internal Audit Charter

Purpose

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

Approval

This Charter was approved by the Audit Committee on 25th September 2006 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Audit Committee¹ on 26th March 2012.

Provision of Internal Audit Services

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

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the s151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

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

Responsibilities of Management and of Internal Audit

Management²

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

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

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

Internal Audit

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

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

² In this instance Management refers to the Corporate Management Team

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

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

Relationship with the External Auditors/Other Regulatory Bodies

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

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive of SWAP and the Group Audit Manager also report to the Section 151 Officer, and report to the Audit Committee as set out below.

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

Scope and authority of Internal Audit work

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

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

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether West Somerset Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.

- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

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

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

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

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the s151 Officer and to other relevant line management.

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

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

Revised **July 2013**

Report Number: WSC 88/13
Presented by: Sharon Campbell
Author of the Report: Sharon Campbell, Section 151 Officer
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Report to a Meeting of: Audit Committee
To be Held on: 19th July 2013

ANNUAL GOVERNANCE STATEMENT 2012/13

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 the Corporate 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

APPENDIX A

ANNUAL GOVERNANCE STATEMENT 2012/13

Scope of responsibility

West Somerset Council (WSC) 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.

WSC 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, WSC 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.

WSC 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 WSC 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 its 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 WSC'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 WSC for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

Sharon Campbell

APPENDIX A

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 and vision for West Somerset Council
- Service Plans are clearly linked to the Corporate Plan and Medium-Term Financial Plan. They identify the performance measures and targets that will be used to ensure the services achieve the agreed objectives. Performance is reported quarterly
- The council approved a treasury management strategy and an annual investment strategy during the year, which included its prudential indicators, in accordance with the CIPFA code
- The authority is a statutory member of the Safer Somerset Community Safety Partnership which has a Community Safety Partnership Plan and works in partnership with other public bodies to tackle crime and disorder together with anti social behaviour; drug and alcohol abuse; re-offending and environmental harm
- The council is currently working on a business case, with Taunton Deane Borough Council, to explore the potential benefits of sharing management and service delivery

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

- The roles and responsibilities of the Cabinet, Scrutiny Committee, Members in general and senior officers are clearly set out within the council's constitution
- The Council's Chief Financial Officer is currently seconded on a part-time basis from Somerset County Council
- The Chief Financial Officer is a Chartered Public Finance Accountant, and is responsible for maintaining a robust system of internal control
- The Council's senior management team (CMT) meet weekly, covering both strategic and operational items
- Regular weekly meetings between the Leader and Chief Executive in order to maintain a shared understanding of roles and objectives
- Portfolio Holders meet at least monthly with their appropriate lead officers to discuss current and future issues affecting the services and the public and to monitor performance under the service planning framework.
- There is a clear scheme of delegation for officers and members within the Constitution
- The council has robust financial planning processes, including the preparation of a medium-term financial plan and an annual budget that is monitored regularly throughout the year

Sharon Campbell

APPENDIX A

- The Chief Executive's annual 'Personal Development Review' where clear priorities and targets are set is undertaken by the Leader of Council, the Lead Member for Finance & Resources and the Leader of the Democratic Alliance.
- The Corporate Management Service Plan contains the priority to ensure that CMT monitors its responsibilities under the governance arrangements on a quarterly basis and identify any exceptions. The Corporate Director has drafted a checklist to assist with this monitoring.

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 behaviourbehaviour:

- The Standards Advisory Committee promotes high standards of behaviourbehaviour by members, reviewing policies and laws relating to members' behaviour. The committee consists of three district councillors, three town/parish councillors and three independent members, one of whom is chairman, to demonstrate independence and objectivity.
- During 2012/13, 2 formal complaints against Councillors under their Code of Conduct were received or being processed, 1 of which has been completed and 1 is still ongoing.
- Managers are responsible for making sure members of staff keep to policies, procedures, laws and regulations. The financial management of the council is conducted in accordance with its financial regulations and contract standing orders – part of the constitution and updated in each year.
- 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).

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

- 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 latest review being undertaken by full Council in March 2013.
- 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 and monitored
- In order to ensure that day-to-day business of the Council considers risk within its decision-making processes each committee report must include risk management comments to help inform members' decisions. All high risks are recorded within the central risk register and all other risks are managed within the service plans

Sharon Campbell

APPENDIX A

- 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.
- The council has an effective internal audit function provided by SWAP
- Regular budget monitoring reports are sent to budget holders; monthly reports are made to Corporate Management Team and quarterly reports to members through the performance report
- The CFO/Section 151 officer has direct access to the Chair of Audit Committee and the ~~Audit Commission~~ Authority's external auditors.
- The CFO/Section 151 officer meets the Chief Executive weekly
- All transactions over £500 are published on the internet for public perusal, as is senior management remuneration

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

- 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
- Job descriptions are in place for all posts
- There is a new member induction programme and members have the opportunity to attend appropriate training courses/workshops.
- All service managers are currently undertaking training provided by the Institute of Leadership and Management

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

- Area panels ensure local accountability and local access – these are attended by the Chief Executive or Corporate Director
- An annual customer satisfaction survey is sent to all households and its findings influence future service and budget planning.
- Customer complaints/compliments are regularly monitored and feed into service delivery.
- As a result of budget savings proposed by the Cabinet, representations were received from a number of organizations that were potentially impacted by the proposals.
- A summarised statement of accounts is available on the council's website
- Regular 'under the spotlight' staff briefings undertaken by the Chief Executive

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.

Sharon Campbell

APPENDIX A

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 SWAP, the council's internal auditors, and the Corporate 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:

- 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 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 Plans. It also has a call in role for any service that receives a “partial” or “no assurance” audit opinion
- Internal Audit through SWAP is responsible for monitoring the quality and effectiveness of systems of internal control. The Audit Service has a Charter approved by the Council and there are no restrictions on the scope of their work. A risk model is used to formulate the plan and approved by the Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the service lead officer with copies to the relevant ~~Group Corporate~~ Manager and the section 151 officer. All audit reports include an ‘opinion’ that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports include recommendations for improvement that are detailed in an action plan that is agreed with the service lead officer
- 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
- The Council's Financial Regulations are kept under continuous review and revised annually – the last review was approved in December 2012
- All members of CMT have completed and signed a Statement of Internal Control

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

Significant governance issues

The Council's vision is “To enable people to live, work and prosper in West Somerset”.

The compilation of the Business Case on shared working with Taunton Deane Borough Council poses a challenge to the authority as it seeks to keep governance separate whilst joining management and service delivery. The objective is to maintain local democracy and accountability. This will require clear parameters to be set and clarity on working arrangements within any shared service. A dedicated project team has been set up and arrangements made to support this where necessary.

Sharon Campbell

APPENDIX A

With the possible Hinkley Point development there is an objective to maximise opportunities for communities whilst also protecting the local community. Staff have been appointed on fixed term contracts to support the work being undertaken in for example housing, planning and tourism. Regular reports are taken to council on the governance and progress of the project.

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 WSC:

Signed:

Leader of the Council

Signed:.....

Chief Executive

Sharon Campbell

Report Number: WSC 91/13
Presented by: Steve Plenty
Author of the Report: Steve Plenty, Deputy Section 151 Officer
Contact Details:
 Tel. No. Direct Line 01984 635217
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Report to a Meeting of: Audit Committee
To be Held on: 19th July 2013
Date Entered on Executive Forward Plan N/A
Or Agreement for Urgency Granted:

UNAUDITED STATEMENT OF ACCOUNTS 2012/13

1. PURPOSE OF REPORT

1.1 To present to Audit Committee the unaudited accounts for the year ended 31 March 2013.

2. CONTRIBUTION TO CORPORATE PRIORITIES

2.1 None.

3. RECOMMENDATIONS

3.1 That Audit Committee note the information contained within the report.

4. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

Description	Likelihood	Impact	Overall
Not applicable			

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 As a local authority West Somerset is required to demonstrate compliance with the underlying principles of good governance. It is a statutory requirement for all local authorities to produce financial statements.

5.2 The Accounts and Audit Regulations (England) 2011 came into force on 1 April 2011. This revised procedures for the approval and publication of the annual Statement of Accounts. The Responsible Financial Officer must now confirm and sign that the accounts presents a true and fair view of the authority's financial position by 30th June of the following year,

however it was decided to bring the Statement to this committee in order that the document can be noted.

5.3 The 2012/13 Statement of Accounts is attached as Appendix A to this report.

6. FINANCIAL/RESOURCE IMPLICATIONS

6.1 As set out in Appendix A to this report.

7. SECTION 151 OFFICER COMMENTS

7.1 The Accounts and Audit Regulations issued by the Secretary of State set out the requirements for the preparation and publication of final accounts. These regulations include the requirement for the formal approval, by a full Committee, of the Authority's Statement of Accounts.

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 District Council Draft Statement of Accounts 2012/13

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Explanatory Foreword

Introduction to West Somerset

Bordering the Bristol Channel, West Somerset benefits from some of the most scenic landscape in England. Two thirds of Exmoor National Park lies within its boundary, as do the Quantock Hills; an Area of Outstanding Natural Beauty. Large amounts of both areas are designated sites of special scientific interest due of their value to wildlife.

Whilst West Somerset covers a large area (740 square kilometres), just 35,000 people share it with the wildlife, making West Somerset one of the most sparsely populated districts in England (0.5 people per hectare compared with and England & Wales average of 4). Half of those people live along the narrow coastal strip in the settlements of Minehead, Watchet and Williton. The remainder live in small villages and hamlets dispersed throughout the district and the town of Dulverton situated in the Exmoor National Park.

The economy of West Somerset is heavily dependent upon tourism and during the peak season, the population of the district swells considerably with the influx of many hundreds of thousands of visitors.

According to the 2011 census 29% of the population of West Somerset is over 65, against an England and Wales average of 16.5%.

This diverse profile of service users gives West Somerset District Council an almost unique customer base. As it develops services over time, the council continuously needs to take account of this special blend of residents and visitors.

The Council employs 87.6 full-time equivalent staff, of whom 12.4 are dedicated to work relating to Hinkley Point. They work together with 28 Councillors to deliver a wide range of services to people in West Somerset. West Somerset District Council currently collaborates with a variety of organisations to ensure services are delivered as efficiently as possible. The number of partnerships and contracted services in operation mean the council is an example of a 'commissioning' organisation that relies on a central core of officers to coordinate and monitor services. Services delivered in this way include: -

- Waste collection and recycling
- Street Cleansing
- Public convenience cleaning
- Housing benefit processing
- Legal services
- Tourist information
- Harbour and marina operations
- Strategic Housing services
- Internal Audit
- Private Sector Housing
- Human Resources

An explanation of which statements follow, their purpose and the relationship between them:

Movement in Reserves Statement (Page 9)

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement (Page 10)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation

Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet (Page 11)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

Cash Flow Statement (Page 12)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Notes to the Financial Statements (Page 13)

The notes provide more information on some of the figures within the main statements listed above. They also include the accounting policies, which guide the treatment of income and expenditure and disclosures relating to the assets and liabilities of the Council.

Pensions

In accordance with financial reporting standards, West Somerset District Council has to disclose its long-term liability to pay retirement benefits to its current and former employees. This liability will eventually be discharged through increased contributions, as calculated by the Pension Scheme's Actuary. Statutory arrangements for funding this shortfall means that the Council's own financial position is not weakened by the disclosure. The liability that the Council recognises is £18.767m as shown in the Balance Sheet on page 11.

Any material and unusual charge or credit in the accounts

During 2011/12 an exercise commenced in relation to the value of the Authority's Information Technology (IT) assets. This exercise identified that an amount of £0.598m was removed from the value of IT assets resulting in an impairment charge being made in 2011/12 within the Statement of Accounts. This exercise was concluded as part of the 2012/13 closedown process with a further £0.178m being removed from the value of IT assets. This again has resulted in a further impairment charge being made in 2012/13 within the Statement of Accounts.

Council Borrowing

The Council currently has one loan of £3.500m, which is owed to the Public Works Loans Board. This is repayable in February 2014.

Sources of funds to finance capital

Within the capital strategy and asset management plan is the planned sale of surplus council assets, notably land at Seaward Way in Minehead and the old Aquasplash site. These receipts will be primarily used to repay borrowing, both externally and internally. Additional capital receipts will be used to fund ongoing capital expenditure.

Significant provisions or contingencies and material write-offs

There have been no significant provisions, contingencies or material write-offs during 2012/13.

Any material events after the reporting date

There have been no material events to report after the reporting date.

The impact of the current economic climate on the Authority and the services it provides:

Reduction in government grant / forecast balances

The Council's financial support from Central Government (known as the 'Revenue Support Grant') continues to fall with an anticipated cut of 23% for 2014/15. This is partially offset by an anticipated increase in the amount of National Non-Domestic Rates retention forecast.

During 2012/13 the Council invited the Local Government Association to undertake a review of the long term viability of the Council as a separate entity and their conclusion is that the Council is not

viable in the long term in its present format. The use of reserves will enable the Council to set a budget for the next 2 years but significant cuts or new ways of working will be required to be sustainable in the long term. As a result of this the Council is working with Taunton Deane Borough Council to undertake a business case exploring sharing management and service delivery.

Revenue Income and Spending in 2012/13

In February 2012, we agreed that our budget for 2012/13 would remain at £4.939m. The council tax for a Band D property was unchanged again at £132.90. The budget assumed use of £0.606m of reserves, as the amount of annual income was expected to be lower than the annual expenditure.

Savings were made in year amounting to £0.557m in anticipation of the further grant cuts in 2013/14 and this meant that after the agreed transfer from earmarked reserves there was a final underspend of £0.058m and this has increased the general fund reserve to £0.991m.

Capital Income and Spending in 2012/13

Our capital expenditure and capital financing note on page 38 shows the income and expenditure transactions we make when we:

- Buy or improve property, plant and equipment
- Finance revenue expenditure from capital under government rules, and
- Use a combination of capital receipts and borrowing to pay for it

The significant projects delivered during 2012/13 included the provision of Disabled Facilities Grants, other Private Sector Housing Grants and expenditure on the Authority's IT Infrastructure.

Future Developments

There are no specific areas of growth planned for 2013/14. The business case with Taunton Deane Borough Council may highlight some possible development areas. A bid is being made to DCLG for help with the implementation costs of the outcome of the business case.

Further Information

Further information about these accounts is available from: Corporate Finance, West Somerset District Council, West Somerset House, Killick Way, Williton, Somerset, TA4 4QA. Email:

customerservices@westsomerset.gov.uk

The rights of interested persons to view the accounts are statutorily defined and the dates on which the accounts are available for inspection are advertised in the local press and on the Council's website.

For the 2012/13 Statement of Accounts the inspection period commences on Monday 8 July 2013.



Sharon Campbell, CPFA
Section 151 Officer

Independent Auditor's Report

DRAFT

DRAFT

The Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to -

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In West Somerset that officer is the Section 151 Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has -

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Local Authority Code.

The Section 151 Officer has also -

- Kept proper accounting records which were up-to-date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Declaration by the Section 151 Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2013 and of its expenditure and income for the year ended 31 March 2013.



Sharon Campbell CPFA
Section 151 Officer

Date: 28 June 2013

Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011		931	1,067	1,452	524	3,974	1,310	5,284
Movement in Reserves during 2011/12								
Surplus (or Deficit) on the provision of services		(1,658)				(1,658)		(1,658)
Other Comprehensive Income and Expenditure		0				0	(4,254)	(4,254)
Total Comprehensive Income and Expenditure		(1,658)	0	0	0	(1,658)	(4,254)	(5,912)
Adjustments between accounting basis and funding basis under regulations	7	1,871		60	(258)	1,673	(1,673)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		213	0	60	(258)	15	(5,927)	(5,912)
Transfers to/(from) Earmarked Reserves	8	(211)	211			0		0
Increase / (Decrease) in 2011/12		2	211	60	(258)	15	(5,927)	(5,912)
Balance at 31 March 2012 Carried forward		933	1,278	1,512	266	3,989	(4,617)	(628)
Movement in Reserves during 2012/13								
Surplus (or Deficit) on the provision of services		(1,502)				(1,502)		(1,502)
Other Comprehensive Income and Expenditure		0				0	435	435
Total Comprehensive Income and Expenditure		(1,502)	0	0	0	(1,502)	435	(1,067)
Adjustments between accounting basis and funding basis under regulations	7	1,382		(217)	(50)	1,115	(1,115)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(120)	0	(217)	(50)	(387)	(680)	(1,067)
Transfers to/(from) Earmarked Reserves	8	178	(178)					
Increase / (Decrease) in 2012/13		58	(178)	(217)	(50)	(387)	(680)	(1,067)
Balance at 31 March 2013 Carried forward		991	1,100	1,295	216	3,602	(5,297)	(1,695)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with international accounting standard, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2011/12			2012/13			Notes			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000					Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,876	(3,469)	407	Central Services to the Public			3,743	(3,371)	372	
770	(105)	665	Cultural & Related Services			876	(130)	746	
2,534	(372)	2,162	Environmental & Regulatory Services			2,453	(270)	2,183	
359	(545)	(186)	Highways and Transport Services			400	(499)	(99)	
14,359	(13,535)	824	Other Housing Services			14,768	(14,093)	675	
1,883	(938)	945	Planning Services			2,616	(1,050)	1,566	
1,361	(24)	1,337	Corporate and Democratic Core			1,114	(13)	1,101	
151	0	151	Non Distributed Costs					0	
25,293	(18,988)	6,305	Costs of Services			25,970	(19,426)	6,544	
762	0	762	Other Operating Expenditure	9		867		867	
0	0	0	Other Capital Income					0	
473	(94)	379	Financing and Investment Income and Expenditure	10		604	(613)	(9)	
	(5,788)	(5,788)	Taxation and Non-Specific Grant Income	11			(5,900)	(5,900)	
		1,658	(Surplus) or Deficit on Provision of Services					1,502	
		0	(Surplus) or deficit on revaluation of fixed assets	23				(1,585)	
		4,254	Actuarial (gains)/losses on pension assets/liabilities	25				1,150	
		4,254	Other Comprehensive Income and Expenditure					(435)	
		5,912	Total Comprehensive Income and Expenditure					1,067	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves, are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses e.g. the Revaluation Reserve, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2012 £000		Notes	31 March 2013 £000
15,266	Property, Plant & Equipment	12	15,014
2,780	Investment Properties	13	3,349
20	Long-term Debtors	16	16
18,066	Long Term Assets		18,379
2,046	Assets Held for Sale	15	2,842
1,411	Short Term Debtors	17	1,217
1,860	Cash and Cash Equivalents	18	931
5,317	Current Assets		4,990
(3,273)	Short Term Creditors	19	(2,575)
(6)	Provisions	20	(3)
(3,279)	Current Liabilities		(2,578)
(3,506)	Long Term Borrowing	21	(3,506)
(16,994)	Other Long Term Liabilities	21	(18,767)
(232)	Capital Grants Receipts in Advance	21	(213)
(20,732)	Long Term Liabilities		(22,486)
(628)	Net Assets		(1,695)
(3,989)	Usable Reserves		(3,602)
4,617	Unusable reserves	22	5,297
628	Total Reserves		1,695

The unaudited accounts were issued on 28 June 2013 and the audited accounts are due to be authorised for issue by the Audit Committee on 23 September 2013.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2011/12 £000		Notes	2012/13 £000
(1,658)	Net surplus or (deficit) on the provision of services		(1,502)
3,555	Adjustments to net surplus or deficit on the provision of services for non cash movements	28	950
(277)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (See note references)	29	(87)
1,620	Net cash flows from Operating Activities		(639)
(597)	Investing Activities	31	(290)
1,023	Net increase or decrease in cash and cash equivalents		(929)
837	Cash and cash equivalents at the beginning of the reporting period	18	1,860
1,860	Cash and cash equivalents at the end of the reporting period	18	931

Notes to the Financial Statements

1 Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made for the income that might not be collected.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. West Somerset District Council will include deposits in Business Reserve Accounts in Cash Equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately,

either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the appropriate service line in the

Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Authority are members of the Local Government Pensions Scheme administered by Somerset County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Somerset County Council pension fund attributable to West Somerset are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted using the annualised yield at the 18 year point on the Merrill Lynch AA rated Corporate Bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employers liabilities.
- The assets of the Somerset County Council pension fund attributable to West Somerset are included in the Balance Sheet at their fair value and include quoted securities at current bid price and property at market value.

The change in the net pension liability is analysed into seven components:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- **Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Expected return on assets** – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- **Gains or losses on settlements and curtailments** – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve
- **Contributions paid to the Somerset County Council Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- **Loans and receivables** – assets that have fixed or determinable payments but are not quoted in an active market
- **Available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £0.010m) the Capital Receipts Reserve.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation,

revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- **A charge for the acquisition of the interest in the property** – applied to write down the lease debtor (together with any premiums received), and
- **Finance income** (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or

service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority’s status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. There are two exceptions to this:

- The expenditure incurred is below £0.002m. In such cases expenditure is charged direct to the revenue accounts.
- The asset is acquired through an operating lease when rental payments are charged to the revenue account.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use (such as purchase price; any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management).

Assets are then carried in the Balance Sheet using the following measurement basis:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- All other assets – fair value, determined as the amount that would be paid for the asset in existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. A full revaluation of Land and Buildings, Investment Properties, Surplus Assets not held for sale and Surplus Assets held for sale by a qualified valuer took place as at 31 March 2013. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Capital expenditure incurred in enhancing assets or increasing their useful life is classed as enhancing expenditure.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the assets in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the Valuer. The useful economic lives of the assets held as operational buildings, as determined by the District Valuer, range between 1 and 60 years.
- Vehicles, plant and equipment – straight-line allocation, based on the type of asset class in the balance sheet, (vehicles 5-15 years, plant 10 years and equipment 5 years)
- Infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Assets that are sold during the year are treated as if sold on 1 April and therefore do not attract a depreciation charge for the year. Assets acquired during the year attract a full years' charge.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £0.010m are categorised as capital receipts and credited to the Capital Receipts Reserve which can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. If the proceeds are £0.010m or less, they are not treated as capital receipts but are instead credited to revenue.

The written-off value of disposals is not a charge against Council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Component Accounting

Components of non-current assets do not always have the same useful lives and may depreciate or wear out at different rates throughout their life. Therefore, it is appropriate to depreciate each significant component separately over its useful life, in order that the Comprehensive Income & Expenditure Account is fairly charged with the consumption of economic benefits of those assets.

Where a significant component is expected to wear out more quickly than the overall asset, it is depreciated over a shorter period of time and any subsequent expenditure on restoring or replacing the component is capitalised (with any carrying amount of the replaced component being written off to the Comprehensive Income and Expenditure Statement).

From 1 April 2010, components will be recognised when an asset is enhanced, acquired or re-valued.

Where a component is replaced or restored, the carrying amount of the old component is derecognised.

- Land and individual buildings will be valued separately.

- Assets are deemed to be material and considered for componentisation when the cost or value in the Balance Sheet is at least £0.184m (approximately 1% of the Authority's non-current assets as at 31 March 2013)
- Each asset will be reviewed individually by the valuer to determine whether any part of a material asset has a differing useful life or method of depreciation.
- Where component spend is worth 20% of the total cost value of the asset it is deemed to be significant. Where information is not readily available to determine the value of components, a best estimate will be accounted for and detail of how the estimate was arrived at, in liaison with relevant professional advice, will be documented.

West Somerset currently does not have any Property, Plant and Equipment that meets the above criteria and therefore has not disclosed this separately.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the

Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

The materiality of the transaction has been considered before justifying inclusion in the statements. Transactions disclosed elsewhere in the statement of accounts are not cross referenced in the note. Disclosure is only required where the Council has gone beyond providing financial assistance to having a relationship with the assisted organisation that allows it to exert control over the organisation's financial and operational policies.

The Collection Fund

Billing authorities in England are required by statute to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR).

There is no requirement for a separate Collection Fund Balance Sheet as balances are distributed across the Balance Sheets of the billing authority, the Government and precepting authorities.

Further details on the Collection Fund use can be found within the notes to the Collection Fund in the Statement of Accounts.

Accounting for Council Tax

The collection of council tax income is in substance an agency arrangement, the cash collected by the Council from council tax debtors belongs proportionately to the Council and the major preceptors. There will be therefore a debtor/creditor position between the Council and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council taxpayers.

The Council Tax income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement shall be the accrued income for the year. This is

calculated by taking the demand on the Collection Fund plus the Authority's share of the carry forward surplus/deficit on the Collection Fund as at the 31 March 2013. This amount is then adjusted for the Authority's share of the surplus/deficit of 31 March 2012 that has not been distributed or recovered in the current year.

The difference between the income included in the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund in the Movement in Reserves Statement.

Accounting for National Non-Domestic Rates

The Council, as an agent on behalf of Central Government carries out the collection of National Non-Domestic Rates (NNDR). Cash collected from NNDR taxpayers by the Council (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if the cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

NNDR debtor and creditor balances with NNDR taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and are not recognised in the Council's Balance Sheet.

Heritage Assets

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

West Somerset District Council reviewed assets it holds under Community Assets and it was concluded that the Authority doesn't hold any at the present time.

2 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The adoption of amendments to the Code of Practice on Local Authority Accounting may require changes to the Council's accounting policies from 1 April 2013 in respect of the following:

IFRS 7 – Financial Instruments: Disclosures. It is unlikely that this standard will have a material effect on the Council's financial statements but will provide users of the accounts with additional information on:

- the risk and exposure relating to the transfer of financial assets; and
- the effect of these risks on the Council's financial position.

IAS 1 – Presentation of Financial Statements. This standard revises the presentation of other comprehensive income in the financial statements.

IAS 12 - Income Taxes: Deferred Taxation re Investment Properties. As the Authority is not liable to Corporation Tax, it is considered that the standard will not apply to the Council's accounts.

IAS 19 – Employee Benefits. This standard refines the existing calculation and disclosure of pension costs within the Council's financial statements. If adopted, it could mean an increase in the pension charge on the Council's Comprehensive Income and Expenditure Statement.

3 Critical Judgments in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect If Actual Results Differ From Assumptions
Pensions Liability	Estimation of the net liability to pay pension depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	As at 31 March 2013 the Pension Liability for West Somerset amounted to £18.767m. An increase over the forthcoming year of 10% in either the total number of claims or estimated average settlement would each have the effect of adding £1.877m to the provision needed.
Arrears	As at 31 March 2013, the Authority had a balance of corporate debtors of £0.250m. A review of balances suggested that an impairment allowance of £0.112m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.112m to be set aside as an allowance.

5 Material Items of Income and Expense

Included within the Comprehensive Income and Expenditure Statement there are items of income and expenditure that are considered to be material to the Authority in carrying out its duties and these are as follows:

Housing Benefit Payments and Subsidy

The Council incurs a significant proportion of its spend on benefit payments, which is funded predominantly by Government grant. Housing Benefit and subsidy payments are included within Other Housing Services on the face of the Comprehensive Income and Expenditure Statement and payments amounted to £13.265m in 2012/13 compared with £12.919m in 2011/12. Housing Benefit subsidy amounted to (£13.172m) in 2012/13 compared with (£12.864m) in 2011/12.

Council Tax Benefit Payments and Subsidy

The Council incurs a significant proportion of its spend on benefit payments, which is funded predominantly by Government grant. Council Tax Benefit and subsidy payments are included within Central Services to The Public on the face of the Comprehensive Income and Expenditure Statement and payments amounted to £3.111m in 2012/13 compared with £3.166m in 2011/12. Council Tax Benefit subsidy amounted to (£3.143m) in 2012/13 compared with (£3.196m) in 2011/12.

6 Events after the Balance Sheet Date

Since the Balance Sheet date of 31 March 2013 there have been no material events that would require an adjustment to be made to the financial statements. A further review of post balance sheet events will be conducted prior to the approval of the accounts.

7 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2012/13	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non current assets	1,155			(1,155)
Movements in the market value of Investment Properties	(509)			509
Capital grants and contributions applied	(424)			424
Revenue expenditure funded from capital under statute	539			(539)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	111			(111)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure	(47)		47	
Application of grants received in previous years			(97)	97
Adjustment involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(87)	87		
Use of the Capital Receipts Reserve to finance new capital expenditure		(304)		304
Adjustment involving the Pensions Reserve:				
Actuarial past service gain adjustment	1,129			(1,129)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(506)			506
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory	14			(14)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	7			(7)
Total Adjustments	1,382	(217)	(50)	(1,115)

2011/12	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Comparative Figures				
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non current assets	1,130			(1,130)
Capital grants and contributions applied	(258)			258
Revenue expenditure funded from capital under statute	699			(699)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	259			(259)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Capital expenditure charged against the General Fund Balance	(79)			79
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure	(13)		13	0
Application of grants to capital financing transferred to the Capital Adjustment Account			(271)	271
Adjustment involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(277)	277		
Use of the Capital Receipts Reserve to finance new capital expenditure		(217)		217
Adjustment involving the Pensions Reserve:				
Actuarial past service gain adjustment	1,029			(1,029)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(629)			629
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statements is different from council tax income calculated for the year in accordance with statutory	15			(15)
Adjustment involving the Accumulating Compensated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(5)			5
Total Adjustments	1,871	60	(258)	(1,673)

8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	Balance at 31/03/11	Transfers Out	Transfers In	Balance at 31/03/12	Transfers Out	Transfers In	Balance at 31/03/13
	£000	£000	£000	£000	£000	£000	£000
General Fund - Revenue Earmarked Reserves							
Areas Based Grant	390	(212)	41	219	(59)		160
Other Earmarked Reserves	168	(92)	184	260	(118)	135	277
Planning Performance Agreement Reserve	309	(10)	113	412	(412)		0
Seaside Towns Reserve	200	(1)		199	(103)		96
New Homes Bonus Reserve	0	(1)	74	73	(98)	219	194
DCO Reserve	0		71	71	(23)		48
Sustainability Reserve	0		44	44		281	325
Total	1,067	(316)	527	1,278	(813)	635	1,100

Area Based Grant - relates to a general grant allocated by Central Government directly to local authorities as additional revenue funding. Local authorities are free to use it as they see fit – it is not ring fenced – to support the delivery of, regional and national priorities in their areas. This includes local area agreement (LAA) targets.

Sustainability Reserve – relates to a reserve set up to finance invest to save initiatives required to reduce the Council's net revenue expenditure and increase financial sustainability.

Seaside Towns Reserve – relates to a grant allocated by Central Government to ensure coastal areas are best placed to take advantage of their natural resources and assets, historic infrastructure, and high quality of life, as well emerging green industries - to develop strong and successful local economies. This involves creating new jobs, and improving local housing.

Other Earmarked Reserves – relates to various monies set aside by the authority including Land Charges Reserve, Mortgage Rescue Programme Reserve, Economic Regeneration Reserve and Tourism Earmarked Reserve.

9 Other Operating Expenditure

2011/12 £000	2012/13 £000
776 Parish Council precepts	840
3 Levies	3
(17) (Gains)/Losses on the disposal of non current assets	24
762 Total	867

10 Financing and Investment Income and Expenditure

2011/12 £000	2012/13 £000
53 Interest payable and similar charges	53
420 Pensions interest cost and expected return on pension assets	551
(16) Interest receivable and similar income	(21)
0 Income and Expenditure in relation to investment properties and changes in fair value	(509)
(78) Other investment income	(83)
379 Total	(9)

11 Taxation and Non Specific Grant Income

2011/12 £000	2012/13 £000
(2,757) Council tax income	(2,824)
(1,933) Non domestic rates	(2,242)
(827) Non-ringfenced government grants	(363)
(271) Capital grants and contributions	(471)
(5,788) Total	(5,900)

12 Property, Plant and Equipment

The Authority undertakes a formal revaluation of its operational land and buildings, investment properties and non-operational assets every five years. The last formal revaluation was undertaken as at 31 March 2013 by Mrs Hannah Plowman MRICS at DVS, Valuation Office Agency, Quantock House, Paul Street, Taunton, Somerset, TA1 3PB.

	Land & Buildings £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Total £000	Investment Properties £000	Assets Under Construction £000	Surplus Assets Not Held for Disposal £000	Surplus Assets Held for Disposal £000	Total £000	Grand Total £000
Valued at Historic Cost		150	3,173		3,323						3,323
Valued at Current Value In:											
2012/13	9,861				9,861	3,349		1,298	2,750	7,397	17,258
2011/12			158		158				93	93	251
2010/11	101				101						101
2008/09			167	22	189						189
2005/06			18		18						18
2004/05				66	66						66
Total	9,962	150	3,516	88	13,716	3,349	0	1,298	2,843	7,490	21,206

Depreciation

Depreciation is calculated on the following bases:

- **Dwellings and other buildings** – straight-line allocation over the life of the property as estimated by the Valuer. The useful economic lives of the assets held as operational buildings, as determined by the District Valuer, range from between 1 and 60 years.
- **Vehicles, plant and equipment** – straight-line allocation, based on the type of asset class in the balance sheet, (vehicles 5-15 years, plant 10 years and equipment 5 years).
- **Infrastructure** – straight-line allocation over 25 years.

Contractual Commitments

There are currently no material contractual commitments in respect of capital expenditure.

Movement in 2012/13	Other Land & Buildings £000	Vehicles Plant & Equip £000	Infra-structure Assets £000	Community Assets £000	Non-Operational Assets £000	Total Property, plant and Equipment £000
Cost or Valuation						
At 1 April 2012	10,333	3,541	6,773	86	1,170	21,903
Additions	19	32	110	3		164
Reclassifications	3	(1)	(2)			0
Revaluation increases/(decreases) recognised in the Revaluation reserve	38	(438)			199	(201)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(405)	(178)			(11)	(594)
Derecognition - Disposals	(5)	(8)		(1)		(14)
At 31 March 2013	9,983	2,948	6,881	88	1,298	21,198
Accumulated Depreciation and Impairment						
At 1 April 2012	(432)	(3,032)	(3,173)	0	0	(6,637)
Depreciation charge	(148)	(221)	(192)			(561)
Depreciation written out to the Surplus/Deficit on the Provision of Services	558	455				1,013
Derecognition - Disposals		1				1
Other movements in Depreciation and Impairment						
At 31 March 2013	(22)	(2,797)	(3,365)	0	0	(6,184)
Net Book Value						
As at 31 March 2013	9,961	151	3,516	88	1,298	15,014
As at 31 March 2012	9,901	509	3,600	86	1,170	15,266

Comparative Movement in 2011/12	Other Land & Buildings	Vehicles Plant & Equip	Infrastructure Assets	Community Assets	Non-Operational Assets	Total Property, plant and Equipment
£000	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2011	10,258	4,141	6,634	86	1,170	22,289
Additions	225	55	139			419
Revaluation increases/(decreases) recognised in the Revaluation reserve						0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(34)	(598)				(632)
Derecognition - Disposals	(19)	(57)				(76)
Assets reclassified (to)/from Held for Sale	(97)					(97)
At 31 March 2012	10,333	3,541	6,773	86	1,170	21,903
Accumulated Depreciation and Impairment						
At 1 April 2011	(285)	(2,898)	(2,986)			(6,169)
Depreciation charge	(147)	(165)	(187)			(499)
Derecognition - Disposals		31				31
At 31 March 2012	(432)	(3,032)	(3,173)	0	0	(6,637)
Net Book Value						
As at 31 March 2012	9,901	509	3,600	86	1,170	15,266
As at 31 March 2011	9,973	1,243	3,648	86	1,170	16,120

Revaluations

The Council carries out a programme that ensures that all Property, Plant & Equipment is measured at fair value and revalued at least every five years, with the latest revaluation exercise being carried out as at 31 March 2013. All valuations were carried out externally by Mrs Hannah Plowman MRICS on behalf of the District Valuer. Valuations of land and buildings were carried out in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

13 Investment Properties

An investment property is one that is used solely to earn rentals or for capital appreciation or both.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Investment Properties Income and Expenditure	
2011/12	2012/13
£000	£000
78 Rental income from investment property	84
78 Net gain/(loss)	84

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

Movement in fair value of investment properties	
2011/12	2012/13
£000	£000
4,730 Balance at start of the year	2,780
Net gains/losses from fair value adjustments	509
<i>Transfers:</i>	
- To/from Assets Not Held For Sale	60
(1,950) - To/from Assets Held for Sale	
2,780 Balance at end of the year	3,349

14 Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Categories of Financial Instruments	Long Term		Current	
	31 Mar 2012 £000	31 Mar 2013 £000	31 Mar 2012 £000	31 Mar 2013 £000
Investment				
Loans and receivables			1,860	931
Total investment			1,860	931
Debtor				
Loans and receivables			541	510
Total debtors			541	510
Borrowings				
Financial liabilities at amortised cost	3,506			3,524
Total borrowings	3,506			3,524
Creditors				
Financial liabilities at amortised cost			2,051	1,370
Total creditors			2,051	1,370

Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2012/13	Financial Liabilities		Financial Assets	Total
	Liabilities measured at amortised cost		Loans and Receivables	
	£000	£000	£000	£000
Interest Expense		53		53
Interest payable and similar charges (note 10)		53		53
Interest Income			(21)	(21)
Interest receivable and similar (note 10)			(21)	(21)
Net gain/loss for the year		53	(21)	32

Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- Valuations use the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms. In such cases the prevailing rate of a similar instrument with a published market rate has been used as a discount factor; For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade, other receivable or creditor, the fair value is taken to be the carrying amount or the billed amount;

The fair values calculated are as follows:

		31 March 2012		31 March 2013	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	Investments	1,860	1,860	931	931
	Debtors	541	541	510	510
		2,401	2,401	1,441	1,441
Financial Liabilities at amortised cost	Borrowings	3,506	3,512	3,506	3,524
	Creditors	2,051	2,051	1,370	1,370
		5,557	5,563	4,876	4,894

15 Assets Held for Sale

	Current	
	2011/12 £000	2012/13 £000
Balance outstanding at start of the year	213	2046
<i>Asset newly classified as held for sale:</i>		
- Property, Plant and Equipment	97	122
- Investment Property	1950	
Revaluation gains		772
<i>Asset declassified as held for sale:</i>		
Asset sold	(214)	(98)
Balance outstanding at end of the year	2,046	2,842

16 Long Term Debtor

31 March 2012 £000		31 March 2013 £000
20	Other entities and individuals	16
20	Total	16

17 Short Term Debtors

31 March 2012 £000		31 March 2013 £000
371	Central government bodies	66
241	Other local authorities	407
1,189	Other entities and individuals	1,161
(390)	Impairment allowance for doubtful debt	(417)
1,411	Total	1,217

18 Cash and Cash Equivalents

31 March 2012 £000		31 March 2013 £000
71	Cash held by the Authority	53
2,254	Bank current accounts	1,287
(465)	Unpresented Cheques	(409)
1,860	Total	931

19 Short Term Creditors

31 March 2012 £000		31 March 2013 £000
0	Central government bodies	(42)
(1,306)	Other local authorities	(737)
(1,967)	Other entities and individuals	(1,796)
(3,273)	Total	(2,575)

20 Provisions

		Final Settlement: New Office Construction	Severance Costs	Total
Balance as at	1 April 2012	0	(6)	(6)
Amounts used in	2012/13			3
Balance as at	31 March 2013	0	(6)	(3)

Severance Costs - During 2010/11 the Authority carried out a restructuring exercise and as a result terminated the contracts of a number of staff. Costs in relation to this exercise were incurred and estimates were charged to the provision with an amount still outstanding as at 31 March 2013.

21 Long Term Borrowing and Other Long Term Liabilities

31 March 2012 £000		31 March 2013 £000
(3,506)	Other entities and individuals	(3,506)
(3,506)		(3,506)
(16,994)	Other Long Term Liabilities	(18,767)
(232)	Capital Grants Receipts in Advance	(213)
(20,732)	Total	(22,486)

22 Unusable Reserves

31 March 2012 £000		Notes	31 March 2013 £000
5,149	Revaluation reserve	23	6,684
7,283	Capital Adjustment Account	24	6,862
(16,994)	Pensions Reserve	25	(18,767)
27	Collection Fund Adjustment Account	26	13
(82)	Accumulating Compensated Absences Adjustment Account	27	(88)
(4,617)	Total Unusable Reserves		(5,296)

23 Revaluation Reserve

The Revaluation Reserve holds the unrealised revaluation gains, which have arisen, since 1 April 2007, from holding plant, property and equipment. Where assets, which had previously been revalued, are impaired as a result of reductions in property values, then the revaluation reserve is reduced to the extent of the value held for that specific asset.

2011/12 £000		2012/13 £000
5,202	Balance as at 1 April	5,149
0	Upward revaluation of assets	2,075
0	Downward revaluation of assets and impairment losses not posted to the Surplus on the Provision of Services	(490)
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services	1,585
(34)	Difference between fair value depreciation and historical cost depreciation	(47)
(19)	Accumulated gains on assets sold or scrapped	(3)
(53)	Amount written off to the Capital Adjustment Account	(50)
5,149	Balance as at 31 March	6,684

24 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2011/12 £000		2012/13 £000
8,493	Balance as at 1 April	7,283
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>	
(1,130)	Charges for Depreciation and impairment of non current assets	(1,155)
(699)	Revenue expenditure funded from capital under statute	(539)
(259)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(111)
(2,088)		(1,805)
53	Adjusting amounts written out of the Revaluation Reserve	50
(2,035)	Net written out amount of the cost of non current assets consumed in the year	(1,755)
	Capital financing applied in the year:	
217	Use of the Capital Receipts Reserve to finance new capital expenditure	304
258	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	424
271	Capital Grant Applied	97
79	Capital expenditure charged against the General Fund	0
825		825
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Account	509
7,283	Balance as at 31 March	6,862

25 Pensions Reserve:

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

2011/12 £000		2012/13 £000
(12,340)	Balance as at 1 April	(16,994)
(4,254)	Actuarial gains or losses on pension assets and liabilities	(1,150)
(1,029)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,129)
629	Employer's pension contributions and direct payments to pensioners payable in the year	506
(16,994)	Balance as at 31 March	(18,767)

26 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2011/12 £000		2012/13 £000
42	Balance as at 1 April	27
(15)	Amount by which council tax income credited to the Comprehensive Income and expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(14)
27	Balance as at 31 March	13

27 Accumulated Absences Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance be neutralised by transfer to or from the Account.

2011/12 £000		2012/13 £000
(87)	Balance as at 1st April	(82)
5	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(6)
(82)	Balance as at 31st March	(88)

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

2011/12 £000		2012/13 £000
499	Depreciation	561
632	Impairment and downward valuations	594
0	Revaluation of Investment Properties	(509)
2,222	(Decrease)/Increase in creditors	(607)
(236)	(Increase)/Decrease in debtors	198
259	Carrying Value of Non Current Assets Disposed	111
1,029	Movement in Pension Liability	1,129
(629)	Pension Payable for year	(506)
(247)	(Decrease)/Increase in Provision	(3)
26	(Decrease)/Increase in Capital RIA	(19)
0	Other Movements	1
3,555		950

29 Cash Flow – Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities

2011/12 £000		2012/13 £000
(277)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(87)
(277)		(87)

30 Cash Flow Statement – Operating Activities

The cash flow for operating activities includes the following items:

2011/12 £000		2012/13 £000	
16	Interest Received		21
(53)	Interest Paid		(53)

31 Cash Flow Statement – Investing Activities

2011/12 £000		2012/13 £000	
(874)	Purchase of Property, Plant & Equipment, Investment Property and intangible assets		(377)
277	Proceed from Disposal		87
(597)	Net cash flows from investing activities		(290)

32 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortizations are charged to services in the Comprehensive Income and Expenditure Statement
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to services

The income and expenditure of the Authority's principle services recorded in the budget reports for the year is as follows:

Income and Expenditure 2012/13	Housing and Economy	Corporate Director	Environment and Community	Total
	£000	£000	£000	£000
Fees, charges and other service income	(1,069)	(96)	(1,736)	(2,901)
Interest and investment income	0	(21)	0	(21)
Government grants	(16,813)	0	(3)	(16,816)
Total Income	(17,882)	(117)	(1,739)	(19,738)
Employee expenses	1,027	967	1,218	3,212
Other service expenses	17,305	697	2,853	20,855
Interest payments	0	53	0	53
Total Expenditure	18,332	1,717	4,071	24,120
Net Expenditure	450	1,600	2,332	4,382

Income and Expenditure 2011/12	Housing and Economy	Corporate Director	Environment and Community	Total
	£000	£000	£000	£000
Fees, charges and other service income	(597)	(108)	(1,835)	(2,540)
Interest and investment income	0	(16)	0	(16)
Government grants	(16,589)	0	0	(16,589)
Total Income	(17,186)	(124)	(1,835)	(19,145)
Employee expenses	913	787	1,243	2,943
Other service expenses	16,824	943	3,014	20,781
Interest payments	0	53	0	53
Total Expenditure	17,737	1,783	4,257	23,777
Net Expenditure	551	1,659	2,422	4,632

Reconciliation of Service Income and Expenditure to Service of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of services income and expenditure relate to the amounts included in the Income and Expenditure Statement

2011/12 £000		2012/13 £000
4,632	Net expenditure in the analysis	4,382
1,673	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	2,162
6,305	Cost of Services in Comprehensive Income and Expenditure Statement	6,544

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of services income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Analysis £000	Amounts not reported to management for decision making £000	Amount not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Cost of services £000
2012/13							
Fees, charges and other service income	(2,901)	(74)	450	(2,947)	(5,472)	(398)	(5,870)
Interest and investment income	(21)		21		0	(21)	(21)
Income from council tax					0	(2,909)	(2,909)
Government grants	(16,816)		50		(16,766)	(2,676)	(19,442)
Total Income	(19,738)	(74)	521	(2,947)	(22,238)	(6,004)	(28,242)
Employee expenses	3,212	78			3,290	551	3,841
Other service expenses	20,855	539	(4)		21,390		21,390
Support Service recharges				2,947	2,947		2,947
Depreciation, amortisation and impairment		1,155			1,155	(509)	646
Interest Payments	53		(53)		0	53	53
Precepts & Levies					0	843	843
Gain or Loss on Disposal of Fixed Assets						24	24
Total Expenditure	24,120	1,772	(57)	2,947	28,782	962	29,744
Surplus or Deficit on the Provision of Services	4,382	1,698	464	0	6,544	(5,042)	1,502

	Analysis £000	Amounts not reported to management for decision making £000	Amount not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Cost of services £000
Comparative Figures							
2011/12							
Fees, charges and other service income	(2,540)	282	(374)	(3,378)	(6,010)	(351)	(6,361)
Interest and investment income	(16)		16		0	(16)	(16)
Income from council tax					0	(5,516)	(5,516)
Government grants	(16,589)				(16,589)		(16,589)
Total Income	(19,145)	282	(358)	(3,378)	(22,599)	(5,883)	(28,482)
Employee expenses	2,943	16	(40)		2,919	420	3,339
Other service expenses	20,781	699	(3)		21,477		21,477
Support Service recharges				3,378	3,378		3,378
Depreciation, amortisation and impairment		1,130			1,130		1,130
Interest Payments	53		(53)		0	53	53
Precepts & Levies					0	779	779
Gain or Loss on Disposal of Fixed Assets					0	(16)	(16)
Total Expenditure	23,777	1,845	(96)	3,378	28,904	1,236	30,140
Surplus or Deficit on the Provision of Services	4,632	2,127	(454)	0	6,305	(4,647)	1,658

33 Members Allowances

2011/12 £000		2012/13 £000
77	Basic Allowance	77
64	Special Responsibility Allowance	64
12	Expenses	13
153	Allowances paid in the year	154

34 Officers Remuneration

Senior Officers emoluments – salary is between £50,000 and £150,000 per year 2012/13. The figures for 2011/12 are provided for comparison purposes.

Post Title	Year	Salary, Fee and Allowances	Expenses Allowance	Pension Contribution	Total
		£	£	£	£
Chief Executive	2011/12	62,371	405	8,093	70,869
	2012/13	62,381	340	8,093	70,814
Corporate Director	2011/12	59,594	172	7,725	67,491
	2012/13	59,594	302	7,725	67,621
Total	2011/12	121,965	577	15,818	138,360
	2012/13	121,975	642	15,818	138,435

The officers detailed in the table above are included in the numbers reported in the table below.

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

Remuneration Band	2011/12		2012/13	
	Number of employees		Number of employees	
	Total	Left During Year	Total	Left During Year
£55,000 - £59,999	1			
£60,000 - £64,999	1			
£65,000 - £69,999			1	
£70,000 - £74,999	2	2	1	

The officers leaving the Council's employment in each of the years shown above received redundancy payments that increased their remuneration for the year.

The table below shows the exit packages that employees received in compensation for redundancy.

Exit Package Cost Band (including special payments)	Number Of Compulsory Redundancies		Number Of Other Departures Agreed		Total Number Of Exit Packages By Cost Band		Total Cost Of Exit Packages In Each Band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	£100,001 - £150,000	1		0		1		£127,426
Total	1	0	0	0	1	0	£127,426	£0

35 External Audit Costs

2011/12 £000	2012/13 £000
88 Fees payable to external auditors with regards to external audit services carried out by the appointed auditor for the year	52
23 Fees payable to external auditors for the certification of grant claims and returns for the year	20
Fees payable in respect of other services provided by external auditors during the year	2
111 Total	74

36 Grant Income

Contributions and donations to the Comprehensive Income and Expenditure Statement		
	2011/12 £000	2012/13 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(597)	(43)
New Homes Bonus	(111)	(219)
Local Services Support Grant	(70)	(50)
Council Tax Freeze Grant	(49)	(49)
Capital Grants and Contributions	(65)	(71)
Section 106 Agreement		(164)
Disabled Facilities Grant	(208)	(236)
Total	(1,100)	(832)
Credited to Services		
DWP - Housing Benefit Subsidy	(12,864)	(13,172)
DWP - Council Tax Benefit Subsidy	(3,196)	(3,143)
Benefit Administration Grant	(326)	(279)
Rent Rebate Grant	(63)	(58)
NNDR Cost of Collection Grant	(74)	(73)
Homelessness Grant	(50)	
Mortgage Rescue Programme Grant	(60)	
Big Lottery	(9)	
Section 106 Agreements	(47)	
Benefit Grants	(16)	(157)
Improvement Funding	(24)	
Troubled Families		(7)
Other Grants and Contributions	(80)	(41)
Total	(16,809)	(16,930)

37 Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

	2012/13 £000
Amounts due to Central Government	47
Amounts due to other Local Authorities	737
Amounts due from Central Government	66
Amounts due from other Local Authorities	407

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Members of the Council have direct control over the council's financial and operating policies. Members are required to observe the Code of Conduct for councillors, register financial interests in the Council's Register maintained under section 81(1) of the Local Government Act 2000. There are no material related party transactions with members to disclose for 2012/13, although one member has disclosed that they are named on the lease of an Investment Property held by the Authority for which a rent of £0.019m was received during 2012/13. Another member has disclosed that he part owned a property that is used as temporary accommodation by the Authority. The total value of rent received is £0.007m.

38 Capital Expenditure and Capital Financing

2011/12 £000		2012/13 £000
7,368	Opening Capital Financing Requirement	7,658
	<u>Capital Investment</u>	
322	Property, Plant and Equipment	164
97	Assets Held for Sale	122
699	Revenue Expenditure Funded from Capital under Statute	539
	<u>Sources of finance</u>	
(217)	Capital receipt	(304)
(532)	Government Grant and other contributions	(521)
	<u>Sums set aside from revenue</u>	
(79)	Direct revenue contributions	0
7,658	Closing Capital Financing Requirement	7,658
	<u>Explanation of movements in year</u>	
290	Increase in underlying need to borrowing (unsupported by government financial assistance)	0
290	Increase/(decrease) in Capital Financing Requirement	0

39 Leases

Authority as Lessee

Finance Leases

The Authority holds a couple of assets under finance leases. The assets held under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £000	31 March 2013 £000
Land and Buildings	33	39
Total	33	39

The rents received in respect of the above assets are of a peppercorn nature and therefore no liability has been recognised.

Operating Leases

The Authority has entered into various operating leases. The future minimum lease payments due under non-cancellable leases in future years are as follows

	2011/12 £000	2012/13 £000
Not later than one year	107	90
Later than one year and not later than five years	168	162
Later than five years	220	180
	495	432

The expenditure charged to the Comprehensive Income and Expenditure Statement during 2012/13 in relation to these leases was £0.090m.

Authority as Lessor

Finance Leases

Shutgate Meadow Scheme, Williton

No debtors have been included in respect of the Shutgate Meadow scheme due to the fact that the rentals paid are of a peppercorn nature. The Authority's interest in the said scheme comprises the Freehold of four purpose-built one-bedroom flats and associated gardens, access and car parking provision. The four flats are all currently owner-occupied on a Leasehold basis and the Council remains liable for the Buildings Insurance on the block (for which it re-charges the owners of each flat). When the properties are sold, they are done so on a private basis by the owners and are not subject to re-purchase by the Council. Due to planning restrictions they can only be sold in line with the Councils Affordable Home Ownership Policy (i.e. at a discount of 75% of Open Market Value and to purchasers with a local connection and a gross household income not exceeding £35,000 per annum).

Clanville Housing Scheme, Minehead

No debtors have been included in respect of the Clanville Grange scheme due to the fact that the rentals paid are of a peppercorn nature. In July 2010 the Council adopted a revised Affordable Home Ownership Policy that means in future it will continue to be required to re-purchase (at a discounted price) when owners wish to sell the properties but a Deed of Pre-emption enables the Authority to recoup 30% of the uplift in value - or bear 30% of any loss in value.

Land at Vulcan Road, Minehead

No debtor has been included in respect of the 999-year lease of land at Vulcan Road, Minehead, due to the fact that the premium paid to West Somerset District Council during 2009/10 in recognition of the disposal, extinguished the debtor liability immediately.

Operating Leases

The Authority leases out various properties under operating leases for the following purposes:

- For the provision of community services, such as tourism services
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments due to West Somerset District Council under non-cancellable leases in future years are as follows:

	2011/12 £000	2012/13 £000
Not later than one year	124	151
Later than one year and not later than five years	271	389
Later than five years	2,298	2,634
	2,693	3,174

40 Impairment Losses

During 2012/13 an exercise was undertaken in relation to the value of the Authority's IT assets. Historically during the implementation of major IT projects additional costs had been capitalised as part of the overall project and therefore included in the value of the asset. Results of this exercise have meant that an amount of £0.178m has been removed from the value of IT assets resulting in an impairment charge being made within the 2012/13 Statement of Accounts.

Other impairment losses have been recorded, where applicable, following the formal revaluation exercise undertaken on the Authority's asset base, carried out by Mrs. Hannah Plowman on behalf of the Valuation Office as at 31 March 2013.

41 Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

The Local Government Pension Scheme, administered locally by Somerset County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to retirement benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Transactions Relating to Post Employment Benefits	2011/12 £000	2012/13 £000
Comprehensive Income and Expenditure Statement		
<u>Cost of services:</u>		
- Current service cost	436	578
- Settlements and curtailments	173	0
<u>Financing and Investment Income and Expenditure:</u>		
- Interest cost	1,548	1,477
- Expected return on scheme assets	(1,128)	(926)
Total Post Employment	1,029	1,129
<u>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</u>		
- Actuarial gains and losses	(4,254)	(1,151)
Total Post Employment Benefit Charged to the Income and Expenditure Statement	(4,254)	(1,151)
Movement in Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(1,029)	(1,129)
<u>Actual amount charged against the General Fund balance for pensions in the year:</u>		
- Employers contributions payable to scheme	629	506

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2013 a loss of £9.025m and at 31 March 2012 was a loss of £7.874m.

Assets and Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

Reconciliation of present value of the scheme liabilities	Funded liabilities: Local Government Pension Scheme	
	2011/12 £000	2012/13 £000
Opening balances as at 1 April	28,635	32,651
Current service cost	436	578
Interest Cost	1,548	1,477
Contributions by scheme participants	145	151
Actuarial gains and losses	3,447	2,630
Benefits Paid Out	(1,641)	(1,148)
Curtailments	173	0
Unfunded Pension Payments	(92)	(96)
Closing balance as at 31 March	32,651	36,243

Reconciliation of fair value of scheme assets:

Reconciliation of Fair Value of the Scheme Assets	2011/12	2012/13
	£000	£000
Opening balances as at 1st April	16,295	15,657
Expected rate of return	1,128	926
Actuarial gains and losses	(807)	1,479
Employer contributions	629	506
Contributions by scheme participants	145	151
Benefits paid	(1,733)	(1,243)
Closing balance as at 31st March	15,657	17,476

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £2.405m (2011/12 £0.321m).

Scheme History	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Present value of liabilities:	(21,988)	(32,592)	(28,635)	(32,651)	(36,243)
Fair value of assets in the Local Government Pension Scheme	11,613	15,557	16,295	15,657	17,476
Surplus/(deficit) in the scheme:	(10,375)	(17,035)	(12,340)	(16,994)	(18,767)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £18.767m has an impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall negative balance on the balance sheet of £1.695m. However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The above liability is split between funded obligations (£17.287m) and unfunded obligations (£1.480m).

The total projected contribution the Council expects to make to the Local Government Pension Scheme in the year to 31 March 2014 is £0.411m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels etc. The County Council administered pension fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Fund are based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been as follows:

Basis for Estimating Assets and Liabilities	Local Government Pension Scheme	
	2011/12	2012/13
<u>Long-term expected rates of return on:</u>		
- Equity investments	6.6%	6.3%
- Gilts	3.3%	3.0%
- Other Bonds	4.6%	4.1%
- Property	5.7%	5.4%
- Cash	3.0%	0.5%
<u>Longevity at 65 for current pensioners</u>		
- Men	20.0	20.1
- Women	24.0	24.1
<u>Longevity at 65 for future pensioners</u>		
- Men	22.0	22.1
- Women	25.9	26.0
Rate of inflation - RPI	3.3%	3.3%
Rate of inflation - CPI	2.5%	2.5%
Rate of increase in salaries	4.7%	4.7%
Rate of increase in pensions	2.5%	2.5%
Rate for discounting scheme liabilities	4.6%	4.2%

An assumption has been made that 50% of retiring members will opt to increase their lump sums to the maximum allowed.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2011/12	2012/13
Equities	71%	72%
Gilts	6%	8%
Other bonds	13%	11%
Property	9%	8%
Cash	1%	1%
Total	100%	100%

History of experience gains and losses

The actuarial gains/losses identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09		2009/10		2010/11		2011/12		2012/13	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	(5,304)	(45.7)	3,263	21.0	7	0.0	(807)	(5.2)	1,479	8.5
Experience gain and losses on liabilities	0	0.0	0	0.0	612	2.1	0	0.0	(35)	(0.1)

42 Contingent Liabilities

Clanville Housing - The Council continues to maintain its adopted Low Cost Home Ownership Scheme in respect of Clanville Grange in Minehead. As at 31 March 2013 the Council owned one such property, 21 Clanville Grange for which it paid £0.093m. In July 2010 the Council adopted a revised Affordable Home Ownership Policy. In future it will continue to be required to re-purchase (at a discounted price) when owners wish to sell the properties but a Deed of Pre-emption enables the Authority to recoup 30% of the uplift in value - or bear 30% of any loss in value. N.B. this new arrangement will not apply when properties are sold to a current owner stair casing up within the scheme when properties will be re-purchased at open market value minus the original discount applied.

Land Charges - In common with other Authorities there is a possibility that the council may face legal action over the fees it has charged for certain services that it provides under land charges.

There is no certainty at this stage that there will be financial implications.

Municipal Mutual Insurance - In 1992/93 the Council's then insurer, Municipal Mutual Insurance Limited, ceased accepting new business and the Council was obliged to make new arrangements for insurance. A number of claims were outstanding at that time and, in common with many other local authorities, this Council joined in a scheme of arrangement to meet all outstanding claims. On 28 March 2012 the Supreme Court ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma. West Somerset Council is listed as Scheme Creditors party to the contingent Scheme of Arrangement sanctioned by the Court in January 1994. Municipal Mutual Insurance may therefore ask for West

Somerset to pay a percentage of the paid out figure and may also ask for the same percentage figure as further claims are paid. It is not possible at this point in time to predict with any accuracy the potential contribution the Council may be required to pay.

43 Contingent Assets

Hinkley Point C - Of the £28.000m mitigation monies in respect of the Hinkley Point C site preparation project, the largest part of this, some £17.000m, is due to be paid to West Somerset District Council upon commencement of earthworks at the Hinkley Point site. The Council, EDF Energy and Government remain hopeful that the project will proceed in earnest next financial year (2014/15). All contributions which have been due have been paid on time and in full to date. Any contributions which have been spent and/or distributed by the Council have been in accordance with the approval sought and received from Cabinet or Council following discussion at either the Councils internal Planning Obligations Group or the Planning Obligations Board which involves Sedgemoor District Council, Somerset County Council and EDF Energy. The joint board has been established in accordance with the legal agreement to consider and make recommendations to West Somerset's Cabinet and Council about projects to be funded from around £10.000m of contributions relating to Community Impact Mitigation, Housing and Economic Development. This is likely to result in funding being made available to a range of both public and community-led projects.

44 Nature and Extent of Risks Arising From Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 21 March 2012 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2012/13 was set at £10.0m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £7.50m. This is the expected level of debt and other long-term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 100% based on the Council's net debt.

The Finance Team implements these policies. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The full Investment Strategy for 2012/13 was approved by Full Council on 21 March 2012 and is available on the Council's website. Full Council approved the current strategy on 27 March 2013.

The Council does not generally allow credit for its customers. The total Authority debt due can be shown by the aged debt analysis as follows:

	31 March 2012	31 March 2013
Less than three months	95,900	97,800
Three to six months	59,400	26,600
Six months to one year	76,200	65,200
More than one year	562,500	523,000
Total	794,000	712,600

At the beginning of 2012/13 the provision for impairment of sundry debts (excluding council tax) stood at £0.352m. The Authority has now made a provision for impairment of sundry debts of £0.376m in the 2012/13 accounts, which is an overall increase of £0.024m. The revised level of provision has been reviewed in light of the current economic conditions.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB (Public Works Loan Board) and money markets for access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity risk

The Council maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The maturity analysis of financial liabilities is as follows:

	31 March 2012	31 March 2013	Notes
Public Works Loans Board	3,500	3,500	Repayable in Feb 2014
Total	3,500	3,500	

Market risk - Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be immaterial.

Market Risk - Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Market Risk - Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to Local Authorities and the Government of council tax and non-domestic rates.

2011/12 £000		Notes	2012/13 £000
	Income		
(9,551)	Business Rates	45	(10,241)
(18,361)	Council Tax		(18,666)
(3,166)	Council Tax Benefits : Transfer from General Fund		(3,111)
(31,078)	Total Income		(32,018)
	Expenditure		
	<u>Precepts and Demand:</u>		
15,154	- Somerset County Council	48	15,189
2,479	- Police & Crime Commissioner for Avon & Somerset	48	2,485
1,059	- Devon and Somerset Fire and Rescue Authority	48	1,093
1,961	- West Somerset District Council	48	1,965
776	- Parish Councils	48	840
	<u>Business Rates</u>		
9,476	- Payment to National Pool	45	10,167
75	- Costs of Collection	45	74
	<u>Bad and doubtful debts/appeals</u>		
16	- Write offs - Council Tax		56
40	- (Decrease)/Increase in provision for bad debts - Council Tax		0
	<u>Distribution of Council Tax element of surplus on fund:</u>		
116	- Somerset County Council		184
19	- Police & Crime Commissioner for Avon & Somerset		30
8	- Devon and Somerset Fire and Rescue		13
20	- West Somerset District Council		33
31,199	Total Expenditure		32,129
121	Deficit / (Surplus) for the year		111
(329)	(Surplus) / Deficit brought forward		(208)
(208)	(Surplus) / Deficit carried forward		(97)

45 Business Rates

2011/12 £		2012/13 £
31,447,551	Total non-domestic rateable value at end of year (31 March)	31,400,231
43.3p	National non-domestic rate multiplier for the year	45.8p
42.6p	Small business non-domestic rate multiplier for the year	45.0p

2011/12 £000		2012/13 £000
13,631	NDR Debit (Gross)	14,381
(4,080)	Allowances and other adjustments	(4,140)
9,551	Contribution to the NDR National Pool (Gross)	10,241
	<u>Reduction in the impairment allowance for doubtful claims</u>	
(75)	Cost of collection allowance	(74)
9,476	Contribution to the NDR National Pool (Net)	10,167

46 Council Tax Base

Band	Chargeable Dwellings	Conversion Factor	Band D Equivalent	Income £000
A	2,224	6/9	1,483	2,163,151
B	3,313	7/9	2,577	3,759,416
C	3,214	8/9	2,857	4,168,087
D	2,958	9/9	2,958	4,315,604
E	1,629	11/9	1,991	2,904,789
F	1,155	13/9	1,668	2,434,032
G	605	15/9	1,008	1,471,118
H	40	18/9	80	116,717
	15,138		14,622	21,332,913

47 Council Tax Amount (Band D)

2011/12 £		2012/13 £
1,027.30	Somerset County Council	1,027.30
168.03	Police & Crime Commissioner for Avon & Somerset	168.03
71.77	Devon and Somerset Fire and Rescue Authority	73.92
132.90	West Somerset District Council	132.90
52.63	Parish/Town Councils	56.81
1,452.63	Total	1,458.96

48 Precepts and Demands

2011/12 £000		2012/13 £000
15,154	Somerset County Council	15,189
2,479	Police & Crime Commissioner for Avon & Somerset	2,484
1,059	Devon and Somerset Fire and Rescue Authority	1,093
1,961	West Somerset District Council	1,965
776	Parish/Town Councils	840
21,429	Total	21,571

49 Allocation of Year End Surplus

2011/12 £000		2012/13 £000
146	Somerset County Council	68
24	Police & Crime Commissioner for Avon & Somerset	11
11	Devon and Somerset Fire and Rescue Authority	5
27	West Somerset District Council	13
208	Total	97

Annual Governance Statement

Scope of responsibility

West Somerset District Council (WSDC) 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.

WSDC 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, WSDC 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.

WSDC 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 WSDC 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 its 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 WSDC'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 WSDC for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

The governance framework

The key elements of WSDC'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 and vision for West Somerset District Council
- Service Plans are clearly linked to the Corporate Plan and Medium-Term Financial Plan. They identify the performance measures and targets that will be used to ensure the services achieve the agreed objectives. Performance is reported quarterly
- The Council approved a treasury management strategy and an annual investment strategy during the year, which included its prudential indicators, in accordance with the CIPFA code
- The Authority is a statutory member of the Safer Somerset Community Safety Partnership which has a Community Safety Partnership Plan and works in partnership with other public bodies to tackle crime and disorder together with anti-social behaviour; drug and alcohol abuse; re-offending and environmental harm
- The Council is currently working on a business case, with Taunton Deane Borough Council, to explore the potential benefits of sharing management and service delivery

Core Principle 2: Members and Officers work together to achieve a common purpose with clearly defined functions and roles:

- The roles and responsibilities of the Cabinet, Scrutiny Committee, Members in general and senior officers are clearly set out within the Council's constitution
- The Council's Chief Financial Officer (CFO) is currently seconded on a part-time basis from Somerset County Council
- The Chief Financial Officer is a Chartered Public Finance Accountant, and is responsible for maintaining a robust system of internal control
- The Council's Corporate Management Team (CMT) meet weekly, covering both strategic and operational items
- Regular weekly meetings between the Leader and Chief Executive in order to maintain a shared understanding of roles and objectives
- Portfolio Holders meet at least monthly with their appropriate lead officers to discuss current and future issues affecting the services and the public and to monitor performance under the service planning framework.
- There is a clear scheme of delegation for officers and Members within the Constitution
- The Council has robust financial planning processes, including the preparation of a medium-term financial plan and an annual budget that is monitored regularly throughout the year
- The Chief Executive's annual 'Personal Development Review' where clear priorities and targets are set is undertaken by the Leader of Council, the Lead Member for Finance & Resources and the Leader of the Democratic Alliance.
- The Corporate Management Service Plan contains the priority to ensure that CMT monitors its responsibilities under the governance arrangements on a quarterly basis and identify any exceptions. The Corporate Director has drafted a checklist to assist with this monitoring.

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 Standards Advisory Committee promotes high standards of behaviour by members, reviewing policies and laws relating to members' behaviour. The committee consists of three district councillors, three town/parish councillors and three independent members, one of whom is chairman, to demonstrate independence and objectivity.
- During 2012/13, two formal complaints against councillors under their Code of Conduct were received or being processed, one of which has been completed and one is still ongoing.

- Managers are responsible for making sure members of staff keep to policies, procedures, laws and regulations. The financial management of the Council is conducted in accordance with its financial regulations and contract standing orders – part of the constitution and updated in each year.
- 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 Accountancy (CIPFA).

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

- 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 latest review being undertaken by full Council in March 2013.
- 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 and monitored
- In order to ensure that day-to-day business of the Council considers risk within its decision-making processes each committee report must include risk management comments to help inform members' decisions. All high risks are recorded within the central risk register and all other risks are managed within the service plans
- 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.
- The Council has an effective internal audit function provided by SWAP
- Regular budget monitoring reports are sent to budget holders; monthly reports are made to Corporate Management Team and quarterly reports to members through the performance report
- The CFO/Section 151 Officer has direct access to the Chair of Audit Committee and the Authority's external auditors.
- The CFO/Section 151 Officer meets the Chief Executive weekly
- All transactions over £500 are published on the internet for public perusal, as is senior management remuneration

Core Principle 5: developing the capacity and capability of Members and Officers to be effective in their roles:

- The Council has a performance 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
- Job descriptions are in place for all posts
- There is a new Member induction programme and Members have the opportunity to attend appropriate training courses/workshops.
- All service managers are currently undertaking training provided by the Institute of Leadership and Management

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

- Area panels ensure local accountability and local access – these are attended by the Chief Executive or Corporate Director
- An annual customer satisfaction survey is sent to all households and its findings influence future service and budget planning.
- Customer complaints/compliments are regularly monitored and feed into service delivery.
- As a result of budget savings proposed by the Cabinet, representations were received from a number of organisations that were potentially impacted by the proposals.
- A summarised Statement of Accounts is available on the Council's website
- Regular 'under the spotlight' staff briefings undertaken by the Chief Executive

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 District 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 SWAP, the Council's internal auditors, and the Corporate 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:

- 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 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 Plans. It also has a call in role for any service that receives a "partial" or "no assurance" audit opinion
- Internal Audit through SWAP is responsible for monitoring the quality and effectiveness of systems of internal control. The Audit Service has a charter approved by the Council and there are no restrictions on the scope of their work. A risk model is used to formulate the plan and approved by the Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the service lead officer with copies to the relevant Corporate Manager and the Section 151 Officer. All audit reports include an 'opinion' that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports include recommendations for improvement that are detailed in an action plan that is agreed with the service lead officer
- 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
- The Council's Financial Regulations are kept under continuous review and revised annually – the last review was approved in December 2012
- All members of CMT have completed and signed a Statement of Internal Control

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

Significant governance issues

The Council’s vision is “To enable people to live, work and prosper in West Somerset”.

The compilation of the Business Case on shared working with Taunton Deane Borough Council poses a challenge to the Authority as it seeks to keep governance separate whilst joining management and service delivery. The objective is to maintain local democracy and accountability. This will require clear parameters to be set and clarity on working arrangements within any shared service. A dedicated project team has been set up and arrangements made to support this where necessary.

With the possible Hinkley Point development there is an objective to maximise opportunities for communities whilst also protecting the local community. Staff have been appointed on fixed term contracts to support the work being undertaken in for example housing, planning and tourism. Regular reports are taken to Council on the governance and progress of the project.

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 District Council:

Signed:

Leader of the Council

Signed:.....

Chief Executive

Glossary of Terms

Local Government, in common with many specialised activities, has developed over the years its own unique set of terms and phrases.

This glossary helps to identify some of those terms and phrases (more often than not abbreviated in common usage to initial letters only), which will be found in this statement.

Accruals

are one of the main accounting concepts and ensures that income and expenditure are shown in the accounting period that they are earned or incurred, not as money is received or paid.

Accumulated Absences Account

is the account that holds the differences between the amounts debited or credited to the Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts debited and credited to the General Fund in accordance with the statutory regulations relating to accruals made for the cost of holiday entitlements earned by employees but not yet taken before the year end.

Apportionment

is the mechanism for allocating the cost of support services to front line and other services using appropriate bases to spread the cost fairly.

Asset

is something that West Somerset owns that has a monetary value. Assets are either 'current' or 'non-current'.

- Current assets are assets that will be used, or will cease to have material value, by the end of the next financial year (e.g. debtors)
- Non-current assets provide West Somerset benefits for a period of more than one year.

Assets Held for Sale

are assets where it is expected that the carrying amount is going to be recovered principally through a sale transaction rather than continued use.

Audit of Accounts

is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and the codes of practice have been followed.

Balances

is the accumulated surplus of revenue income over expenditure.

Balance Sheet

is a financial statement summarising the Council's assets, liabilities and other balances at the end of each accounting period.

Best Value

is the Government's legislative framework for ensuring that local authorities have set up arrangements to secure sustained improvement in quality and cost of local service provision. It imposes two new duties: the Duty of Best Value and the Duty to Consult. The onus is on the local authorities to demonstrate they are achieving Best Value rather than on Central Government to prescribe it. It replaced Compulsory Competitive Tendering legislation on 1 April 2000.

Budget

is a financial statement that expresses an organisation's service, delivery plans and capital programmes in monetary terms.

Capital Adjustment Account

is a reserve created from the balances on the Capital Financing Account and Fixed Asset Restatement Account as at 31 March 2007. This account will continue to record the consumption of historic cost over the life of the asset and Revenue Expenditure Funded from Capital under Statute over the period that the authority benefits from the expenditure. The account will also record the resources set aside to finance capital expenditure.

Capital Charges

represent the cost to services for the use of non-current assets in the provision of their services; the charges reflect depreciation and impairment.

Capital Contributions/Grants

are monies received from external bodies towards the financing of capital expenditure on a particular service or scheme.

Capital Expenditure (Outlay)

is on the acquisition of a non-current asset that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing non-current asset.

Capital Financing Charges

represent, in the main, the cost to the Capital Financing Reserve of repaying loans, excluding interest, or the direct cost of acquiring assets, etc, in the year.

Capital Programme

is a financial summary of the capital schemes that West Somerset intends to carry out over a specified time period.

Capital Receipts

are the proceeds from the sale of capital assets; they are available to repay debt on existing assets and/or to finance new capital expenditure within rules set by the Government.

Carry Forwards

are unspent revenue budget approvals, which the district executive committee is able to transfer into the following financial year.

Cash Equivalents

are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash Flow Statement

summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Central Government Grants

comprise three types:

- Grants paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose. Revenue Support Grant (RSG), New Homes Bonus and Area Based Grant (ABG) – RSG makes up the difference between expenditure at the formula spending share and the amount, which would be collected in council tax for that level of expenditure and the amount of non-domestic rate redistributed. ABG is a general grant allocated directly to local authorities as additional revenue funding to areas. New Homes Bonus is to reward local authorities for improved delivery of housing and other planning outcomes as part of their strategic place shaping role and to provide more support to communities and local councils who are actively seeking to deliver new homes.
- Specific service grants – grants in aid of services in which central government have a more direct involvement.
- Supplementary grants – grants in aid of both capital and revenue

CIPFA

is the Chartered Institute of Public Finance and Accountancy.

Code

is the Code of Practice of Local Authority Accounting that is generally based upon those accounting principles that are incorporated within approved accounting standards, modified to reflect the statutory framework in which local authorities operate. The Code states which accounts should be published as part of the Statement of Accounts, and the information to be included in each account.

Collection Fund

are separate funds recording the expenditure and income relating to council tax, non-domestic rates and residual community charge.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the Authority's share of the Collection Fund Surplus or Deficit.

Community Assets

are those assets held in perpetuity and which have no determinable useful life and there are often restrictions regarding their sale.

Component Accounting

is when significant components of non-current assets are depreciated separately over their useful life.

Comprehensive Income and Expenditure Statement (CIES)

consolidates all the gains and losses experienced by an authority during the financial year.

Consistency

is one of the fundamental accounting concepts. It requires accountants to treat similar items of income and expenditure the same way - both within an accounting period and from one accounting period to the next.

Corporate and Democratic Core

comprises all activities, which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Creditors

are amounts of money West Somerset owes to others for goods and services that they have supplied in the accounting period but not paid for.

Debtors

are amounts of money others owe to West Somerset for goods and services that they have received but have not paid for by the end of the accounting period.

Depreciation

is a charge made to the revenue account each year that reflects the reduction in the value of land, property, plant, ICT equipment and machinery used to deliver services.

Derecognition

is the term used for the removal of a financial instrument from the balance sheet. This will normally occur when the contractual rights to the cash flows arising from the instrument expire or are transferred.

Earmarked Revenue Reserves

are amounts set aside from revenue to meet particular spending needs, including funding capital projects.

Effective Interest Rate

is the rate of interest that will discount all the cash flows that will take place throughout the expected life of a financial instrument down to the fair value of the instrument calculated at initial measurement.

Emoluments

Are the cash payments or payments in-kind an employee is entitled to. Pension contributions are not an emolument.

Employment Costs

are the salaries and wages etc, of staff including expenditure on training and the costs of redundancy.

Fair Value (Financial Instruments)

is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. If available, this will be a published price quotation in an active market; otherwise, alternative valuation techniques will be employed.

Fair Value (Tangible Assets)

is the price at which an asset could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase of use of that asset.

Fees and Charges

are the income raised by charging for the use of facilities or services.

Finance Leases

are those leases, which transfer substantially the benefits and risks of ownership of the asset that is being leased to the party who is leasing the asset.

Financial Instruments

are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. In practice these include bank deposits, loans, investments, borrowings and other receivables or payables.

Financing Transactions

relate, in the main, to interest payments and receipts associated with the management during the year of the Council's cash flow and reserves.

General Fund Balance

compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Government Grants

are made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general.

Housing Benefits

is the national system for giving financial assistance to individuals towards certain housing costs. West Somerset District Council administers the scheme for West Somerset residents. The Government subsidises the cost of the service.

Impairment

is the reduction in the value of a non-current asset as shown in the balance sheet to reflect its true value.

Income

is the amount, which the Council receives, or expects to receive, from any source; service committee revenue income includes grants, sales, rents and fees and charges.

Infrastructure

are those assets, which do not have a realisable value and include roads and footpaths.

Internal Service Recharge

Is a recharge from a department that provides professional and administrative support to other internal services.

IFRS

is an International Financial Reporting Standard advising the accounting treatment and disclosure requirements of transactions so that an authority's accounts 'present fairly' the financial position of the authority.

Investment

is the lending of surplus money to another party in exchange for interest.

Investment Property

is property held exclusively for revenue generation or for the capital gains that the assets is expected to generate.

Liability

must be included in the financial statements when West Somerset District Council owes money to others. There are different types of liability: -

- A current liability is a sum of money that will or might be payable during the next accounting period. e.g. creditors or cash overdrawn.
- A deferred liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

Liquid Resources

are current assets, which are readily convertible into cash at, or close to its carrying amount.

Loans and Receivables

are financial instruments that have fixed or determinable payments and are not quoted in an active market.

Long-term Investments

are those, which are intended to be held on a continuous basis for the activities of the authority.

Materiality

is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

Minimum Revenue Provision

is the sum required to be met from revenue under current capital controls to provide for the repayment of outstanding borrowings; additional sums may be voluntarily set aside.

Movement in Reserves Statement (MIRS)

shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' and 'unusable reserves'.

National Non-Domestic Rate (NNDR) Income (also known as Business Rates)

Business Rates are collected locally, pooled nationally and then redistributed to all local authorities on a population basis.

Net Book Value

is the Balance Sheet amount of non-current assets and represents their historical cost or current replacement value less cumulative depreciation provisions.

Net Current Replacement Cost

is the cost of replacing an asset in its existing condition and use.

Net Realisable Value

is the open market value of an asset in its existing use net of the potential expenses of sale.

Non-Current Asset

is an item of worth, which is measurable in monetary terms and provides benefit for more than the period of account – see also Capital Expenditure.

Non-Current Asset Held for Sale

is a non-current asset that becomes available for sale and it is probable that the carrying amount of that asset will be recovered through a sale transaction rather than through its continuing use.

Non-operational Assets

are those assets, which are not directly used in the provision of services and mainly comprise those assets, which are surplus to requirements and held pending disposal.

Operational Assets

are those assets e.g. land and buildings, used in the direct provision of services.

Operating Leases

are all leases, which are not finance leases.

Other Operating Costs

includes expenditure on buildings, fuel, light, rent, rates, and purchase of furniture and equipment.

Precept

is the means by which Somerset County Council; Police and Crime Commissioner for Avon and Somerset; Devon and Somerset Fire and Rescue Authority and the parishes obtain their revenue income from the District Councils' Collection Fund.

Provisions

are amounts set aside to meet costs which are likely or certain to be incurred, but are uncertain in value or timing.

PWLB

is the Public Works Loan Board, a Government agency that lends money to the public sector.

Prudence

is one of the main accounting concepts. It ensures West Somerset District Council only includes income in its accounts if it is sure it will receive the money.

Rateable Value

is the annual assumed rental value of a property that is used for business purposes.

Related Parties

are when at any time during the financial period:-

- One party has direct or indirect control of the other party
- The parties are subject to common control from the same source
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests.

Related Party Transaction

is the transfer of assets or liabilities, or the performance of services by, to or for a related party irrespective of whether or not a charge is made.

Remuneration

includes taxable salary payments to employees, together with non-taxable payments on termination of employment (including redundancy, pension enhancement payments, and pay in lieu of notice), taxable expense allowances and any other taxable benefits.

Reserves

result from the accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at West Somerset's discretion.

Residual Value

is the value of an asset at the end of its useful life.

Revaluation Reserve

is a new reserve, which records the unrealised revaluation gains, arising since 1 April 2007 from holding non-current assets. Previously such gains were credited to the Fixed Asset Restatement Account.

Revenue Expenditure

is the day-to-day spending on salaries, maintenance of assets, purchase of stationery etc after deducting income such as fees and charges.

Revenue Expenditure Funded Capital under Statute

are capital grants made by West Somerset to another organisation or person. This counts as capital expenditure but it does not create an asset that belongs to West Somerset District Council. The expenditure is charged to the balance sheet, but it is then reversed out through the Capital Adjustment Account to the revenue account.

Revenue Support Grant

is a general grant paid by the Government to local authorities as a contribution towards the cost of their services.

Usable Reserves

are reserves that can be applied to fund expenditure or reduce local taxation.

Report Number: WSC 87/13
Presented by: Sharon Campbell
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Report to a Meeting of: Audit Committee
To be Held on: 19th July 2013
Date Entered on Executive Forward Plan Or Agreement for Urgency Granted: Not applicable

ANNUAL REVIEW OF INTERNAL AUDIT

1. PURPOSE OF REPORT

- 1.1 To inform the Audit Committee of the recent review of the effectiveness of the delivery on Internal Audit through SWAP (South West Audit Partnership) during 2012/13

2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 None.

3. RECOMMENDATIONS

- 3.1 That the Audit Committee notes the findings of the review.

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
<i>The Authority has in place suitable internal audit arrangements</i>	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.

5. BACKGROUND INFORMATION

- 5.1 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.
- 5.2 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 2012-13, which will be published as part of the Council's Statement of Accounts in September 2013.
- 5.3 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.

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 Audit 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.

5.4 Compliance With PSIAS and Local Government Application Note

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.

The Audit Charter for 2012-13 was approved by the Audit Committee in February 2012 under the previous Code of Practice. 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.

The Review of SWAP

The section 151 officer has undertaken the review on behalf of West Somerset Council and the findings have been reported to the Corporate Management Team. Evidence was obtained from the following sources:

- Annual report
- Audit Plan
- Audit reports
- Key performance measures and service standards
- The annual report from the authority's external auditor covering the reliance placed on internal audit work.

Performance

Performance Measurement	2008/09	2009/10	2010/11	2011/12	2012/13
Audits completed in year compared to plan	13 out of 14 (93%)	26 out of 29 (90%)	26 out of 27 (96%)	24 out of 26 (92%)	30 out of 31 (97%) with 1 ongoing
Managed audits completed in year compared to plan	100%	100%	100%	100%	100%
Cost to WSC of internal audit	£85,290	£85,290	£76,890	£68,300	£68,490
Customer satisfaction	No feedback provided by WSC	95% (only 2 responses)	83%	83%	84%

6. FINANCIAL/RESOURCE IMPLICATIONS

6.1 None.

7. SECTION 151 OFFICER COMMENTS

7.1 It is the opinion of the section 151 officer that the system of internal audit is effective.

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 relation to this report.

10. CONSULTATION IMPLICATIONS

10.1 None in relation to this report.

11. ASSET MANAGEMENT IMPLICATIONS

11.1 None in relation to this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

12.1 None in relation to this report.

13. LEGAL IMPLICATIONS

13.1 None in relation to this report.

Report Number: WSC 92/13
Presented by: Steve Plenty, Deputy Section 151 Officer
Author of the Report: Steve Plenty
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Report to a Meeting of: Audit Committee
To be Held on: 19th July 2013
Date Entered on Executive Forward Plan N/A
Or Agreement for Urgency Granted:

DEBT ANALYSIS – AS AT 31 MARCH 2013

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 2013.

2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 None.

3. RECOMMENDATIONS

- 3.1 That Audit Committee note the information contained within the report.

4. RISK ASSESSMENT (IF APPLICABLE)

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 st 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.

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.
- 5.2 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.
- 5.3 Therefore set out below are details of the different streams of debt owed to the Authority as at 31st March 2013, comparing this to what was outstanding at as 31st March 2012 (the previous year).

Corporate Debts

Age of debt	Amount Outstanding As At 31 Mar 2013 (£)	Amount Outstanding As At 31 Mar 2012 (£)
Less than 3 months	87,963	80,380
3 to 6 months	3,920	37,776
6 months to 1 year	26,244	17,316
Over 1 year	131,040	124,067
Total	249,167	259,539

Housing Benefit Debts

	Amount Outstanding As At 31 Mar 2013 (£)	Amount Outstanding As At 31 Mar 2012 (£)
Debts being recovered from ongoing entitlement to housing benefit	168,217	148,067
Debts being recovered from former claimants	289,858	273,241
Total outstanding	458,075	421,307

Council Tax Debts

Year from 1 April	Amount Outstanding As At 31 Mar 2013 (£)	Amount Outstanding As At 31 Mar 2012 (£)
Pre 2000	7,822	9,655
2001	7,253	9,226
2002	11,144	14,775
2003	11,718	15,156
2004	24,839	27,672
2005	24,867	35,630
2006	43,953	57,952
2007	62,293	80,080
2008	76,518	98,413
2009	84,332	125,378

2010	116,098	199,501
2011	197,300	510,922
2012	519,090	
Total	1,187,227	1,184,360

Business Rates Debts

Year from 1 April	Amount Outstanding As At 31 Mar 2013 (£)	Amount Outstanding As At 31 Mar 2012 (£)
Pre 2000	0	3,150
2001	0	613
2002	2,139	3,311
2003	768	3,491
2004	1,705	4,067
2005	1,357	3,605
2006	1,293	6,032
2007	5,518	8,992
2008	8,430	18,674
2009	14,441	55,029
2010	26,540	93,692
2011	63,567	195,231
2012	255,825	
Total	381,583	395,887

6. FINANCIAL/RESOURCE IMPLICATIONS

6.1 As set out in the report.

7. SECTION 151 OFFICER COMMENTS

7.1 Levels of debt can adversely affect the Council's cashflow. As such all debt is actively managed to keep outstanding amounts to a minimum.

7.2 As from 1st April 2013 the Council now has to bear some of the costs of any debts written off in respect of Business Rates.

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.