



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

Our Ref Democratic Services
Contact Emma Hill e.hill@tauntondeane.gov.uk

Date 13 March 2015

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

Dear Councillor

I hereby give you notice to attend the following meeting:

AUDIT COMMITTEE

Date: Monday 23 March 2015
Time 2.30 pm
Venue: Council Chamber, Council Offices, Williton

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

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

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

Yours sincerely

BRUCE LANG
Proper Officer

RISK SCORING MATRIX

Report writers score risks in reports uses the scoring matrix below

Risk Scoring Matrix

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

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

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

The Council's Vision:

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

AUDIT COMMITTEE

AGENDA

23 March 2015 at 2.30 pm

Council Chamber, Williton

1. **Apologies for Absence**

2. **Minutes**

Minutes of the Meeting of the Committee held on 2 December 2014 – **SEE ATTACHED**
– to be confirmed.

3. **Declarations of Interest**

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

4. **Public Participation**

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

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

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

5. **Audit Committee Action Plan**

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

6. **Audit Committee Forward Plan**

To review the Audit Committee Forward Plan 2015 – **SEE ATTACHED.**

7. **Grant Thornton – Certification of Grant Claims**

To consider Report No. WSC 65/15, to be presented by Peter Barber, Appointed Auditor and Ashley Allen, Audit Manager from Grant Thornton – **SEE ATTACHED.**

The purpose of the report is to provide the Audit Committee with details of the external auditor's finding and recommendations in relation to their review of the Housing Benefit Scheme Claim for 2013/14.

8. Grant Thornton External Audit Update

To consider Report No. 66/15, to be presented by Peter Barber, Appointed Auditor and Ashley Allen, Audit Manager from Grant Thornton – **SEE ATTACHED.**

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

9. Internal Audit Plan 2014-15 Progress Update

To consider Report No. WSC 67/15, to be presented by Alastair Woodland, Audit Manager, SWAP – **SEE ATTACHED.**

The purpose of the report is to provide the Audit Committee with an update on the Internal Audit Plan 2014-15 progress and bring to their attention any significant findings identified through SWAP's work.

10. Internal Audit Plan 2015-2016 and Internal Audit Charter

To consider Report No. WSC 68/15, to be presented by Alastair Woodland, Audit Manager, SWAP – **SEE ATTACHED.**

The purpose of the report is to inform the Audit Committee of the proposed work to be undertaken by South West Audit Partnership during 2015-16 and to seek approval of the Internal Audit Charter which sets out the nature, role, responsibility, status and authority of internal auditing within West Somerset Council and to outline the scope of the internal audit work.

11. Risk Management Update

To consider Report No. WSC 63/15, to be presented by Paul Harding, Corporate Strategy and Performance Manager – **TO FOLLOW.**

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

12. Hinkley Project Update

To consider Report No. WSC 64/15, to be presented by Steve Plenty, Finance Manager – **TO FOLLOW.**

13. Debt Analysis Report - as at 31 December 2014

To consider Report No. WSC 57/15, to be presented by Steve Perkins, Senior Debt and Recovery 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 30 December 2014.

COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS

The Council's Vision:

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

The Council's Vision:

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

The Council's Corporate Priorities:

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

The Council's Core Values:

- Integrity
- Respect
- Fairness
- Trust

AUDIT COMMITTEE**Minutes of the Meeting held on 2 December 2014 at 2.30 pm
in the Council Chamber, Williton****Present**

Councillor S GossChairman
 Councillor E MayVice Chairman
 Councillor M O A Dewdney
 Councillor D D Ross

Members In Attendance

Councillor K V Kravis
 Councillor D Sanders

Officers In Attendance

Assistant Director Corporate Services (R Sealy)
 Corporate Strategy and Performance Manager (P Harding)
 Finance Manager (S Plenty)
 Senior Debt and Recovery Manager (S Perkins)
 Principal Revenues and Debt Recovery Officer (D Emery)
 Corporate Support Officer (E Hill)

Also In Attendance

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

A.30 Apologies for Absence

Apologies for absence were received from Councillors M Chilcott, K Kravis and R Lillis.

A.31 Minutes

(Minutes of the Meeting of Audit Committee held on 22 September 2014, circulated with the Agenda).

RESOLVED that the Minutes of the Meeting of the Audit Committee held on 22 September 2014 were confirmed as a correct record.

A.32 Declarations of Interest

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

A.33 Public Participation

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

A.34 Audit Committee Action Plan

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

Noted that the resolution made at the meeting on 22 September 2014 relating to the SWAP Pensions Guarantee had been approved by Full Council on 22 October 2014.

RESOLVED that the Audit Committee Action Plan, be noted.

A.35 Audit Committee Forward Plan

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

The request to have the Hinkley Finance Update Report added to the Forward Plan for the meeting on 23 March 2015 be noted as was the change to the 'As at' on the Debt Analysis Report to '31 December'.

RESOLVED that the Audit Committee Forward Plan be noted with the requested changes.

A.36 Grant Thornton External Audit – Annual Audit Letter

(Report No. WSC 173/14, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with a summary of the key findings from the external audit work carried out in respect of the 2013/2014 financial year and detailed the actual audit fees charged.

The Associate Director for Grant Thornton outlined the Annual Audit Letter for 2013/2014, which summarised the key findings. This letter detailed the external auditor's unqualified opinion in respect the Council's accounts, Value for Money (VfM) conclusion and the actual audit fees.

RESOLVED that the Annual Audit Letter be noted.

A.37 Grant Thornton External Audit – External Audit Update

(Report No. WSC 174/14, circulated with the Agenda).

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

The Associate Director for Grant Thornton outlined the external auditor's progress as at 14 November 2014 including the status of all the planned audit work for the Council as well as detailing any emerging national issues and developments that were relevant to the Council.

During the discussion of this item the following points were made:-

- With regard to merging assets and maximising the benefit to the Council should the Council not consider raising charges for parking?
The report referred to surplus assets to try and ensure that they contributed to the Council directly or indirectly.
- The Council did have surplus assets which were not giving anything back to the Council as well as empty space within West Somerset House, the use of which should be maximised by approaching other agencies.

RESOLVED that the External Audit Progress Update be noted.

A.38 SWAP Internal Audit –Progress Report on Internal Audit Update

(Report No. WSC 134/14, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update on the Internal Audit Plan 2014/2015 progress and bring to the attention of Members any significant findings identified through SWAP's work.

The Audit Manager outlined the schedule of the planned audits for 2014/2015 as well as providing a progress update on current audits and their findings. Steady progress was being made against the plan.

During the discussion of this item the following points were made:-

- Concern was expressed concerning those areas detailed in the report which did not meet the requirements of the Local Government Transparency Code.
There were penalties if the Council did not meet the code but currently both Councils were little different from other Local Authorities. The areas of concern would be worked on and addressed. There was a plan to address these and the Council and SWAP would be monitoring it.
- Could the Members have a copy of the action plan?
This would be circulated.
- There did not appear to be any allocated Trade Union Time for staff. The Council needed to allow time for staff to attend Trade Union meetings during work hours.
With the service changes, all staff were now employed by TDBC. So this could mean that the Trade Union branches might be merged. But this was something for the Trade Union to discuss. Staff would still be allowed time during working hours to attend Trade Union branch meetings but this would take place through the joint Trade Union branch.
- There had always been a problem with procurement and its structure. The LGA had reviewed the Council's procurement processes and had made some recommendations. With the new shared services partnership arrangements, would this mean that there would be the capacity to complete procurement processes more efficiently and properly?
It was agreed that this was something for the future to review. Currently, TDBC procurement processes were completed by Southwest One but the structure and rigorous practices and procedures could be brought to WSC.

- Looking at procurement, could the Council look at creating joint procurement services for all the Local Authorities across the County?

RESOLVED that the SWAP Internal Audit Progress Update and Significant Findings be noted.

A.39 Risk Management Update

(Report No. WSC 176/14, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update on the corporate risks which were being managed by the Joint Management Team (JMT).

The Corporate Strategy and Performance Manager outlined the contents of the Council's Risk Register. Currently, there were only 16 Corporate Risks on the register.

During the discussion of this item the following point was made:-

- Could a risk relating to the retention of staff be included and, looking to the future, in relation to the development of a management training programme?
The Council was reviewing the in-house development and training programme for current staff as well as developing apprenticeship scheme. This was particularly relevant for the DLO.

RESOLVED that the Risk Management Update be noted.

A.40 Six-Month Review of Treasury Management Activity

(Report No. WSC 130/14, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update on the Treasury Management position as at 30 September 2014 and to provide an update for the 2014/2015 Treasury Management Strategy Statement.

The Finance Manager outlined the contents of the Treasury Management Update report looking at the sums of money that the Council had borrowed or invested. This report looked at the Council's performance of the treasury management function. This update was provided twice a yearly (mid-year and at year end).

RESOLVED that:-

- (1) the review of six-month Treasury Management Activity be noted; and
- (2) the amendments to 2014-15 Treasury Management Strategy Statement be approved.

A.41 Debt Analysis Report – As at 30 September 2014

(Report No. WSC 177/14, circulated with the Agenda).

The purpose of the update was to provide the Audit Committee with an update on the level of debts outstanding to the Authority as at 30 September 2014.

The Finance Manager outlined the contents of the report which gave detailed analysis of the Authority's current level of debt. This was used to form part of the Council's Corporate Performance.

Reported the detail of the Council's Corporate, Housing Benefit, Council Tax, and Business Rate Debts. It was noted that failure to collect these debts could eventually lead to losses, which would be a cost to the General Fund and therefore adversely affect reserve balances.

During the discussion of this item the following points were made:-

- Was the Council still working on the Business Rate statements or had these been finalised and sent out?
The Business Rates post bag was now up to date so the backlog had been cleared and dealt with. All Business Rate Valuation Lists were up to date as well.
- Collection data had fallen but larger employers were now able pay their rates over 12 months not 10 months.
The officer would amend the table to reflect the requested changes as it was misleading concerning the write offs.

RESOLVED that the Debt Analysis Report be noted.

The meeting closed at 3.47 pm.

West Somerset Council - Audit Committee – Forward Plan 2015

Meeting	DRAFT AGENDA ITEMS	LEAD OFFICER
2 Dec 2014	Grant Thornton - Annual Audit Letter Grant Thornton – External Audit Update Internal Audit Plan – Progress Report Risk Management Update 6-Month Review of Treasury Management Activity Debt Analysis Report – As At 30 September 2014 Forward Plan	Peter Barber (GT) Ashley Allen (GT) Peter Barber (GT) Ashley Allen (GT) Alastair Woodland Paul Harding James Howells Steve Plenty Richard Sealy
23 March 2015	Grant Thornton – Certification of Grant Claims Grant Thornton – Audit Update Internal Audit – Progress Report 2014/15 Internal Audit Plan 2015/16 Corporate Risk Management Update Hinkley Project Update Debt Analysis Report – as at 31 December 2014 Forward Plan	Peter Barber (GT) Ashley Allen (GT) Peter Barber (GT) Ashley Allen (GT) Alastair Woodland Alastair Woodland Paul Harding Steve Plenty Steve Perkins Richard Sealy
29 June 2015	Grant Thornton – External Audit Plan 2014/15 Grant Thornton – External Audit Update Grant Thornton - External Audit Fee Letter Annual Governance Statement 2014/15 SWAP Internal Audit – Annual Report SWAP Internal Audit – Review of Effectiveness	Peter Barber (GT) Ashley Allen (GT) Peter Barber (GT) Ashley Allen (GT) Peter Barber (GT) Ashley Allen (GT) Paul Harding Alastair Woodland Shirlene Adam

	<p>Corporate Counter-Fraud Update</p> <p>6-Month Review of Treasury Management Activity</p> <p>Debt Analysis Report – As At 31 March 2015</p> <p>Forward Plan</p>	<p>Paul Fitzgerald</p> <p>James Howells</p> <p>Steve Perkins</p> <p>Richard Sealy</p>
28 Sept 2015	<p>Grant Thornton – External Audit Findings</p> <p>Grant Thornton External Audit – Certification Plan</p> <p>Approval of the Statement of Accounts</p> <p>SWAP Internal Audit – Progress Update 2014/15</p> <p>Corporate Governance Action Plan Update</p> <p>Corporate Risk Management Update</p> <p>Debt Analysis Report – As At 30 June 2015</p> <p>Forward Plan</p>	<p>Peter Barber (GT)</p> <p>Ashley Allen (GT)</p> <p>Peter Barber (GT)</p> <p>Ashley Allen (GT)</p> <p>Paul Fitzgerald</p> <p>Alastair Woodland</p> <p>Paul Harding</p> <p>Paul Harding</p> <p>Steve Perkins</p> <p>Richard Sealy</p>
1 Dec 2015	<p>Grant Thornton External Audit – Annual Audit Letter 2014/15</p> <p>Grant Thornton External Audit Update</p> <p>SWAP Internal Audit – Progress Report 2014/15</p> <p>6-Month Review of Treasury Management Activity</p> <p>Debt Analysis Report – As At 30 September 2015</p> <p>Forward Plan</p>	<p>Peter Barber (GT)</p> <p>Ashley Allen (GT)</p> <p>Peter Barber (GT)</p> <p>Ashley Allen (GT)</p> <p>Alastair Woodland</p> <p>James Howells</p> <p>Steve Perkins</p> <p>Richard Sealy</p>
28 Mar 2016	To Be Confirmed	

Report Number: [\[Click here and type Report No\]](#)
Presented by: *Cllr Kate Kravis, Deputy Leader & Resources*
Author of the Report: *Richard Sealy, Assistant Director – Corporate Services*
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Report to a Meeting of: *Audit Committee*
To be Held on: *23 March 2015*

EXTERNAL AUDIT (GRANT THORNTON) CERTIFICATION REPORT 2013/14

1. PURPOSE OF REPORT

- 1.1 The attached report details the external auditor's finding and recommendations in relation to their review of the Housing Benefit Scheme Claim for 2013/14.

2. CONTRIBUTION TO CORPORATE PRIORITIES

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

3. RECOMMENDATIONS

- 3.1 Members are requested to note the findings of the report.

4. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

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

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

5. BACKGROUND INFORMATION

- 5.1 Each year our external auditors, Grant Thornton, review the Council's arrangements in relation to grant claims and returns. Specifically for the 2013/14 financial year they have reviewed the Housing benefit Scheme Claim, which totals £14.1m. The report also provides an update on the fees charged for undertaking this work.

- 5.2 The external auditors were generally happy with the claim, although an adjustment was required to the overall amount of the claim. A recommendation was made which is being actioned by the Revenues and Benefits team.
- 5.3 The attached report details their findings and will be presented by Peter Barber and Ashley Allen from Grant Thornton.

6. FINANCIAL/RESOURCE IMPLICATIONS

- 6.1 The claim submitted by the Council (and reviewed by our external auditors) totals £14.1m. This is clearly a significant financial matter for the authority and we must ensure that proper arrangements are in place to meet the “conditions” of the grants.
- 6.2 The report makes a recommendation which is being implemented by the Revenues and Benefits service.

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

- 7.1 See above.

8. EQUALITY & DIVERSITY IMPLICATIONS

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

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

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

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

9. CRIME AND DISORDER IMPLICATIONS

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

10. CONSULTATION IMPLICATIONS

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

11. ASSET MANAGEMENT IMPLICATIONS

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

12. ENVIRONMENTAL IMPACT IMPLICATIONS

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

13. HEALTH & WELLBEING

Demonstrate that the authority has given due regard for:

- People, families and communities take responsibility for their own health and wellbeing;

- Families and communities are thriving and resilient; and
- Somerset people are able to live independently.

13.1 There are no implications in respect of this report.

14. LEGAL IMPLICATIONS

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



Certification report 2013/14 for West Somerset District Council

Year ended 31 March 2014

10 February 2015

Peter Barber

Associate Director

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Ashley Allen

Manager

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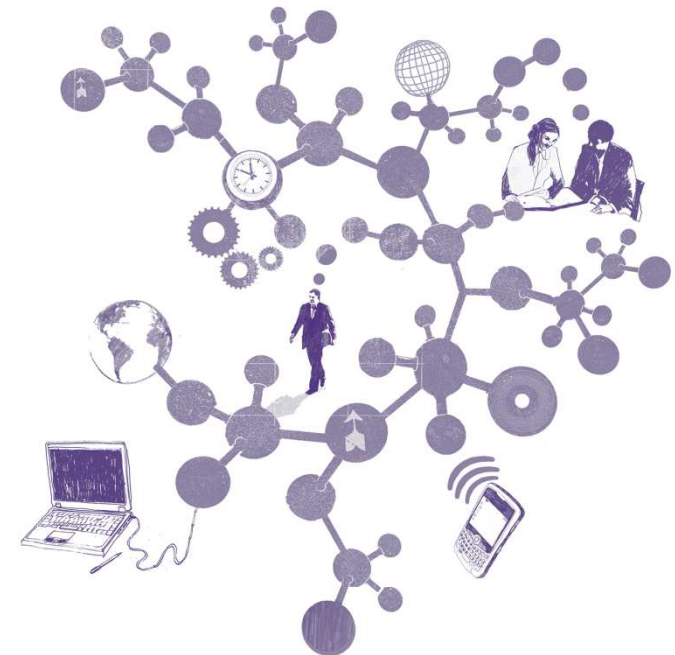
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Section 1: Summary of findings

01. Summary of findings

Summary of findings

Introduction

We are required to certify certain claims and returns submitted by West Somerset District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified one claim for the financial year 2013/14 relating to expenditure of £14.1 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to the Council in September 2014.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	The Housing Benefit Claim was submitted and certified on time.	● Green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	The claim needed to be amended. Full details can be found in Appendix A.	● Amber
Supporting working papers	Working papers were in place to support the entries on the claims/returns and requests for additional information were dealt with promptly	● Green

Certification fees

The indicative certification fee set by the Audit Commission for 2013/14 for West Somerset District Council is based on final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims were reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. This is set out in more detail in Appendix C.

The way forward

We set out recommendations to address the key messages above and other findings arising from our certification work at Appendix B.

Implementation of the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
December 2014

Appendices

Appendix A: Details of claims and returns certified for 2013/14

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefit scheme claim	14,093,657	Yes	480	No	The claim was amended due to error identified regarding BACs rejected around the year end. This affected uncashed payments and overall amount of the claim.

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Review items included as uncashed payments and confirm that they have been included correctly.	Medium	Performance and Development Manager to review items included as uncashed payments	March 2015 Performance and Development Manager

Appendix C: Fees

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing benefits scheme claim	13,580	9,328	9,328	(4,252)	The fee has reduced due to a reduction in the extra testing that was required.
Total	13,580	9,328	9,328	(4,252)	



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Report Number: [\[Click here and type Report No\]](#)
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Author of the Report: *Richard Sealy, Assistant Director – Corporate Services*
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Report to a Meeting of: *Audit Committee*
To be Held on: *23 March 2015*

EXTERNAL AUDIT (GRANT THORNTON) UPDATE REPORT

1. PURPOSE OF REPORT

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

2. CONTRIBUTION TO CORPORATE PRIORITIES

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

3. RECOMMENDATIONS

- 3.1 Members are requested to note the update report.

4. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

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

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

5. BACKGROUND INFORMATION

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

5.2 Peter Barber and Ashley Allen from Grant Thornton will present the report.

6. FINANCIAL/RESOURCE IMPLICATIONS

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

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

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

8. EQUALITY & DIVERSITY IMPLICATIONS

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

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

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
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Demonstrate that the authority has given due regard for:

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

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14. LEGAL IMPLICATIONS

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

Audit Committee Update for West Somerset District Council

Year ended 31 March 2015

24 February 2015

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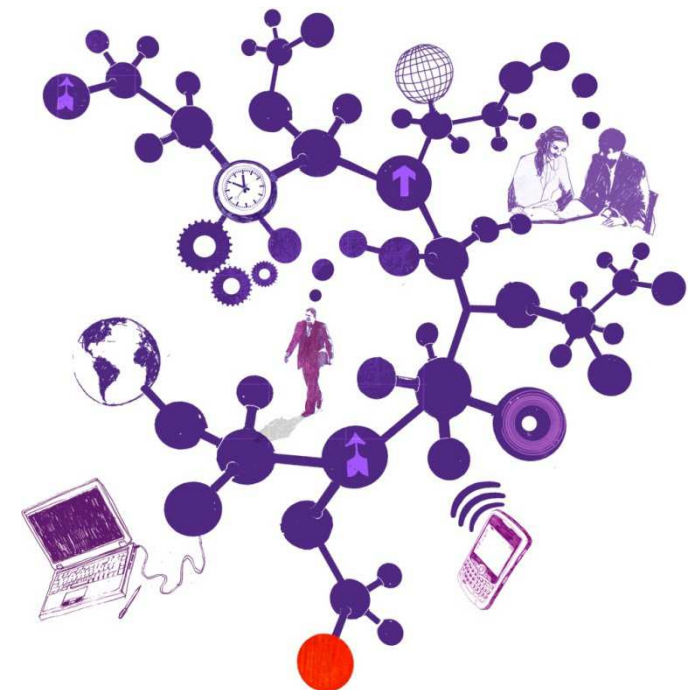
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you.

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

- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England
- Local government governance review 2015: all aboard, our fourth annual governance review assesses local authority, fire and police governance and highlights areas for improvement and poses questions to help assess the strength of current arrangements.

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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Progress at 24 February 2015

Work	Planned date	Complete?	Comments
<p>2014-15 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 2014-15 financial statements.</p>	May 2015	Not yet due	<p>Will be presented to members at the next Audit Committee meeting.</p> <p>There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for district councils and has been approved by the Audit Commission. This means the audit fee will be £56,700 for 2014/15 instead of that previously communicated of £55,800. This is consistent with the change in the audit fee for 2013/14 final accounts. This will be discussed again with in the Audit Plan at the next Committee meeting.</p>
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • initial risk assessment to support the Value for Money conclusion. 	January to April 2015	Ongoing	<p>We are currently working with the Council to complete our interim work. The results of this will be communicated in the Audit Plan that will be presented at the next Committee meeting.</p>

Progress at 24 February 2015

Work	Planned date	Complete?	Comments
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July to September 2015	Not yet due	
<p>Value for Money (VfM) conclusion We are required to assess whether the Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> • securing financial resilience • challenging how it secures economy, efficiency and effectiveness. 	July to September 2015	Not yet due	
<p>2014-15 certification work This work is expected to cover:</p> <ul style="list-style-type: none"> • housing benefits scheme claim • Pooling of housing capital receipts return. 	September to November 2015	Not yet due	

Rising to the challenge

Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

It highlights that English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Local Government governance review 2015: All aboard

Grant Thornton

Our national report 'Local Government Governance Review 2015: All aboard' is available at: <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>

Our fourth annual review into local authority governance aims to assist senior management and elected members of councils, fire & rescue authorities and police bodies to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Focusing on three particular aspects of engagement – within the organisation, with partners and with the public – the key messages from the report are:

- while more than 90% of those surveyed felt their organisations encouraged well-managed risk taking and innovation, 43% felt scrutiny committees were not challenging enough about the way authorities do things
- 84% of respondents said their organisations are now using or considering alternative delivery models but only 45% feel that scrutiny of service quality is sufficiently challenging
- 49% said the transition to police and crime commissioners has not had a positive impact on local partnership working arrangements, while 42% saw no difference in local healthcare governance as a result of councils' new public health role
- annual accounts and annual governance statement continue to expand in length, making them even more challenging for the public to read and understand
- only 30% of cabinet positions in local authorities are held by women, while over half our survey say members do not adequately reflect the demographic profile of the local population.

Alongside the research findings, the report highlights examples of good practice and also poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Hard copies of the report are also available from your Engagement Lead or Audit Manager.

Earlier closure and audit of accounts

Accounting and audit issues

DCLG is consulting on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although July 2018 is almost 4 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management. Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Financial sustainability of local government

Local government guidance

In November the National Audit Office published their report on the Financial Sustainability of Local Government.

The report concludes that Local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. The Department for Communities and Local Government has a limited understanding of authorities' financial sustainability and the impacts of funding cuts on services, according to the National Audit Office.

The Government reduced its funding to local authorities by an estimated 28% in real terms between 2010-11 and 2014-15. Further planned cuts will bring the total reduction to 37% by 2015-16, excluding the Better Care Fund and public health grant. Although there have been no financial failures in local authorities in this period, a survey of local auditors shows that authorities are showing signs of financial pressure. Over a quarter of single tier and county councils had to make unplanned reductions in service spend to deliver their 2013-14 budgets. Auditors are increasingly concerned about local authorities' capacity to make further savings, with 52% of single tier and county councils not being well-placed to deliver their medium-term financial plans.

There are significant differences in the scale of funding reductions faced by different authorities. Authorities that depend most on government grant are the ones most affected by funding reductions and reforms. This was an outcome of policy decisions to tackle the fiscal deficit by reducing public spending, and for local authority funding to offer incentives for growth.

Local authorities have tried to protect spending on social care services. Other service areas such as housing services and culture and leisure services have seen larger reductions. While local authorities have tried to make savings through efficiencies rather than by reducing services, there is some evidence of reduction in service levels.

According to the NAO, however, the Department does not monitor in a coordinated way the impact of funding reductions on services, and relies on other departments and inspectorates to alert it to individual service failures. In consequence, the Department risks becoming aware of serious problems with the financial sustainability of local authorities only after they have occurred.

The Department's processes for assessing the capacity of authorities to absorb further funding reductions are also not sufficiently robust.



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Report to a Meeting of: Audit Committee
To be Held on: 23 March 2015

INTERNAL AUDIT PLAN 2014-15 PROGRESS UPDATE

1. PURPOSE OF REPORT

- 1.1 To update members on the Internal Audit Plan 2014-15 progress and bring to their attention any significant findings identified through our work.

2. CONTRIBUTION TO CORPORATE PRIORITIES

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

3. RECOMMENDATIONS

- 3.1 Members are asked to note progress made in delivery of the 2014/15 internal audit plan.

4. RISK ASSESSMENT (IF APPLICABLE)

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

5. BACKGROUND INFORMATION

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

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in June.

- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.

6. FINANCIAL/RESOURCE IMPLICATIONS

6.1 The Internal Audit Plan for 2014/15 is being delivered within approved budgets.

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

7.1 The SLA with SWAP requires as a minimum 95% of the audit plan to be delivered. Historically SWAP have easily over-achieved this target and we have had full plans delivered. This year we've made some choices on priorities as only 95% will be delivered.

7.2 I am satisfied that we are targeting our audit days at keys areas and hopefully we will see 100% of plan delivered in future years

8. EQUALITY & DIVERSITY IMPLICATIONS

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

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

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

8.1 There are no direct implications from this report.

9. CRIME AND DISORDER IMPLICATIONS

9.1 There are no direct implications from this report.

10. CONSULTATION IMPLICATIONS

10.1 There are no direct implications from this report.

11. ASSET MANAGEMENT IMPLICATIONS

11.1 There are no direct implications from this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

12.1 There are no direct implications from this report.

13. HEALTH & WELLBEING

13.1 There are no direct implications from this report.

14. LEGAL IMPLICATIONS

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



West Somerset Council

Report of Internal Audit Activity, Quarter 4 Update, 2014/15

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Contents

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Summary

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Appendices

Appendix A - Audit Plan Progress 2014-15

Appendix B - Audit Definitions



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.

Our audit activity is split between:

- Operational Audit
- Key Control Audit
- Governance, Fraud & Corruption Audit
- IT Audit
- Special Reviews

See Appendix A for individual audits

Role of Internal Audit

The Internal Audit service for West Somerset Council is provided by South West Audit Partnership (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit Committee and last reviewed at its meeting on 23rd March 2014.

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

- Operational Audit Reviews
- Key Financial Control Reviews
- Cross Cutting Fraud and Governance Reviews
- IT Audit Reviews
- Other Special or Unplanned Reviews

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Joint Management Team. This year’s Audit Plan was reported to this Committee at its meeting in March 2014.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk. Key Control Audits are undertaken in quarter three of each year to provide assurance over the key financial systems that underpin the Council.



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.

Update 2014-15

Completed Audit Assignment in the Period

Audit Plan Progress

The schedule provided at [Appendix A](#) contains a list of all audits as agreed in the Annual Audit Plan 2014/15. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed. Each completed assignment includes its respective “control assurance” opinions together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in [Appendix B](#)

As can be seen from [Appendix A](#) the following audits have been progressed to date:

Operational:

- In Progress, 1 Review

Governance, Fraud and Corruption:

- Final, 3 reviews
- In Progress, 4review
- Not started, 1 review

Follow-up Reviews:

- Final, 1 reviews
- In Progress, 1 Review

ICT Reviews

- Draft, 1 Review
- In progress, 1 reviews



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.

Update 2014-15

Audit Plan Progress

Key Control Audit

- Final, 2 Reviews
- Draft, 3 Review
- In progress, 1 Review

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

Report on Significant Findings

As agreed with this Committee where a review has a status of 'Final' and has been assessed as 'Partial' or 'No Assurance', I will provide further detail to inform Members of the key issues identified.

I am pleased to report that since the last update in December no 'partial' or 'no assurance' audits have been awarded.

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

Future Planned Work/Plan Changes

The audit plan for 2014/15 is detailed in [Appendix A](#). Members will note that there were necessary changes to the plan throughout the year; any changes made have been subject to agreement with the appropriate service manager and the Section 151 Officer.

Members may be aware that SWAP have been going through a staffing restructure. As a result we have had to hold open any vacancies that have occurred throughout the year and are sure you will appreciate that such change can have some impact on productivity; something we know has affected most if not all of our Partners.



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.

As such we have agreed with our Partner Client Officers that we will deliver c.95% of all Partner plans for 2014/15. Even this target is a challenge and we are disappointed that we will not be able to achieve the 100% that our Partners have grown accustomed to. In agreement with the Section 151 Officer, acting as the Council's Client Officer, I have highlighted audits in the plan that will not be delivered as part of the 2014/15 plan. The Safer Somerset Partnership and the remaining days on the Shared Service work will not be delivered.

Conclusions

Any risks where the auditor's assessment of risk to the organisation is "Very High" or "High" will be reported to this Committee. I am pleased to report that no significant corporate risks have been identified that I need to bring to your attention. Overall, on the work completed to date this financial year, I can report that risks are generally well managed and the systems of internal control are generally working effectively.

It is disappointing that we will not be able to achieve the 100% that our Partners have grown accustomed to. We have diverted some additional resource towards the WSC plan and hopefully over the next month or two we should see the benefits of this.



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

Audit Type	Audit Area	Quarter	Status	Opinion	SWAP Feedback	No of Rec	1 = Minor ↔ 5 = Major				
							Recommendation				
							1	2	3	4	5
FINAL REPORT											
Governance, Fraud & Corruption	Safeguarding (days from 2013/14)	Qtr 1	Final	Reasonable	89%	3	0	0	3	0	0
Governance, Fraud & Corruption	Data Transparency	Qtr 2	Final	Partial	80%	5	0	2	2	1	0
Governance, Fraud & Corruption	Absence Management - theme	Qtr 2	Final	Reasonable		10	4	6	0	0	0
Follow up	Social Media	Qtr 3	Final	Follow-Up		2	0	0	2	0	0
Key control	Housing Benefits	Qtr 3	Final	Substantial		1	0	1	0	0	0
Key control	Payroll	Qtr 3	Final	Substantial		1	0	1	0	0	0
DRAFT REPORT											
ICT	Protective Marking	Qtr 2	Draft	Non-Opinion							
Key control	Main Accounting (2 days from PRSM to cover cost share on top of KC)	Qtr 2	Draft	Substantial							



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

Audit Type	Audit Area	Quarter	Status	Opinion	SWAP Feedback	No of Rec	1 = Minor ↔ 5 = Major				
							Recommendation				
							1	2	3	4	5
Key control	Debtors	Qtr 3	Discussion Document	Reasonable							
Key control	Council Tax and NDR	Qtr 3	Draft	Substantial							
WORK IN PROGRESS											
Key control	Creditors	Qtr 3	In Progress								
Governance, Fraud & Corruption	Housing Applications (New - 2 days from Partnership risk / Shared Management)	Qtr 3	In Progress								
Governance, Fraud & Corruption	Fraud Theme - Bribery	Qtr 3	In Progress								
Governance, Fraud & Corruption	Cash & Banking Income collection - WC only (from unallocated days)	Qtr 3	In Progress								
ICT	Financial Controls/Access	Qtr 3	In Progress								
Follow up	Public safety follow up	Qtr 4	In Progress								
Operational	Choice Based Lettings - theme	Qtr 4	In Progress								



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

Audit Type	Audit Area	Quarter	Status	Opinion	SWAP Feedback	No of Rec	1 = Minor ↔ 5 = Major				
							Recommendation				
							1	2	3	4	5
Governance, Fraud & Corruption	Private Water supply – theme	Qtr 4	In Progress								
NOT STARTED											
Governance, Fraud & Corruption	Asset Management (Days b/f from 2013/14)	Qtr 4	Not started								
Operational	Safer Somerset Partnership (Due to SWAP Restructure)	Qtr 4	Dropped								
Governance, Fraud & Corruption	Partnership risk / shared management (Due to SWAP Restructure)	All	Dropped								



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

Audit Framework Definitions

Control Assurance Definitions

Appendix B

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.



SWAP work is completed to comply with the Internal Professional Practices Framework of the Institute of Internal Auditors and further guided by the Public Sector Internal Audit Standards.

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Report to a Meeting of: Audit Committee
To be Held on: 23 March 2015

INTERNAL AUDIT PLAN 2015-16 & INTERNAL AUDIT CHARTER

1. PURPOSE OF REPORT

- 1.1 To inform the Audit Committee of the proposed work to be undertaken by South West Audit Partnership during 2015-16.
- 1.2 To seek approval of the Internal Audit Charter which sets out the nature, role, responsibility, status and authority of internal auditing within West Somerset Council and to outline the scope of the internal audit work.

2. CONTRIBUTION TO CORPORATE PRIORITIES

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

3. RECOMMENDATIONS

- 3.1 Members are asked to note and approve the 2015-16 internal audit plan.
- 3.2 Members are asked to note and approve the Internal Audit Charter.

4. RISK ASSESSMENT (IF APPLICABLE)

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

5. **BACKGROUND INFORMATION**

Annual Plan 2015-16

5.1 West Somerset's audit plan for 2015-16 is based on 167 days and is notionally broken down across various audit categories including the following:

- Key Financial Systems Audits
- Fraud / Governance Audits
- IT Audits
- Operational Audits
- Follow Up Audits
- Non-Opinion Reviews

5.2 Further details of the Annual Internal Audit Plan 2015-16 can be found in the attached report.

Internal Audit Charter

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

5.4 The Charter was last reviewed by the Audit Committee at its meeting on the 24 March 2014.

5.5 As the Charter has only recently been updated to reflect the changes in roles and responsibilities, mainly job titles, and to address some of the minor requirements of the Public Sector Internal Audit Standards, there are no further changes required at this time.

6. **FINANCIAL/RESOURCE IMPLICATIONS**

6.1 The proposed internal audit plan is within approved budget.

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

7.1 The proposed Internal Audit Plan for 2015/16 is attached. I am satisfied that this is a reasonable approach to managing the key risks facing the Council. The plan will be amended if necessary during the year.

8. **EQUALITY & DIVERSITY IMPLICATIONS**

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

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

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

8.1 There are no direct implications from this report.

9. **CRIME AND DISORDER IMPLICATIONS**

9.1 There are no direct implications from this report.

10. CONSULTATION IMPLICATIONS

10.1 There are no direct implications from this report.

11. ASSET MANAGEMENT IMPLICATIONS

11.1 There are no direct implications from this report.

12. ENVIRONMENTAL IMPACT IMPLICATIONS

12.1 There are no direct implications from this report.

13. HEALTH & WELLBEING

13.1 There are no direct implications from this report.

14. LEGAL IMPLICATIONS

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



West Somerset Council

Internal Audit Plan 2015-16

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Contents

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Role of Internal Audit & Background

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The Annual Audit Plan

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Appendix A - Plan Summary

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

Our audit activity is split between:

- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Operational Audit**
- **Follow-Up Audit**
- **Non-Opinion Reviews**

Role of Internal Audit

The Internal Audit service for West Somerset Council (WSC) is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and also guided by interpretation provided by the Public Sector Internal Audit Standards. The work of the Partnership is also guided by the 'Internal Audit Charter' which was last reviewed and approved by the Audit Committee at its meeting on 24th March 2014.

Internal Audit provides an independent and objective opinion on the Authority's governance, risk and control environment by evaluating its effectiveness. In order to achieve this, the audit activity is split across the review categories listed to the left.

Background

It is recommended by the Public Sector Internal Audit Standards that organisations nominate a 'Board' to oversee (monitor and scrutinise) the work of Internal Audit. As such, in addition to senior management oversight, this Council has determined that, the Audit Committee will undertake this function. The plan is presented in [Appendix A](#) to this report and represents the internal audit activity for the 2015/16 financial year.

It should be noted that plan days are only indicative for planning our resources. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review. Any changes to individual plan items, in terms of days, are managed within the annual payment made by the Council. The plan is pulled together with a view to providing assurance to both Officers and Members that current risks faced by the Authority are adequately controlled and managed. As with previous years the plan will have to remain flexible as new and emerging risks are identified. Any changes to the agreed plan will only be made through a formal process involving the Director of Operations (Section 151 Officer) and reported to this Committee.



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.

The Annual Plan

The Annual Plan

In order to develop the plan for the year, the Audit Manager reviewed the Corporate Risk Register, Service Plans and Service Risk Registers as well as liaising with the Joint Management Team (JMT) and the Section 151 Officer.

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

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

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

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

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

The Annual Plan - Continued

The Annual Plan - Continued

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

Follow Up Audits – Where an audit receives a Partial or No Assurance level, SWAP are required to carry out a follow up review to provide assurance that identified weaknesses have been addressed and risks mitigated. Known follow ups from work undertaken in the 2013-14 plan have been built in. A contingency has also been built in into the plan so that, should any early reviews be awarded this level of assurance, they can be followed up in a timely manner.

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



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.

The Annual Plan - Continued

The Annual Plan - Continued

Audit Drivers - A key element of risk based audit planning is the relative prioritisation of audit review work. This helps to ensure that resources are targeted at the most significant aspects of the Councils operations. A brief description explaining the context behind each of these 'drivers' is as follows;

SWAP Best Practice Reviews - These are audits which are carried out across the SWAP Partnership the outcomes of which will help to share knowledge and inform best practice and risk mitigation.

Risk Register - These reviews are undertaken to assess activity and provide assurance on the management and appropriate mitigation of corporate risk/and or service risk register.

Audit History - These reviews have been prioritised as a result of the time period since the last review.

Performance - These reviews are included to inform the Councils performance management framework and may also include areas of poor performance.

Impact - his provides coverage of those areas which are considered business critical

Business Change/Improvement - This recognises increased risk as a result of significant change

Fraud - To recognise the inherent risk of fraud in particular systems or activities of the Council.

Corporate Priorities - Assess performance and support development of areas contained in the Corporate Plan.

The schedule provided at **Appendix A** details the Annual Internal Audit Plan for 2015/16.



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

Audit Title	Resource (days)	Key Drivers							
		SWAP Best Practice Reviews	Risk Register (Corporate or Service)	Audit History	Performance	Impact	Business Change/Improvement	Fraud	Corporate Priorities
Key Control									
Main Accounting	10		Y			Y		Y	
Creditors	10					Y		Y	
Council Tax & NNDR	10					Y		Y	
Debtors	10		Y			Y		Y	
Housing Benefits	10					Y		Y	
Treasury Management	4					Y		Y	
Governance, Fraud & Corruption									
Business Continuity, including Disaster Recovery	8	Y	Y			Y	Y		
Transformation Programme	5		Y			Y	Y		
Declaration of Interests, Gifts and Hospitality & Ethical Standards	8			Y			Y	Y	
Cash & Banking	6			Y				Y	
Hinkley	15		Y			Y		Y	Y
ICT Audits									
Project Revs & Bens Northgate to Civica OpenRevenues	15		Y	Y		Y	Y	Y	



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

Audit Title	Resource (days)	Key Drivers							
		SWAP Best Practice Reviews	Risk Register (Corporate or Service)	Audit History	Performance	Impact	Business Change/Improvement	Fraud	Corporate Priorities
Operational Audits									
Homelessness	8			Y				Y	
Waterways/Beach Safety	15		Y	Y					
Food Safety	8			Y					
Follow-Up Audits									
Data Transparency	1								
Non Project Related									
Follow-ups Contingency	4								
Corporate Advice	9								
Corporate Meetings	6								
Contribution to SWP	5								



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.

Internal Audit Charter

Purpose

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

Approval

This Charter was approved by the Audit Committee on 25th September 2006 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Audit Committee¹ on 24th March 2014.

Provision of Internal Audit Services

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

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

Role of Internal Audit

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 Joint 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 for SWAP and the Director of Quality also report to the Director of Operations, as Section 151 Officer, and reports to the Audit Committee as set out below.

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

Scope and authority of Internal Audit work

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

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

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

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

Planning and Reporting

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

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

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

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

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

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

Revised March 2015

Report Number: WSC 57/15
Presented by: Steve Perkins- Senior Debt and Recovery Officer
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Report to a Meeting of: Audit Committee
To be Held on: 23 March 2015

DEBT ANALYSIS – AS AT 31 DECEMBER 2014

1. PURPOSE OF REPORT

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

2. CONTRIBUTION TO CORPORATE PRIORITIES

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

3. RECOMMENDATIONS

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

4. RISK ASSESSMENT

Risk Matrix

Description	Likelihood	Impact	Overall
That the Council does not put in place appropriate arrangements to recover monies that are owed to the Authority.	3	4	12
<i>Continued collection of debt following the procedures and arrangements the Authority has in place.</i>	2	3	6
That from 1 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.

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

5. **BACKGROUND INFORMATION**

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

Corporate Debts

Age of debt	Amount Outstanding As At 31 December 2014 (£)	Amount Outstanding As At 31 December 2013 (£)
Less than 3 months	67,711	58,538
3 to 6 months	16,571	10,149
6 months to 1 year	7,568	11,009
Over 1 year	120,519	141,253
Total Balance	212,369	220,949

- 5.2 The newest debts (less than three months) show a comparable balance when compared to the previous financial year.
- 5.3 The oldest debts (over six months) show decreases when compared to the previous year.
- 5.4 The chasing of these old debts via both the teams who issue the invoices and the recovery team continues to work well. In extreme cases when payment is not made a County Court Judgement is obtained. This further course of action is at the discretion of the Senior Recovery Officer after liaison with the service area and/or the legal department, with the exception of Housing debts whereupon it is Council policy to pursue anything over £450.00 via the County Court and write off anything below this level.
- 5.5 In this financial year to date a total of £9,335.25 has been written off against old corporate debts. It can be confirmed that 100% of this has been charged to the provision already included in the authority's Statement of Accounts.

Housing Benefit Debts

	Amount Outstanding As At 31 December 2014 (£)	Amount Outstanding As At 31 December 2013 (£)
Overpayments Created in Year	479,068	378,349
Debts being recovered automatically from system via ongoing entitlement to Housing Benefit	(243,379)	(254,538)
Debts being recovered from former claimants	(152,728)	(113,365)
Write Offs	(5,377)	(9,664)
Total Outstanding	577,322	473,266

- 5.6 As mentioned in previous quarters the 2013/14 record breaking 47.07% collection rate is very unlikely to be matched or beaten going forward.
- 5.7 Of course when we compare with a record breaking year this year collection rates have dropped from 43.99% from 40.57%, a substantial reduction of 3.42%, however, overall this rate remains on target and the 43% collection rate will be achieved. It should also be noted that previous years' collection figures have topped the charts when compared to the eleven members of the South West Overpayments Liaison Group and a few months ago we were singled out for praise

as one of the top performing Councils in the country in overpayment collection in 2013/14 by the Department of Works and Pensions.

- 5.8 Unfortunately overpayment creation continues to rise mainly due to the Benefits Department now receiving information for both pensions and earning from the Inland Revenue - this data is called Real Time Info (RTI). In some cases these changes can be backdated many years and have led to an increase in identified overpayments and in some cases some very large overpayments have been created. This is somewhat reflected in the overpayment creation in the last quarter being £167k and remains high as the previous quarter was £161k and this represents a £40k increase when compared to the same time last year.
- 5.9 Manual officer collection (through invoices, reminders and further recovery action) has also increased by £21k from £36k last quarter to £57k this quarter and this large rise is further highlighted as only £27k was collected in the same quarter last year. Officer resource has continually been directed at this income stream because the Council benefits greatly financially. It should be noted that we receive additional income through benefit subsidy on most overpayments, therefore, it is possible therefore to receive more money than the original overpayment if you aggregate the collected amount along with the amount received in government subsidy. Full recovery action is taken on these unpaid debts to include County Court action in appropriate cases. However, the number of costly and time consuming County Court cases has dropped off because the 2013 Social Security Regulations that came into force on 1 April 2013 now allow us to directly contact a person's employer for an attachment to their earnings.
- 5.10 Write off levels remain at very low levels with just £2,871 being written off this quarter and only £5,377 in the whole year to date. This compares to £2,395 in Quarter 3 last year and a running total of £9,664. It must be highlighted that the running total this year of £5,376 only equates to less than 1% when compared to the outstanding debt (£577,322). To put this in context statistics provided from our user group highlighted one authority wrote off £250k last year and others report much higher write off levels of between 4-7% per annum based on their outstanding debit for us this would equate to annual write off totals of between £24k and £42k.

Council Tax Debts

Year from 1 April to 31 March	Amount Outstanding As At 31 December 2014 (£)	Amount Outstanding As At 31 December 2013 (£)	Reduction (£)
Pre 2008	122,057	126,700	4,643
2008	46,609	50,369	3,760
2009	34,164	46,134	11,970
2010	65,017	85,290	20,273
2011	89,696	128,548	38,852
2012	143,057	249,340	106,283
2013	359,627	2,985,499	2,625,872
Total	860,227	3,671,880	2,811,653
2014	3,045,556	N/A	N/A
Total	3,905,783		

- 5.11 Debts have decreased on all old years with a total reduction of just over 2.8 million.
- 5.12 The collection rate is identical to last year at a healthy 84.92% and we remain on target to exceed the in-year target set at 97%. It is now appropriate to compare collection rates with previous years with all the changes coming in on 1 April 2013. As a reminder, detailed below are some of the factors that have increased the risk of both delays and the possibility of non-collection:
- 15% Council Tax now payable by 1,433 working age claimants (many of whom paid nothing prior to 1 April 2013)

- A full Council Tax charge for owners of empty properties after 1 month (they were previously entitled to a 6 months empty exemption)
- 150% premium for long term empty properties (an increase of 50%)

5.13 The small Recovery team only has a finite amount of resource and workloads in recent times have dramatically increased, with a peak of over 1,700 cases beyond Liability Order stage with a current balance of just over 1 million. This figure can be broken down into nine specific recovery areas with the actual case numbers and previous year's quarter given as a comparison:

- Enforcement Agent/Bailiff (or awaiting) 830 cases value £624k (£474k)
- No Trace 146 cases value £73k (£158k)
- Arrangement 410 cases value £154k (£106k)
- Possible Committal 15 cases value £18k (nil)
- Write-Off 99 cases value £69k (£1k)
- On Hold 202 cases value £64k (£38k)
- Bankruptcy 7 cases value £4k (£9k)
- Attachment of Earnings 12 cases value £7k (£11k)
- Attachment of Benefits 39 cases value £8k (£9k).

The possible committal level was nil in 2013 due to a trial being given to another Enforcement Agent. This level will increase when all of these cases are returned to the Council. The Council continues to have an active committal programme for the recovery of large debts as a last resort. A handful of selective cases are taken before the Somerset Magistrates each year. This action has been very successful with only a few liability remissions and a majority of cases either full payments are received or payment arrangements have been set against a suspended prison sentences.

5.14 A few areas of concerns have been highlighted by the recovery team for review in an effort to make the service both more efficient and enhance ongoing collection rates:

- The large number and monetary value of gone away/no trace cases – this has recently been reduced from a peak of 240 cases with a value of £136k to 146 cases with a value of £73k.
- The increase and monitoring of on hold cases - currently 202 cases with a value of £64k. This has now been highlighted for action and we should see a reduction by the next quarter.
- The stricter monitoring of arrangement cases – currently 410 cases with a value of £106k. This has been reviewed and is now run monthly with cancellation letters being sent if 7 days in arrears (previously 40 days).
- The completing of Enforcement Agent return work, it was reported in the last quarter that 200 cases were outstanding. We are pleased to report that this level has been drastically reduced to 28 cases.
- The large amount of post outstanding this has peaked in the past at around 1,200 items that holds any recovery action on accounts. A backlog busting plan has been put in place to tackle this large amount of post and to stop the recovery holds on accounts. The outcome of this plan will be reported in Quarter 4.

Now after every court hearing a new request for further information and a financial statement letter is sent to all cases, although it is too early to comment on how successful this has been. With “one team” approach it is hoped that further projects to make additional contact with the small balance cases, the monthly monitoring of on hold cases, failed arrangements, enforcement agent returns along with the labour intensive work around the tracing of debts will all show a marked improvement in the coming quarters. Improvements in certain areas can clearly be seen already.

5.15 Benchmarking continues to be carried out and all bar one of the five Somerset Authorities reflect a common theme in that they are experiencing a dip in their collection rates.

5.16 Write offs are undertaken on a quarterly basis and during this quarter totals of £24,709 in liabilities and £3,053 in court costs have been written off. As shown in the table above the debit over the last 12 months has reduced by £2,811,653 and during this period we have written off a

total of £29,886 in liabilities and £3,053 in court costs. This equates to 1.2% of the reduction resulting from these write offs.

Business Rates Debts

Year from 1 April	Amount Outstanding As At 31 December 2014 (£)	Amount Outstanding As At 31 December 2013 (£)	Reduction (£)
Pre 2008	3,158	4,256	1,098
2008	1,697	5,287	3,590
2009	137	4,047	3,910
2010	11,204	19,647	8,443
2011	34,442	63,689	29,247
2012	88,401	152,230	63,829
2013	130,253	1,388,740	1,258,487
Total	269,292	1,637,896	1,368,604
2014	2,468,712	N/A	N/A
Total	2,738,004		

- 5.17 Debts have decreased on all old years with a total reduction of nearly 1.4 million.
- 5.18 The collection rate is 7.86% down on last year at 80.26%, however, Business Rates are very closely monitored and we are confident that we will exceed the in-year target of 98%.
- 5.19 The overall levels of overall debts have risen and balances subject to further court action (beyond Liability Order stage) have increased from last year £120k to £185k.
- 5.20 The very large dip in year collection rate (7.86%) can be explained away because six of West Somerset's largest payers (Hinkley Point , Butlins, Morrisons, Tesco, Watchet Paper Mill and Doniford Bay Holiday Park) have now taken up the legal option of paying over twelve months (instead of ten) thus having a major influence on the Council's cash flow levels. The twelve monthly regulation only came in on Business Rates on 1 April 2014, therefore, it is unfair to compare monthly collection rates with last year until we reach year end. Further analysis has now taken place to confirm this and although only 4.8% (93 of our 1912 ratepayers) have opted for twelve monthly payments in Rateable Value terms it relates to over 16 million of the 31 million total. This equates to nearly 52% of the value opted for a longer payment term. In monetary terms it relates to £1.3 million (that would have been paid by January) now being collected over February and March instalments, therefore the collection rate should pick up dramatically during these two months. An individual example to explain this substantial dip would be Hinkley Point who have in the past been cleared in full by 1 January, however, now they will have an unpaid balance of £862,202 that will be collected via Direct Debit on 1 February and 1 March.
- 5.21 Due to retention (the possible financial losses to the Council mentioned below by the Finance Manager) and the fact that there are only 56 business rate recovery cases, when compared to the large number of Council Tax accounts, these cases are monitored to a much greater degree. The £185k can be broken down into six specific recovery areas with the number of cases and previous year's quarter given as a comparison:
- Enforcement Agent/Bailiff (or awaiting) 27 cases £96k (£41k)
 - Arrangement 18 cases £55k (£43k)
 - Possible Committal 5 cases £23k (£5k)
 - Write-Off 1 case £2k (nil)
 - On Hold 4 cases £8k (£15k)
 - No Forwarding 1 case £1k (nil).

- 5.22 Write offs are undertaken on a quarterly basis and during this quarter totals of £4,484 in liabilities and £72 in court costs have been written off. As shown in the table above the debit over the last 12 months has reduced by £1,368,604 and during this period we have written off a total of £18,880 in liabilities and £219 in court costs. This equates to 1.3% of the reduction resulting from these write offs.

6. FINANCIAL/RESOURCE IMPLICATIONS

- 6.1 Clearly the collection of income and debts due to the authority is very important as the Net Budget for provision of services includes assumptions and targets for income. Where costs are not covered by general grant funding or Council Tax, the customer pays additional fees and charges as set by the Council. This income is therefore necessary for the provision of services. Failure to collect debts could eventually lead to losses which would be a cost to the General Fund, and therefore adversely affect reserve balances.
- 6.2 As the billing authority for Council Tax and Business Rates, we also collect taxation income that is due to be paid over to Central Government, the County Council, Police and Fire authorities. Failure to collect these monies will affect this Council's funding, but also that of these other organisations.
- 6.3 The risk of non-collection is assessed each year as part of the financial year end arrangements, with some provision made for potential losses, however the Council's takes all possible action to avoid non-collection. Debt write-off is very much a last resort.

7. COMMENTS ON BEHALF OF SECTION 151 OFFICER

- 7.1 Levels of debt can adversely affect the Council's cash flow as well as the underlying funding position as described above. As such all debt is actively managed to keep outstanding amounts to a minimum.
- 7.2 The risk in respect of cash flow and non-collection is greater than previous years following the introduction of Business Rates Retention, as the payments of Standard Shares in Business Rates to Government, County and Fire authorities is based on budget estimates. As from 1st April 2013 the Council also has to bear 40% of the costs of any debts written off in respect of Business Rates.

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.