

# South Somerset District Council

*Notice of Meeting*



## Audit Committee

*Making a difference where it counts*

**Thursday 24 October 2013**

**10.00 a.m.**

**Main Committee Room  
Council Offices,  
Brympton Way,  
Yeovil,  
Somerset BA20 2HT**

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The public and press are welcome to attend.

Disabled Access is available at this meeting venue.



If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Anne Herridge** on Yeovil (01935) 462570  
Email: [anne.herridge@southsomerset.gov.uk](mailto:anne.herridge@southsomerset.gov.uk)

This Agenda was issued on Wednesday 16<sup>th</sup> October 2013

**Ian Clarke**, Assistant Director (Legal & Corporate Services)

This information is also available on our  
website: [www.southsomerset.gov.uk](http://www.southsomerset.gov.uk)



INVESTOR IN PEOPLE

## **Audit Committee Membership**

**Chairman** Derek Yeomans  
**Vice-Chairman** Ian Martin

John Calvert Roy Mills  
John Dyke Terry Mounter  
David Norris John Richardson  
Tony Lock Colin Winder

## **South Somerset District Council – Corporate Aims**

**Our key aims are:** (all equal)

- Jobs – We want a strong economy which has low unemployment and thriving businesses
- Environment – We want an attractive environment to live in with increased recycling and lower energy use
- Homes – We want decent housing for our residents that matches their income
- Health and Communities – We want communities that are healthy, self-reliant and have individuals who are willing to help each other

## **Members’ Questions on Reports prior to the Meeting**

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

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## **Information for the Public**

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

### **Internal Audit Activity**

1. To approve the Internal Audit Charter and annual Internal Audit Plan;
2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;
3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;
4. To monitor the action plans for Internal Audit reports assessed as "partial" or "no assurance;"
5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;
6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council's governance arrangements;

### **External Audit Activity**

7. To consider and note the annual external Audit Plan and Fees;
8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

### **Regulatory Framework**

9. To consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;
10. To review the Annual Governance Statement (AGS) and monitor associated action plans;
11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council's Constitution and an overview of risk management;

12. To receive reports from management on the promotion of good corporate governance;

## **Financial Management and Accounts**

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;
14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;
15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

## **Overall Governance**

16. The Audit Committee can request of the Assistant Director – Finance and Corporate Services (S151 Officer), the Assistant Director – Legal and Corporate Services (the Monitoring Officer), or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;
17. The Audit Committee will request action through District Executive if any issue remains unresolved;
18. The Audit Committee will report to each full Council a summary of its activities.

Meetings of the Audit Committee are held monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently.

Agendas and minutes of this committee are published on the Council's website at [www.southsomerset.gov.uk](http://www.southsomerset.gov.uk)

The Council's Constitution is also on the web site and available for inspection in council offices.

Further information can be obtained by contacting the agenda co-ordinator named on the front page.

# Audit Committee

**Thursday 24 October 2013**

## Agenda

### *Preliminary Items*

1. **To approve as a correct record the Minutes of the previous meeting held on 26 September 2013**
2. **Apologies for Absence**
3. **Declarations of Interest**

In accordance with the Council's current Code of Conduct (adopted July 2012), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting. A DPI is defined in The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 (SI 2012 No. 1464) and Appendix 3 of the Council's Code of Conduct. A personal interest is defined in paragraph 2.8 of the Code and a prejudicial interest is defined in paragraph 2.9.

4. **Public Question Time**

### *Items for Discussion*

### *Page Number*

- |    |  |           |
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| 5. | <b>2012/13 Annual Governance Statement Action Plan .....</b> | <b>1</b>  |
| 6. | <b>Local Code of Corporate Governance .....</b>              | <b>3</b>  |
| 7. | <b>Annual Audit Letter.....</b>                              | <b>23</b> |
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## **5. 2012/13 Annual Governance Statement Action Plan**

*Assistant Director: Donna Parham, Assistant Director – Finance and Corporate Services*  
*Lead Officer: Donna Parham, Assistant Director – Finance and Corporate Services*  
*Contact Details: Donna.Parham@southsomerset.gov.uk*

### **Purpose of the Report**

This report has been prepared for the Audit Committee to review the progress made on the 2012-13 Annual Governance Statement (AGS) Action Plan

### **Recommendation**

To note the progress made.

### **Background**

The Audit Committee agreed the action plan in May 2013 at the same time as approving the Annual Governance Statement. As agreed the action plan will be monitored quarterly to ensure progress is made and improvements in governance are acted upon during the year. This will strengthen the overall governance framework and improve the assurances that can be given for the next Annual Governance Statement.

### **Action Plan**

The action plan is attached and the current status of the each issue is shown. At present all actions are progressing.

### **Financial Implications**

There are no financial implications associated with these recommendations.

***Background Papers:*** None

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**SOUTH SOMERSET DISTRICT COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

**2013/14 ACTION PLAN**

<b>No</b>	<b>Action</b>	<b>Responsible Officer</b>	<b>Current Status</b>
1	A refresh of the <b>Procurement Procedure Rules</b> to clarify Equalities responsibilities and include Internal Audit recommendations.	<b>Gary Russ</b>	Equalities guidance has been approved through the Equalities Steering Group. The PPR's have been updated and will be reviewed through the Audit Committee by December 2013.
2.	A refresh of the <b>Risk Management Strategy</b> and reporting risk management regularly to <b>Management Board</b> and <b>Audit Committee</b> .	<b>Gary Russ</b>	Reports have been made to both MB and the Audit Committee in this financial year. The refresh of the Risk Management Strategy will take place later this year
3.	Retender the <b>cash collection contract</b> by September 2013.	<b>Amanda Card/ Gary Russ/ Garry Green</b>	The retender is currently underway.
4.	Review <b>General Account reconciliations</b> as part of implementation of the <b>Cash Receipting System</b>	<b>Amanda Card</b>	The Cash Receipting System will "go live" on the 1 <sup>st</sup> December. Reconciliations will be reviewed as part of that implementation
5.	Complete the <b>Fraud and Data Strategy</b> to link all anti-fraud work.	<b>Lynda Creek</b>	2nd draft of Strategy being finalised and will then go for consultation before going through the adoption route via committee.

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## **6. Local Code of Corporate Governance**

*Assistant Director: Donna Parham, Assistant Director – Finance and Corporate Services*

*Lead Officer: Donna Parham, Assistant Director – Finance and Corporate Services*

*Contact Details: Donna.Parham@southsomerset.gov.uk*

### **Purpose of Report**

This report outlines the updates made to the Local Code of Corporate Governance.

### **Recommendations**

1. That the Audit Committee approves the revised Local Code of Corporate Governance.
2. That the Assistant Director - Finance and Corporate Services is delegated to make any future changes to job titles.

### **Background**

The Local Code of Corporate Governance was last updated in 2010 to take into account the revised guidance from Solace (Society of Local Authority Chief Executives and Senior Managers)/CIPFA (Chartered Institute of Public Finance Accountants) framework for delivering good governance in local government.

The revised guidance outlined that to comply with the principles of corporate governance it is important to ensure that compliance is reflected in each dimension of the Council's business. The dimensions are defined as:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging the local people and other stakeholders to ensure robust public accountability

The Local Code of Corporate Governance shows how SSDC can demonstrate compliance within these dimensions and therefore it can support the annual Governance Report. At the end of the financial year the authority must produce an Annual Governance Report with the evidence of how it is meeting the code and its internal controls and processes. The local code will be assessed and an action plan will be put in



place for any improvements required and this will be monitored through the Audit Committee.

## **Report**

The attached revised code is updated for the following:

- Revised evidence to show compliance with the Local Code of Corporate Governance.
- Updated to link to the Council Plan

## **Financial Implications**

There are no financial implications.

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# Local Code of Corporate Governance

## INTRODUCTION

### What is Corporate Governance?

“Corporate Governance” is the term used to describe the systems and processes that Councils have in place for managing both their own internal affairs and relationships with their community.

SSDC is committed to the principles of good corporate governance and wishes to confirm its on-going commitment and intentions through the development of this Code. It has been developed using the CIPFA/SOLACE Guidance on best practice.

This Code sets out the Council’s commitment to good governance and identifies the arrangements that have been made, including continuous improvement, to ensure that it is applied to all aspects of the Council’s work.

## BASIC PRINCIPLES

### What is the purpose of the Code?

Corporate Governance is at the heart of the modernisation agenda of:

- Democratic Renewal;
- Community Leadership;
- Engagement of the local community, consultation and partnership working;
- High standards of conduct and probity;
- Outward looking, accountable, and responsive services;
- Continuous improvement;
- Performance management.

Sound corporate governance is demonstrated through:

- Accountability for public spending;
- A contribution to SSDC’s efficiency and effectiveness;

- Clear political accountability for policy making;
- Political leadership focused on community benefit.

Local democratic renewal relies on public confidence in elected councillors. Good governance underpins the confidence and credibility of both elected members and senior officers. SSDC recognises that the setting of high standards of self-governance provides a clear and demonstrable lead to both our existing and future partners and provides the basis of effective community governance.

### **SSDC's COUNCIL PLAN 2012-2015**

The Council Plan sets out the priority areas for South Somerset District Council.

The Plan has four areas of focus:

- **Jobs** - We want a strong economy which has low unemployment and thriving businesses;
- **Environment** - We want an attractive environment to live in with increased recycling and lower energy use;
- **Homes** - We want decent housing for our residents that matches their income
- **Health and Communities** - We want communities that are healthy, self-reliant, and have individuals who are willing to help each other.

(All focus areas are equally important)

Within each area of focus there are measurable actions to achieve the plan.

### **FRAMEWORK FOR CORPORATE GOVERNANCE**

SSDC fully supports the fundamental principles of good corporate governance:

**Accountability:** the process by which the Council, and its elected members and officers, are held responsible for their actions and decisions.

**Effectiveness:** the process by which the Council ensures that its policies, plans and procedures achieve the stated objectives.

**Integrity:** the honesty, selflessness and objectivity of the Council's elected members and officers and the standards of propriety and probity that the Council sets for those entrusted with the stewardship of public funds.

**Openness and Inclusivity:** the procedures the Council adopts to ensure that all stakeholders have confidence in decision making and the management of the

Council's affairs. Openness involves an inclusive approach, with all stakeholders having the opportunity to engage effectively with the decisions made by the Council.

**Up to Date:** the Council will keep all procedures, plans and processes under review to ensure that they reflect current best practice and community needs.

To comply with the principles of corporate governance it is important that they are reflected in each dimension of the Council's business. This Corporate Governance Framework has defined these dimensions as:

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

## 1. FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA

- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users;
- Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning;
- Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money;

<b>The code should reflect the requirement for local authorities to:</b>	<b>Compliance can be demonstrated by:</b>
Ensure that a vision for our local communities is developed in consultation with local people and other stakeholders. The vision will include priorities and targets that are measurable.	<ul style="list-style-type: none"> <li>• Service plans</li> <li>• Major Strategies</li> <li>• Council Plan</li> <li>• Performance plans</li> <li>• Yeovil Vision and Market Town Investment Group</li> <li>• South Somerset Together</li> <li>• Sustainable Community Strategy</li> <li>• Area action plans</li> <li>• Area Committees</li> <li>• Proposals under the Sustainable Communities Act.</li> <li>• Community and Village Planning</li> </ul>
Review on a regular basis SSDC's vision for the local area and its impact on the authority's governance arrangements	<ul style="list-style-type: none"> <li>• Local code of corporate governance</li> </ul>
Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	<ul style="list-style-type: none"> <li>• Local code of corporate governance</li> <li>• Partnership working in SSDC</li> <li>• Partnership register</li> <li>• S113 Agreement with East Devon District Council</li> </ul>
Ensure that financial and activity performance reports are produced in a timely and understandable manner.	<ul style="list-style-type: none"> <li>• Annual Statement of Accounts</li> </ul>

	<ul style="list-style-type: none"> <li>• Summary Statement of Accounts</li> <li>• Budget Monitoring Statements</li> <li>• Outturn reports</li> <li>• Annual Performance Report</li> </ul>
Put in place arrangements for the independent review of financial and operational reporting processes.	<ul style="list-style-type: none"> <li>• Audit Committee Terms of Reference</li> <li>• Scrutiny Committee Terms of Reference</li> <li>• Annual Audit Letter and audit reports</li> <li>• Financial Resilience Report</li> <li>• Internal Audit Plan and Annual Report</li> <li>• Peer challenges</li> </ul>
Put in place effective arrangements to identify and deal with failure in service delivery	<ul style="list-style-type: none"> <li>• Complaints procedure</li> <li>• “Lean thinking” approach to service delivery</li> </ul>
Decide how value for money is to be measured and make sure SSDC or the partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions	<ul style="list-style-type: none"> <li>• Service plans</li> <li>• Performance plans</li> <li>• Benchmarking Information</li> <li>• Achievement of efficiency targets</li> <li>• Annual balanced budget</li> <li>• Achievement of Council Plan targets</li> </ul>

## 2. MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES

- Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function;
- Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard;
- Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.

<b>The code should reflect the requirement for local authorities to:</b>	<b>Compliance can be demonstrated by:</b>
<p>Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and SSDC's approach towards putting this into practice</p> <p>Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers.</p>	<ul style="list-style-type: none"> <li>• The Constitution</li> <li>• Minutes of meetings</li> <li>• Publication of portfolio holder decisions</li> <li>• Financial Procedure Rules</li> <li>• Procurement Procedure Rules</li> </ul>
<p>Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required</p>	<ul style="list-style-type: none"> <li>• The Constitution</li> </ul>
<p>We will ensure that the Chief Executive is made responsible for all aspects of operational management (Head of Paid Service).</p>	<ul style="list-style-type: none"> <li>• Scheme of Delegation</li> <li>• Terms and Conditions of Employment</li> <li>• Job Description/Person Specification</li> <li>• Performance Management system</li> <li>• Staff Appraisal processes and Training Plans</li> <li>• Annual Pay Policy</li> </ul>
<p>Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship</p>	<ul style="list-style-type: none"> <li>• Regular weekly meetings</li> <li>• Job description of Chief Executive</li> </ul>

<p>and that a shared understanding or roles and objectives is maintained</p>	<ul style="list-style-type: none"> <li>• Job description of Leader</li> <li>• Officer/member working relationship protocol.</li> </ul>
<p>We will ensure that the Assistant Director – Finance and Corporate Services is made responsible for the financial affairs of the Council, including financial advice, financial records and systems of internal control (Section 151 Officer).</p>	<ul style="list-style-type: none"> <li>• Scheme of Delegation</li> <li>• The Section 151 Officer is a qualified accountant, reports directly to the Chief Executive, and is a member of the authority’s Management Board</li> <li>• Terms and Conditions of Employment</li> <li>• Job Description/Person Specification</li> <li>• Performance Management System</li> <li>• Medium Term Financial Strategy and Plan</li> <li>• Budget Book</li> <li>• Annual Audit Plan</li> <li>• Financial Procedure Rules</li> <li>• The Section 151 Officer leads a finance function that is resourced and fit for purpose</li> <li>• Reviews and approves all committee papers are financially correct before publication</li> <li>• Reports to Finance and Spatial Planning, District Executive, Audit Committee, and full Council</li> </ul>
<p>We will ensure that the Assistant Director – Legal and Corporate Services is made responsible for ensuring that the agreed procedures are followed and that all statutes, regulations and other statements of good practice are complied with (Monitoring Officer).</p>	<ul style="list-style-type: none"> <li>• Scheme of Delegation</li> <li>• The Monitoring Officer is a qualified solicitor, reports directly to the Chief Executive, and is a member of the authority’s Management Board</li> <li>• Terms and Conditions of Employment</li> </ul>



	<ul style="list-style-type: none"> <li>• Job Description/Person Specification</li> <li>•</li> <li>• Reviews and approves all committee papers are legally correct before publication</li> <li>• Standards Board agenda and minutes</li> <li>• Reports Finance and Spatial Planning Portfolio Holder, District Executive, Audit Committee, and full Council</li> </ul>
Develop protocols to ensure effective communication between members and officers in their respective roles	<ul style="list-style-type: none"> <li>• Protocol on officer/member relationship</li> <li>• Scheme of Delegation</li> <li>• Codes of Conduct</li> </ul>
Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)  Ensure that effective mechanisms exist to monitor service deliver	<ul style="list-style-type: none"> <li>• The Constitution</li> <li>• Members Allowance Scheme</li> <li>• Terms &amp; conditions of Employment</li> <li>• Annual Pay Policy</li> </ul>
Ensure that SSDC's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	<ul style="list-style-type: none"> <li>• Council plan</li> <li>• Sustainable Community Strategy</li> <li>• Budget consultations</li> <li>• Themed discussions at Area Committees</li> <li>• Joint Working Groups (eg. Yeovil Vision)</li> </ul>
When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority  When working in partnership:  Ensure that there is clarity about the legal status of the partnership  Ensure that representatives or	<ul style="list-style-type: none"> <li>• Protocols for partnership working. For each partnership South Somerset District Council will only enter into partnerships where: <ul style="list-style-type: none"> <li>- All partners are clear on what outcomes will be delivered.</li> <li>- There is a clear evidence base for pursuing those outcomes.</li> <li>- The outcomes link to the Council's</li> </ul> </li> </ul>

<p>organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions</p>	<p>corporate priorities and/or the overarching Somerset Local Area Agreement targets.</p> <ul style="list-style-type: none"> <li>- An agreed performance management framework is established from the outset.</li> <li>- Risks are identified at the beginning and agreement is reached on how these risks will be handled successfully.</li> <li>- Any projects will follow an approved project management methodology.</li> <li>- Rules and responsibilities are clearly defined in terms of reference, a constitution or similar and appropriate documents.</li> </ul>
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### 3. PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR

- Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance;
- Ensuring that organisational values are put into practice and are effective.

<b>The code should reflect the requirement for local authorities to:</b>	<b>Compliance can be demonstrated by:</b>
Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	<ul style="list-style-type: none"> <li>• Staff awareness sessions</li> <li>• Insite information</li> <li>• Joint Consultative Forum</li> <li>• Managers' Charter</li> </ul>
Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols	<ul style="list-style-type: none"> <li>• Codes of conduct</li> <li>• Performance appraisal</li> <li>• Complaints procedure</li> <li>• Anti-fraud and corruption policy</li> <li>• Anti-Bribery and Money Laundering Policy</li> <li>• Service Charters</li> <li>• Declaration of Interests</li> <li>• Officer/member working relationship protocol.</li> </ul>
Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	<ul style="list-style-type: none"> <li>• Procurement Procedure Rules</li> <li>• Codes of conduct</li> <li>• Financial Procedure Rules</li> </ul>
Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff the community and partners	<ul style="list-style-type: none"> <li>• Codes of conduct</li> </ul>
Put in place arrangements to ensure that systems and processes are designed in	<ul style="list-style-type: none"> <li>• Codes of conduct</li> </ul>

conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	<ul style="list-style-type: none"> <li>• Ethical Standard training</li> <li>• Induction training</li> </ul>
Develop and maintain an effective standards committee	<ul style="list-style-type: none"> <li>• Standards Committee Terms of Reference</li> <li>• Regular reporting to the Council</li> </ul>
Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	<ul style="list-style-type: none"> <li>• Decision making practices</li> </ul>
In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	<ul style="list-style-type: none"> <li>• Protocols for partnership working</li> </ul>

#### 4. TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny;
- Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs;
- Ensuring that an effective risk management system is in place;
- Using their legal powers to the full benefit of the citizens and communities in their area

<b>The code should reflect the requirement for local authorities to:</b>	<b>Source documents/good practice/other means that may be used to demonstrate compliance</b>
Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible	<ul style="list-style-type: none"> <li>• Scrutiny task and finish groups</li> <li>• Terms of Reference – Scrutiny Committee</li> </ul>
Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decision are based	<ul style="list-style-type: none"> <li>• Minutes of meetings</li> <li>• Publication of portfolio holder decisions</li> </ul>
Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate process to ensure that they continue to operate in practice	<ul style="list-style-type: none"> <li>• Codes of conduct</li> </ul>
Develop and maintain an effective audit committee which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee	<ul style="list-style-type: none"> <li>• Audit Committee Terms of reference</li> <li>• Membership of the Audit Committee</li> <li>• Training for committee members</li> </ul>
Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	<ul style="list-style-type: none"> <li>• Complaints procedure</li> </ul>
Ensure that those making decisions whether for the authority of the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications	<ul style="list-style-type: none"> <li>• Members' induction scheme</li> <li>• Training for committee chairs</li> </ul>

<p>Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</p>	<ul style="list-style-type: none"> <li>• Job Description/Person Specification</li> <li>• Training Plans</li> <li>• IIP Standards</li> </ul>
<p>Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs</p>	<ul style="list-style-type: none"> <li>• Risk Management Strategy and Policy</li> <li>• Reports on risk control</li> <li>• Internal control framework</li> <li>• Risk and Performance Management System</li> <li>• Audit Committee Terms of Reference</li> <li>• Scrutiny Committee Terms of Reference</li> <li>• District Executive reports</li> <li>• Management Board Reports</li> <li>• Service plans</li> <li>• Project management methodology</li> </ul>
<p>Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access</p>	<ul style="list-style-type: none"> <li>• Whistle blowing policy</li> </ul>
<p>Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities</p>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Monitoring officer provisions</li> <li>• Statutory provision</li> </ul>
<p>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law</p>	<ul style="list-style-type: none"> <li>• Monitoring officer provisions</li> </ul>
<p>Observe all specific legislative requirements place upon them, as well as the requirements of general law, and in particular the integrate the key principles of good administrative law – rationality, legality and natural justice –</p>	<ul style="list-style-type: none"> <li>• Monitoring officer provisions</li> <li>• Job description/Person specification</li> </ul>

into their procedures and decision making processes	<ul style="list-style-type: none"><li data-bbox="826 190 1133 235">• Statutory provision</li></ul>
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## 5. DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE

- Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles;
- Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group;
- Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal

The code should reflect the requirement for local authorities to:	Compliance can be demonstrated by:
Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	<ul style="list-style-type: none"> <li>• Training and development plan</li> <li>• Induction programme</li> <li>• Update courses/information</li> </ul>
Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	<ul style="list-style-type: none"> <li>• Job description/ personal specifications membership of top management team</li> <li>• Management structure and reporting lines</li> </ul>
Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	<ul style="list-style-type: none"> <li>• Training plans</li> <li>• Skills audit</li> <li>• Staff Development Reviews</li> </ul>
Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	<ul style="list-style-type: none"> <li>• Training and development plans reflect the requirement of a modern councillor including:               <ul style="list-style-type: none"> <li>- the ability to scrutinise and challenge</li> <li>- the ability to recognise when outside advice is required</li> <li>- advice on how to act as an ambassador for the community</li> <li>- leadership and influencing skills</li> </ul> </li> </ul>
Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs	<ul style="list-style-type: none"> <li>• Performance Management System</li> <li>• Appraisals</li> <li>• Scrutiny</li> <li>• Portfolio Holder meetings with senior staff</li> </ul>
Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage	<ul style="list-style-type: none"> <li>• Strategic Partnership Framework</li> </ul>



with, contribute to and participate in the work of the authority	<ul style="list-style-type: none"> <li>• Consultation/engagement Strategy</li> </ul>
Ensure that career structures are in place for members and officers to encourage participation and development	<ul style="list-style-type: none"> <li>• Succession Planning</li> <li>• Workforce Plan</li> <li>• Talent Management Policy</li> </ul>

## 6. ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

- Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships;
- Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning;
- Making best use of human resources by taking an active and planned approach to meet responsibility to staff

The code should reflect the requirement for local authorities to:	Compliance can be demonstrated by:
<p>Make clear to themselves, all staff and the community to whom they are accountable and for what.</p> <p>Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required</p>	<ul style="list-style-type: none"> <li>• Sustainable Community Strategy</li> <li>• Constitution</li> </ul>
<p>Produce an annual report on the activity of the scrutiny function</p>	<ul style="list-style-type: none"> <li>• Annual report</li> </ul>
<p>Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively</p> <p>Hold meetings in public unless there are good reasons for confidentiality</p> <p>Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands</p>	<ul style="list-style-type: none"> <li>• Sustainable Community Strategy</li> <li>• Joint Working Groups</li> <li>• Area Action Plans</li> <li>• Communications Strategy</li> <li>• Agendas and Minutes</li> <li>• Consultation Strategy</li> </ul>
<p>Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a</p>	<ul style="list-style-type: none"> <li>• Partnership framework</li> <li>• Communication Strategy</li> </ul>

result	
On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period	<ul style="list-style-type: none"> <li>• Council Plan</li> <li>• Annual Statement of Accounts</li> <li>• Summary of Accounts</li> <li>• Annual Performance Report</li> </ul>
Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Forward Plan</li> <li>• Equalities Steering Group</li> <li>• Web Strategy</li> </ul>
Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Joint Consultative Forums</li> </ul>

Audit Committee – 24<sup>th</sup> October 2013

## **7. Annual Audit Letter**

Portfolio Holder Councillor Ric Pallister, Leader of the Council  
Director: Mark Williams, Chief Executive  
Lead Officer: As above  
Contact Details: Mark.williams@southsomerset.gov.uk or (01935) 462101

### **Purpose of the report**

This report introduces the annual audit letter for the 2012/13 financial year.

### **Recommendation**

The Audit Committee is asked to:

- (1) Note the contents of the Annual Audit Letter as set out in the report.

### **Introduction**

The review of the Annual Audit Letter is included within the remit of the Audit Committee under its terms of reference as follows:

“To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken.”

“To review and approve the annual Statement of Accounts, external auditor’s opinion and reports to members and monitor management action in response to issues raised.”

Each year the Audit Commission is required to make arrangements for the production of an audit letter for each local authority.

### **Statement of Accounts**

An unqualified opinion was given on the Statement of Accounts.

### **The Value for Money Conclusion**

An unqualified conclusion was given on the Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources.

### **Financial Implications**

There are no financial implications in accepting this report and the associated recommendations.

### **Background Papers**

Annual Governance Report

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# The Annual Audit Letter for South Somerset District Council

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**Year ended 31 March 2013**

October 2013

**Simon Garlick**

Director

T 0117 305 7878

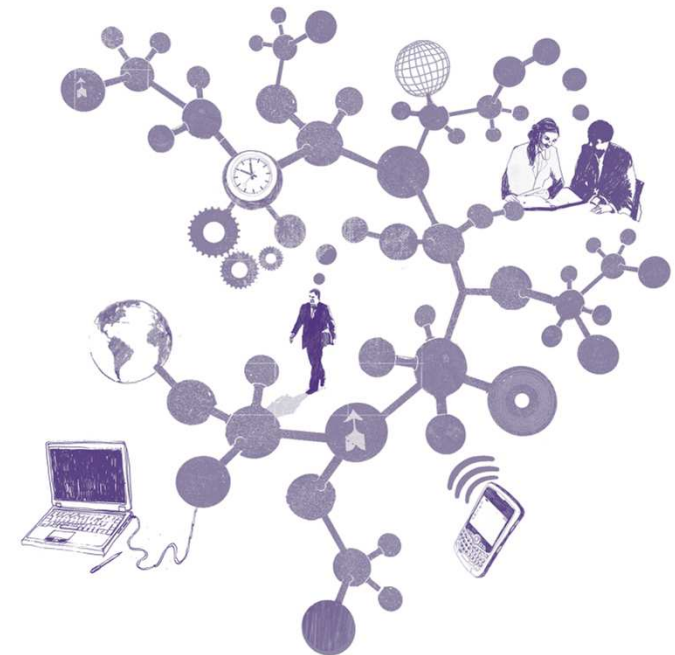
E [simon.p.garlick@uk.gt.com](mailto:simon.p.garlick@uk.gt.com)

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## Section 1: Executive summary

**01. Executive summary**

**02. Audit of the accounts**

**03. Value for Money**

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# Executive summary

## **Purpose of this Letter**

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at South Somerset District Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and the Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance (the Audit Committee) in the Audit Findings Report on 26 September 2013.

## **Responsibilities of the external auditors and the Council**

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we presented to the Audit Committee on 23 May and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## **Audit conclusions**

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- no issues arising from the Council's Whole of Government Accounts submission.

Our certification of the Council's grant claims and returns is still on-going. Our findings in respect of our certification work will be reported to you in a separate report.



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# Executive summary

## **Key areas for Council attention**

During the course of our audit we have made a number of recommendations relating to internal control, these have been reported as part of our Audit Findings report. Recommendations have been discussed and agreed with the Assistant Director (Finance and Corporate Services) and the finance team.

Our overall value for money conclusion for this year is unqualified. Looking beyond this year and next, the Council has a medium term financial plan, which recognises the need for substantial future savings. We have reviewed the Council's financial resilience and concluded that current arrangements are adequate albeit there are substantial financial challenges ahead. We issued a separate report on the Council's financial resilience and this is referred to later in this document.

## **Acknowledgements**

This Letter has been agreed with the Assistant Director (Finance and Corporate Services) and will be presented to the Audit Committee on 24 October 2013.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**October 2013**

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## Section 2: Audit of the accounts

01. Executive summary

**02. Audit of the accounts**

03. Value for Money

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# Audit of the accounts

## **Audit of the accounts**

The key findings of our audit of the accounts are summarised below.

## **Preparation of the accounts**

The Council presented us with draft accounts by 30 June 2013 in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 28 June 2013.

## **Issues arising from the audit of the accounts**

Our audit of the financial statements submitted for audit did not identify any errors which would adjust the reported General Fund balance. There was a reduction in both creditors and cash at bank by £1.26 million.

There was one unadjusted misstatement relating to the inclusion of the current fair value of the investment of £0.59 million in Lufton 2000 in the Council's balance sheet. The Council agreed to consider its inclusion in the 2013/14 accounts.

The audit has been facilitated by good supporting working papers and excellent assistance by the finance team and all requests for additional information were dealt with promptly by the finance team.

## **Annual governance statement**

The Council's Annual Governance Statement (AGS) complied with requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC) and contained the elements as prescribed in Delivering Good Governance in Local Government: Framework.

## **Conclusion**

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Council). We presented our report to the Audit Committee on 26 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 26 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

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## Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

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# Value for Money

## Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a value for money conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

**The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Overall our work highlighted that the Council has managed its finances effectively. It has relatively high levels of reserves (as a percentage of gross expenditure) and it has delivered ambitious savings targets. This has led to significant underspends over recent years.

Further details are provided in our Financial Resilience report issued in September 2013.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. The Council has used benchmarking in a focused manner, where there has been a review of the service or considering the impact of a LEAN review on performance.

### Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

# Appendices

## Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

### Fees

	Per Audit plan £	Actual fees £
Audit Fee	64,801	64,801
Grant certification fee	16,850	16,850
<b>Total fees</b>	<b>81,651</b>	<b>81,651</b>

### Fees for other services

Service	Fees £
None	Nil

### Reports issued

Report	Date issued
Audit Plan	May 2013
Audit Findings Report	September 2013
Certification report (expected to be issued)	December 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013



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Audit Committee – 24<sup>th</sup> October 2013

## **8. Audit Committee Forward Plan**

*Assistant Director: Donna Parham, Finance and Corporate Services*  
*Lead Officer: Anne Herridge, Committee Administrator*  
*Contact Details: anne.herridge@southsomerset.gov.uk or (01935) 462570*

### **Purpose of the Report**

This report informs Members of the agreed Audit Committee Forward Plan.

### **Recommendation**

Members are asked to:-

1. Comment upon and note the proposed Audit Committee Forward Plan as attached at Appendix A.

### **Audit Committee Forward Plan**

The forward plan sets out items and issues to be discussed over the coming few months and is reviewed annually.

Items marked in italics are not yet confirmed.

***Background Papers:***        *None*

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Audit Committee – 24 October 2013

## Appendix A

### Audit Committee Forward Plan

<b>Meeting Date</b>	<b>Agenda Item</b>	<b>Lead Officer</b>
<b>28 Nov 13</b>	Update on Debt Management	Karen Gubbins
<b>28 Nov 13</b>	Mid – year review of Treasury Strategy	Karen Gubbins
<b>28 Nov 13</b>	Treasury Management – second quarter monitoring report	Karen Gubbins
<b>28 Nov 13</b>	Internal Audit – second quarter and half year update	Andrew Ellins
<b>28 Nov 13</b>	Annual Governance Statement Action Plan	Donna Parham
<b>28 Nov 13</b>	Process for applications to vary or discharge the requirements of a Section 106 planning obligation.	Donna Parham
<b>28 Nov 13</b>	Risk Management Update	Gary Russ
<b>19 Dec 13</b>	Procurement Procedure rules	Donna Parham
<b>19 Dec 13</b>	Financial Procedure rules	Donna Parham
<b>23 Jan 14 TBC</b>	Health, Safety and Welfare (Annual Report)	Pam Harvey

Audit Committee - 24<sup>th</sup> October 2013

**9. Date of Next Meeting**

The next scheduled meeting of the Audit Committee will be held on Thursday, 28 November at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.

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