

South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 23rd October 2014

10.00 am

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

(disabled access is available at this meeting venue)



The public and press are welcome to attend.

If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Anne Herridge 01935 462570**, website: www.southsomerset.gov.uk

This Agenda was issued on Wednesday 15 October 2014.

A handwritten signature in black ink that reads 'Ian Clarke'.

Ian Clarke, Assistant Director (Legal & Corporate Services)

This information is also available on our website
www.southsomerset.gov.uk



INVESTORS IN PEOPLE

Audit Committee Membership

The following members are requested to attend the meeting:

Chairman: Derek Yeomans
Vice-chairman: Ian Martin

John Calvert
John Dyke
Tony Lock

Roy Mills
Terry Mounter
David Norris

John Richardson
Colin Winder

South Somerset District Council – Council Plan

Our focuses 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

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 23 October 2014

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meeting held on Monday 29th September 2014

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

5. Date of the Next Audit Committee Meeting

The next scheduled meeting of the Audit Committee will be held on Thursday 27th November 2014 at 10.00 am in the Main Committee Room, Council Offices, Brympton Way, Yeovil.

Items for Discussion

6. 2014/15 SWAP Internal Audit Quarter 2 Update Report. (Pages 1 - 11)

7. The Annual Audit Letter for SSSDC (Pages 12 - 21)

8. Exemptions from Procurement Procedure Rules. (Pages 22 - 24)

9. Audit Committee Forward Plan (Pages 25 - 26)

Agenda Item 6

2014/15 SWAP Internal Audit Quarter 2 Update Report

Head of Service: Gerry Cox, Chief Executive - SWAP
Lead Officer: Andrew Ellins, Audit Manager
Contact Details: andrew.ellins@southwestaudit.co.uk

Purpose of the Report

This report has been prepared for the Audit Committee to review the progress made on the 2014/15 Annual Internal Audit Plan.

Recommendation

To note the progress made.

Background

The Audit Committee agreed the revised 2014/15 Internal Audit Plan at its March 2014 meeting. This is the first and second quarter update report to inform the Audit Committee of progress against the plan for April to September 2014.

Appendix A - Detailed Half Yearly Report
Appendix B - Annual Audit Plan Progress Table
Appendix C - Audit Assurance Definitions

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers:

None

APPENDIX A



South Somerset District Council

Report of Internal Audit Activity
Quarter 1 and 2 Update, 2014-15

Contents

The contacts at SWAP in connection with this report are:

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Our audit activity is split between:

- Operational Audit
- Key Controls, Finance
- Key Controls, Income
- Governance, Fraud & Corruption Audit
- IT Audit
- Special Reviews

Role of Internal Audit

The Internal Audit service for South Somerset District Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for internal audit. The Partnership is also guided by the Internal Audit Charter last approved in February 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
- Annual Review of Key Financial System Controls
- Annual Review of Main Income Stream System Controls
- 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 Directors, Assistant Directors, Service Managers and External Audit. This year's Audit Plan was approved by the Audit Committee at its meeting in March 2014. Since March, a number of minor scheduling changes have been made to the audit plan. An updated list of all audits planned for 2014/15 and their status at the end of Quarter 2 is detailed in [Appendix B](#).

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Quarter 1 Outturn:

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

Quarter 1 and 2 Outturn:

Audit Assignments undertaken in the Quarter

- Operational Audits

Internal Audit Work Programme

The schedule provided at [Appendix B](#) 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 C](#).

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent a less than significant risk to the Council’s operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Operational Audits

Operational Audits are a detailed evaluation of a Service’s 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. In Quarter 1 and 2 there were 3 Operational audits scheduled;

Audit Area	Opinion	Audit Area	Opinion
Streetscene Enforcement	Partial	Printing and Design	Partial
Economic Development	In Progress		

During Qtr1 there was also an Operational audit completed that was in progress in Qtr4 2013/14;

- Housing Benefit Fraud Prevention – Reasonable

Quarter 1 and 2 Outturn:

Audit Assignments undertaken in the Quarter

- **Key Controls; Finance**

Key Controls, Finance Audits

In a change to previous years, it was agreed by the Audit Committee to replace Key Control Audits with Operational and Governance Audits for 2013/14. That reflected the positive assurance opinions awarded in relation to Key Control Audits over the previous few years along with an appetite to explore other risks and processes at the Council. That is still relevant however the higher risk key control areas require on-going assurance and as such require a bi-annual review.

A complete list of audits planned for the year 2014/15 is detailed in Appendix B. These key Control audits are always performed in Qtr3.

Quarter 1 and 2 Outturn:

Audit Assignments undertaken in the Quarter

- **Key Controls; Main Income Stream Audits**

Key Controls, Main Income Stream Audits

In previous years a significant number of audit days were allocated to undertake a separate audit of each of the Councils main income streams. This is because shortfalls in income have a significant impact on the budget and are considered higher risk areas.

In Qtr1 the following audits were completed from Qtr4 2013/14;

- Plant Nursery Income – Reasonable
- Homelessness Prevention Income – Substantial
- Goldenstones Income – Reasonable
- Car Parks Income – Substantial

For 2014/15 it was felt that as Substantial and Reasonable assurance had been provided for most of the income areas that a combined audit requiring less days was possible. This audit is scheduled for Qtr4.

Quarter 1 and 2 Outturn:

Audit Assignments undertaken in the Quarter

- **Governance, Fraud and Corruption Audits**

Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk.

There were 4 Governance audits scheduled for Quarter 1 and 2.

Audit Area	Opinion	Audit Area	Opinion
Cash Receipting and Bank Reconciliation	Discussion Document	Yeovil Crematorium and Cemetery Annual Return	Non Opinion
Contract Management – Bribery	In Progress	Boden Mill and Chard Regeneration Scheme Statement of Accounts	Non Opinion

During Qtr1 there were also 3 Governance and Fraud audit completed that were in progress in Qtr4 2013/14;

- Housing Benefit Fraud Prevention – Reasonable
- NDR Managing New Risks and Opportunities – Substantial
- Asset Management Leasing - Substantial

An update on the 2014/15 audits In Progress and at Discussion stage will be available in the next quarterly report.

Quarter 1 and 2 Outturn:

Audit Assignments undertaken in the Quarter

- Information Systems
- Special Reviews

Information Systems

Information Systems – IT audits provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given.

There was one IT Audit scheduled for Quarter 1 and 2:

- Threat Management.

This audit has received Substantial assurance.

Two more IT Audits are scheduled in Qtr3 and 4 and are detailed in Appendix B.

Special Reviews

I am pleased to report that since April 2014 there have been no irregularities reported to SWAP that have required investigation on behalf of SSDC.

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

This is detailed in [Appendix B](#) and is subject to any changes in agreement with the S151 officer.

Conclusions

For the audits completed to report stage, each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the Categorisation of Recommendations section of [Appendix C](#).

The Committee will be aware that in May 2014, SWAP were pleased to provide an Audit Opinion for the Annual Governance Statement for 2013/14 that gave Reasonable Assurance. Work carried out to date in Quarter 1 and 2 largely supports this level of assurance for 2014/15 to date.

There have been no significant Corporate Risks identified from the work completed so far in Quarter 1 and 2.

Our approach to the audits for 2014/15 reflects this positive assurance and we are seeking to undertake more challenging and cross-cutting reviews rather than traditional service reviews that we have done over recent years, given that these areas have now proven themselves to have adequate and often good internal controls.

A list of all audits planned for 2014/15 and their status at the end of Quarter 2 are detailed in [Appendix B](#).

South Somerset District Council Audit Plan Progress 2014/15 - Qtr 2 Update

APPENDIX B

Audit Type	Audit Title	Quarter	Status	Opinion	No. of recs	Major - Recommendations - Minor				
						5	4	3	2	1
Governance	Boden Mill and Chard Regeneration Scheme Statement of Accounts	Qtr 1	Final	Non Opinion	0	0	0	0	0	0
Governance	Yeovil Crematorium and Cemetery Annual Return	Qtr 1	Final	Non Opinion	0	0	0	0	0	0
Operational	Streetscene Enforcement	Qtr 1	Final	Partial	14	0	1	13	0	0
Operational	Printing and Design	Qtr 1	Final	Partial	14	0	1	12	1	0
IT Audits	Threat Management	Qtr 2	Final	Substantial	7	0	0	3	4	0
Follow Up	Fighting Fraud Locally	Qtr 2	Final	Non Opinion	0	0	0	0	0	0
Governance	Cash Receipting and Bank Reconciliation	Qtr 2	Discussion Doc		0	0	0	0	0	0
Governance	Contract Management - Bribery	Qtr 2	In Progress		0	0	0	0	0	0
Operational	Economic Development	Qtr 2	In Progress		0	0	0	0	0	0
Key Control	Creditors	Qtr 3			0	0	0	0	0	0
Key Control	Main Accounting	Qtr 3			0	0	0	0	0	0
Key Control	Housing Benefits	Qtr 3			0	0	0	0	0	0
Key Control	Council Tax and CTRS	Qtr 3			0	0	0	0	0	0
Key Control	Non Domestic Rates	Qtr 3			0	0	0	0	0	0
Key Control	Treasury Management	Qtr 3			0	0	0	0	0	0
Operational	Payroll Service New System	Qtr 3			0	0	0	0	0	0
Governance	Starters and Leavers Theme	Qtr 3			0	0	0	0	0	0
IT Audits	Back-Up and Recovery	Qtr 3			0	0	0	0	0	0
Governance	Fraud Audit	Qtr 3			0	0	0	0	0	0
Governance	Leisure Centres Contract Compliance	Qtr 3			0	0	0	0	0	0
Governance	Landfill Site Management	Qtr 3			0	0	0	0	0	0
Operational	License Fee Setting	Qtr 4			0	0	0	0	0	0
Operational	Car Parks Enforcement	Qtr 4			0	0	0	0	0	0
IT Audits	PSN Code of Connection	Qtr 4			0	0	0	0	0	0
Governance	Fraud Audit	Qtr 4			0	0	0	0	0	0
Governance	Key Income Streams	Qtr 4			0	0	0	0	0	0
Governance	Somerset Theme - Choice Based Lettings	Qtr 4			0	0	0	0	0	0
Governance	Somerset Theme - Community Safety Partnership	Qtr 4			0	0	0	0	0	0
Operational	Somerset Theme - Shared Legal Services	Qtr 4			0	0	0	0	0	0

Audit Framework Definitions

Control Assurance Definitions

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

Categorisation Of Recommendations

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

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

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

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

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

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

Definitions of Risk

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

Agenda Item 7

Annual Audit Letter

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

Purpose of the report

This report introduces the annual audit letter for the 2013/14 financial year.

Recommendations

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.

Grant Thornton had received an objection to the accounts for 2013/14 regarding:

- the legal costs of a planning application and
- the renegotiation of planning obligations.

They were satisfied that both issues did not have a material impact on the financial statements for 2013/14.

Grant Thornton has yet to determine the substance of the objection and this will be concluded after the issuing of the opinion. Consequently, the certificate closing the audit will be delayed. They have since received a further objection regarding the renegotiation of planning obligations.

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.

There could be a further charge to SSDC from Grant Thornton regarding their investigations into the objections made.

Background Papers

Annual Governance Report



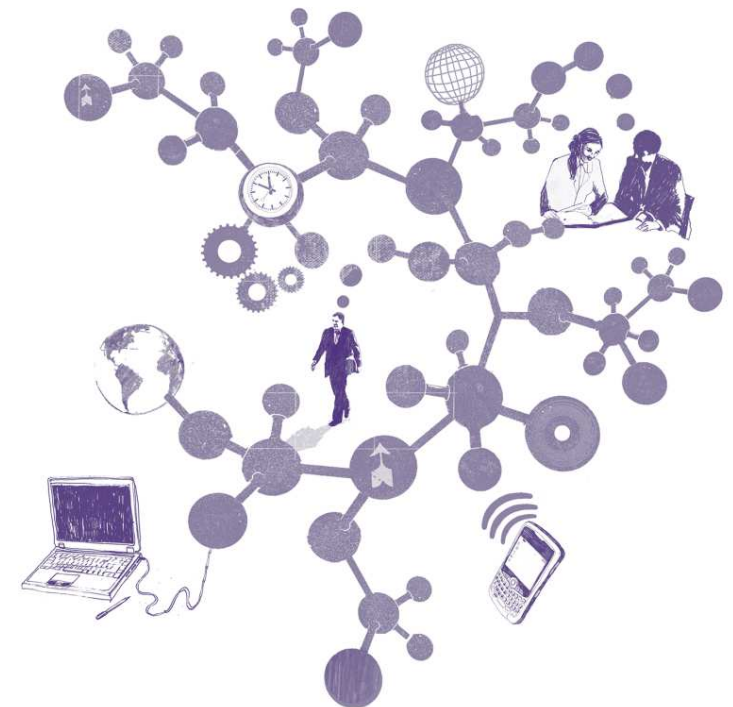
The Annual Audit Letter for South Somerset District Council

Year ended 31 March 2014

23 October 2014

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at South Somerset District Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued 27 March 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)

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We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 29 September 2014 to the Audit Committee. The key messages reported were:

We had received an objection to the accounts for 2013/14 regarding:

- the legal costs of a planning application and
- the renegotiation of planning obligations.

We were satisfied that both issues did not have a material impact on the financial statements for 2013/14.

However, we had yet to determine the substance of the objection and this would be concluded after the issuing of the opinion. Consequently, the certificate closing the audit was delayed. Subsequently, we received a further objection regarding the renegotiation of planning obligations.

We had not identified any adjustments affecting the Council's reported financial position but we identified a number of adjustments to improve the presentation of the financial statements. The Council included a separate disclosure for the provision for business rate appeals.

The Council had implemented our recommendations from last year (2012/13) about including the investment in Lufton 2000 in its accounts.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 30 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Key messages

Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2013/14 on 30 September 2014.</p> <p>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 2014.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
Certification of grant claims and returns	<p>Our work to certify the Council's Housing Benefit Subsidy claim is in progress. This is the only claim or return requiring our certification for this year.</p>
Audit fee	<p>Our fee for 2013/14 for the main audit was £65,701, excluding VAT, which was an increase of £900 over the fee reported in our audit plan. This increase was in respect of work on material business rates balances. This work was previously carried out as part of the certification work for the national non domestic rates return and the fee was included within the certification fee in prior years. Further detail is included within Appendix A.</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>• South Somerset's collection rate for Council Tax in 2012/13 at 97.8% (District average 98.1%) placed the Council in the worst performing third of all district councils (worst 20% of statistical neighbours).</p> <p>• In 2013/14, although the national average for Districts fell to 97.9%, South Somerset's collection rate fell by a greater percentage to 97.4%. The difference between South Somerset's performance and the District Council average is 0.5% which translates into £0.421 million (m) of uncollected Council Tax, of which £0.042m (10%) is South Somerset's share.</p> <p>• The Council's target collection rate is 97% which is well below the performance that most other district councils are already achieving.</p> <p>• The Council is currently reporting performance on Council Tax collection as green.</p> <p>Recommendation: The Council should set a target collection rate for Council Tax that is informed by performance already being achieved by other district councils. The Council should use benchmarking more effectively when setting targets for other indicators.</p>	High	<p>The Council will review the staffing levels in order to improve the collection rates. Debt collection work has increased by 38% since the introduction of the Council Tax Reduction Scheme and economic downturn.</p> <p>Responsible officer: Donna Parham, Assistant Director (Finance and Corporate Services) Due date: March 2015</p>

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Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
<p>2.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 19</p>	<ul style="list-style-type: none"> In 2012/13 we reported that the Council had achieved significant underspends against its original and revised budgets in each of the past five years. The cumulative underspend in those five years against the original budgets was £2.3m. In the past three years, the underspend against the revised budget had been greater than that recorded against the original budget. In 2013/14 the Council reported that it had underspent on its original budget by £0.081m and its revised budget by £1.208m. This shows that the original budget has been a more accurate forecast than the revised budget of the final outturn in each of the past four years. <p>Recommendation: The Council needs to review the robustness of the process for producing revised estimates and identify the reasons for variances in the final quarter of the year.</p>	<p>Medium</p>	<p>The Council has improved budget forecasting over the past year and will look to better predict year end adjustments.</p> <p>The budget is revised only for carry forwards and additional commitments which are added into the budget. They tend not to be spent by year end and increase the underspend.</p> <p>Responsible officer: Donna Parham, Assistant Director (Finance and Corporate Services) Due date: March 2015</p>

Appendix B: 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	*65,701
Grant certification fee	12,200	**10,736
Total fees	77,001	76,437

* '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 NNDR3 claims. The additional fee is 50% of the average fee previously charged for NNDR3 certifications for a district council and is subject to agreement by the Audit Commission.'

** The indicative fee for grant certification has been reduced from the plan because the housing benefit claim will not include council tax benefits following the introduction of the council tax local reduction scheme.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	27 March 2014
Audit Findings Report	29 September 2014
Certification report (to be issued once the certification work on Housing Benefits is completed)	December 2014
Annual Audit Letter	October 2014



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Agenda Item 8

Exemptions from Procurement Procedure Rules

Strategic Director: Mark Williams, Chief Executive
Assistant Director: Donna Parham, Assistant Director (Finance and Corporate Services)
Service Manager; Gary Russ, Procurement and Risk Manager
Lead Officer: Gary Russ, Procurement and Risk Manager
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Purpose of the Report

This report updates members of the Audit Committee on any requested exemptions from the Procurement Procedure Rules during the last financial year. Under the revised rules officers are required to advise the Procurement and Risk Manager of the use of any exemption from those rules. The new rules gave greater freedoms in terms of financial limits under which officers can place business. As per previous formats I have attempted to give a further summary on any procurement issues that may have required the awarding officers to seek clarification from me. I have only included commentary on the significant ones in this report but many other smaller items do get discussed with me in the course of my day to day activities.

Recommendation

1. That Audit Committee members note the report.

A considerable amount of procurement advice was provided during the year.

The following is an extract from the current Procurement Procedure Rules. As can be seen from the above, officers are in the main seeking my advice and input into the procurement decisions they are making. This is a positive improvement – the rule is outlined below:

Officers claiming exemption from the rules under any clause under section 3 must ensure that they have obtained clarification and agreement from the Procurement and Risk Manager prior to proceeding. Failure to do so will be deemed to be a breach of these rules. The exemptions given will be evidenced to Audit committee and they will act as advisors in this regard and advise the Procurement Manager if any actions taken concern them.

(a) The following exemptions may be given with the written approval of the Procurement and Risk Manager who will record of each such approval with reasons for it being granted: -

- (i) Where a contract for the execution of works or the undertaking of services or the supply of goods involves highly specialised technical, scientific or artistic knowledge such that it is not possible to achieve competitive tenders;
- (ii) Where the work to be executed or the goods or materials to be supplied consists of repairs to or the supply of parts for existing machinery or plant or are additions to an existing style or design which would involve the council in greater cost and additional work in trying to harmonise two differing systems, designs or solutions;
- (iii) Where the purchases are of patented or proprietary items and any form of tendering would not be appropriate.
- (iv) Where best value is more likely to be achieved by approaching one contractor or consultant.

Report

Outlined below is an overview of procurement activity as well as any exemptions that officers have used under the Procurement Procedure Rules. I have listed any exemptions, advice on procurement processes, and procurements where officers needed clarification on procedure and direction.

Major: - Exemption request or clarification sought.

- Abris Contract, this contract refers to the software application used by Housing. It's a sophisticated choice based letting service run over the web for clients to register interest and need and post and match opportunities to swap and relocate etc. Like all software applications it has to have its licence renewed on an annual basis, this is normally done via what's called a term contract, often 5 years. This is now due for renewal. I have indicated that we are safe to proceed to renew the support contract as it is in affect a continuation of an existing application not an opportunity to award to a new supplier of product.

Note:-

Members should be aware that this is an application used by all the districts in Somerset and one of the member councils is taking a differing view to this, however they have in the past, so I am not surprised.

- Awarded a contract extension (scope to) Capita business services to run a review across the district on single persons discount claims. It was financially a low risk contract with Capita being rewarded in a share of the savings made if any. Safe guards are in place to ensure fair and correct operation of the service to protect the public. Capita are an existing contractor to SSDC.
- Market House, Castle Cary appointed single specialist contractor to install netting on the upper surfaces of the building to protect from Pigeon infestation. Given the considerable sums already spent on the building and its listed nature it was felt essential that this protective and specialist work should precede on an urgent basis. A specialist contractor from Bridgewater was appointed.
- Kennel contract for stray dogs. Awarded to single previous contractor. Despite attempting to run a competitive process we could not secure sufficient strong interest from other contractors to bid for this work. Under the circumstances I advised that negotiating with the current suitable contractor was probably the best and only option.
- Collaboration Agreement for SCC Engineering Consultancy Contract with Parsons Brinckerhoff. Agreement and support provided to SSDC officers to use and access SCC framework agreement for professional services.
- Lift (Elevator) DDA compliance alterations. Regulations come into effect that requires lifts to have adaptations. These changes are significant and expensive in the region of £15K per lift. Given this, Property Services decided to tender under open competition for the award of a contractor to do this work. This was alongside the current retain contractor who does the annual servicing and support for the lifts. The initial contract was not secured by the incumbent contractor (too expensive) and another supplier was asked as an initial project to complete upgrades to the Brympton way lift. This proved to be a mistake and considerable conflict and

additional cost were evident from this way of working. After discussion with Property Services we awarded the remaining works to the incumbent lift repair and servicing company.

- Appointment of specialist consultant to assist with office moves. A specialist sole trader with considerable experience of conducting office consolidations such as the one we were embarking on was appointed without tendering due to his unique and specialist experience. He has previously completed office moves at Weymouth and Portland and a council in Dorset.

In Summary

This is a summary of the more significant issues I have seen over the previous 12 months, many other lower scale financial examples exist, however I have tried here to appraise members of the shape, size and type of exemption opportunities officers are presenting to me for clarification.

In accord with members wishes SSDC procurement actively seeks out opportunities to collaborate with others to save money, effort and time and to gain from others experiences. To this end management have agreed that we consider and actively pursue a collaborative procurement for public convenience and office cleaning contracts with Yeovil College. It is hoped that by combining both contracts we may establish better pricing from a larger group of companies, always keeping in mind the benefit of local supply of course. This tender exercise was completed in the late spring of 2014 and was awarded to the current contractor under a competitive process. Despite our desire to try to encourage a volume related discount on the contract price, in almost every case contractors appeared to wish to bid only for the contract they had previously secured. On reflection we believe this may be largely due to securing sufficient labour locally to the contract and recruiting skilled labour into the commercial cleaning industry is currently an issue.

Further we will be tendering for a whole range of services over the next year and accessing existing frameworks to facilitate better pricing and a wider pool of suppliers, examples are Careline provision, Central print and mail contract, printer and copier supply, plus vehicle purchase and leasing.

I believe the changes we have made to the Procurement Procedure Rules are effective and officers are now actively seeking my advice on a regular basis. However, I will be carrying out some further awareness training this year to ensure officers continue to seek my involvement in the process.

Background Papers: Procurement Procedure Rules

Agenda Item 9

Audit Committee Forward Plan

Assistant Director: Donna Parham, Finance and Corporate Services
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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*

AUDIT COMMITTEE - FORWARD PLAN 2014/15

Committee Date	Responsible Officer
November 2014 <ul style="list-style-type: none"> • Treasury Management – Second quarter monitoring report • Treasury Management Practices • Annual Governance Statement Action Plan • Risk Management Update • Financial Procedure Rules 2013/14 	Karen Gubbins Karen Gubbins Donna Parham Gary Russ Donna Parham
December 2014 TBC	
January 2015 <ul style="list-style-type: none"> • Annual Fraud Programme • Action Plan Monitoring - Print and Design • Internal Audit – Third quarter update 	Tom Chown/Lynda Creek Donna Parham Andrew Ellins
February 2015 <ul style="list-style-type: none"> • Treasury Management Strategy and Prudential Indicators for 2014/15 – Needs to go to Full Council in March • Annual Governance Statement Action Plan • Treasury Management – Third quarter monitoring report • Internal Audit Plan – approve 14/15 plan • Internal Audit - Charter • External Audit – Audit Plan • External Audit – Certification of Housing Benefit Subsidy Claim 	Karen Gubbins Donna Parham Karen Gubbins Andrew Ellins Andrew Ellins Donna Parham Donna Parham
March 2015 <ul style="list-style-type: none"> • Risk Management Update • Health, Safety, and Welfare (Annual Report) • Action Plan Monitoring - Streetscene 	Gary Russ Pam Harvey Donna Parham