Public Document Pack

Governance Committee

Monday, 28th April, 2014
at 6.00 pm

PLEASE NOTE TIME OF MEETING

Committee Room 1 - Civic Centre

This meeting is open to the public

Members of the Committee

Councillor Furnell (Chair)
Councillor Daunt
Councillor Inglis
Councillor Letts
Councillor Keogh (Vice-Chair)
Councillor Parnell
Labour Group Vacancy

Independent Members

Mr David Blake
Mr Geoff Wilkinson

Contacts

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PUBLIC INFORMATION

Role of the Governance Committee

Information regarding the role of the Committee's is contained in Part 2 (Articles) of the Council's Constitution.

It includes at least one Councillor from each of the political groups represented on the Council, and at least one independent person, without voting rights, who is not a Councillor or an Officer of the Council.

Smoking policy – The Council operates a no-smoking policy in all civic buildings.

Mobile Telephones – Please turn off your mobile telephone whilst in the meeting.

Fire Procedure – in the event of a fire or other emergency a continuous alarm will sound and you will be advised by Council officers what action to take.

Access – Access is available for disabled people. Please contact the Democratic Support Officer who will help to make any necessary arrangements.

Public Representations

At the discretion of the Chair, members of the public may address the meeting about any report on the agenda for the meeting in which they have a relevant interest.

Southampton City Council's Priorities:

- **Economic**: Promoting Southampton and attracting investment; raising ambitions and improving outcomes for children and young people.
- **Social**: Improving health and keeping people safe; helping individuals and communities to work together and help themselves.
- **Environmental**: Encouraging new house building and improving existing homes; making the city more attractive and sustainable.
- **One Council:** Developing an engaged, skilled and motivated workforce; implementing better ways of working to manage reduced budgets and increased demand.

Dates of Meetings: Municipal Year 2013/14

2013	2014
15 July	3 February
23 September	28 April
16 December	

CONDUCT OF MEETING

Terms of Reference

The terms of reference of the Governance Committee are contained in Part 3 of the Council's Constitution.

Rules of Procedure

The meeting is governed by the Council Procedure Rules as set out in Part 4 of the Constitution.

Business to be discussed

Only those items listed on the attached agenda may be considered at this meeting.

Quorum

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

DISCLOSURE OF INTERESTS

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

DISCLOSABLE PECUNIARY INTERESTS

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

(i) Any employment, office, trade, profession or vocation carried on for profit or gain.

(ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:
   a) the total nominal value fo the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
   b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

Other Interests

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

AGENDA

Agendas and papers are now available via the Council's Website

1   **<u>APOLOGIES</u>**

To receive any apologies.

2   **<u>DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS</u>**

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

3   **<u>STATEMENT FROM THE CHAIR</u>**

4   **<u>MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)</u>**

To approve and sign as a correct record the Minutes of the meeting held on 3 February 2014 and to deal with any matters arising, attached.

5   **<u>ANNUAL CHANGES TO THE CONSTITUTION</u>**

Report of the Head of Legal and Democratic Services seeking approval for changes to the City Council's Constitution, attached.

6   **<u>CODE OF CORPORATE GOVERNANCE - ANNUAL REVIEW</u>**

Report of the Head of Legal and Democratic Services seeking approval of the updated Code of Corporate Governance, attached.

7   **<u>MEMBER LEARNING AND DEVELOPMENT</u>**

Report of the Head of Legal and Democratic Services concerning the Member Development Strategy and outlining a programme for Member Development in 2014/15, attached.

8   **<u>RISK MANAGEMENT STRATEGY 2014-15 AND ANNUAL ACTION PLAN</u>**

Report of the Chief Financial Officer seeking approval of the Risk Management Strategy 2014-15 and the Annual Action Plan, attached.

9   **<u>INTERNAL AUDIT PROGRESS REPORT - MARCH 2014</u>**

Report of the Chief Internal Auditor regarding internal audit progress to the period March 2014, attached.

10 INTERNAL AUDIT PLAN 2014-15

Report of the Chief Internal Auditor seeking approval of the Internal Audit Plan 2014-15, attached.

11 INTERNAL AUDIT CHARTER 2014-15

Report of the Chief Internal Auditor seeking approval of the Internal Audit Charter 2014-15, attached.

12 EXTERNAL AUDIT ANNUAL PLAN - YEAR ENDING 31 MARCH 2014

Report of the External Auditors detailing the external audit plan for the year ending 31 March 2014, attached.

Wednesday, 16 April 2014   Head of Legal and Democratic Services

GOVERNANCE COMMITTEE

MINUTES OF THE MEETING HELD ON 3 FEBRUARY 2014

Present: Councillors Furnell (Chair), Daunt, Inglis, Keogh (Vice-Chair), Laming (Except for Minutes 27-28), Letts and Parnell

27. **MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

RESOLVED that the minutes for the Committee meeting on 16th December 2013 be approved and signed as a correct record.

28. **EXCLUSION OF THE PRESS AND PUBLIC - CONFIDENTIAL PAPERS INCLUDED IN THE FOLLOWING ITEM**

RESOLVED that in accordance with the Council's Constitution, specifically the Access to Information Procedure Rules contained within the Constitution, the press and public be excluded from the meeting in respect of any consideration of the following item.

The confidential report contains information deemed to be exempt from general publication by virtue of Category 5 of paragraph 10.4 of the Council's Access to Information Procedure Rules.

29. **PAST PRACTICE IN ASSESSING CONTRIBUTIONS FOR ADULT SOCIAL CARE NON RESIDENTIAL CARE**

The Committee considered the report of the Director of People regarding past practice in assessing contributions for adult social care non residential care.

RESOLVED that the report be noted and a further report be brought to the April meeting which would take into account actions taken in response to the information which had been gathered. However it was noted that a report would be submitted to Council in March or June 2014 and therefore the requirement for a further report at the April Governance meeting may not be required.

30. **EXTERNAL AUDIT - CERTIFICATION OF CLAIMS AND RETURNS 2012/13**

The Committee received and noted the report of the Chief Internal Auditor regarding the External Auditor's annual report on the Certification of Claims and Returns 2012/13.

31. **INTERNAL AUDIT PROGRESS REPORT – DECEMBER 2013**

The Committee received and noted the report of the Chief Internal Auditor regarding internal audit progress to the period December 2013.

32. **ANNUAL GOVERNANCE STATEMENT 2013-14 AND REVIEW OF 2012-13 ACTIONS**

The Committee considered the report of the Chief Financial Officer regarding the Annual Governance Statement 2013-14 and the Action Plan for 2012-13.

RESOLVED that:-

    (i)   the assurance gathering process to support the development of the 2013-14 Annual Governance Statement be noted and approved; and

    (ii)   the Annual Governance Statement 2012-13 Action Plan be noted.

33. **TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2014/15 TO 2016/17**

The Committee considered the report of the Chief Financial Officer regarding treasury management activity and proposals for cash flow, investment and borrowing for the following year.

RESOLVED that:-

    (i)   the Treasury Management strategy for 2014/15 as outlined in the report be endorsed;

    (ii)   following recommendations in the Capital Update report to Council on 12 February 2014, the possible need to recalculate the Prudential indicators be noted; and

    (iii)   following the finalisation of the capital and revenue budgets report due at Council, the possible need to make changes be noted.

DECISION-MAKER:	GOVERNANCE COMMITTEE			
SUBJECT:	ANNUAL CHANGES TO THE CONSTITUTION			
DATE OF DECISION:	28 APRIL 2014			
REPORT OF:	HEAD OF LEGAL AND DEMOCRATIC SERVICES			
CONTACT DETAILS				
AUTHOR:	Name:	Richard Ivory	Tel:	023 8083 2794
	E-mail:	richard.ivory@southampton.gov.uk		
Director	Name:	Mark Heath	Tel:	023 8083 2371
	E-mail:	mark.heath@southampton.gov.uk		
STATEMENT OF CONFIDENTIALITY				
None				

BRIEF SUMMARY

This is the annual report considered by Governance Committee prior to the Annual Meeting agreeing any changes to the Constitution.

RECOMMENDATIONS:

(i)   to consider and recommend the changes to the Constitution as set out in the attached draft report to Council.

REASONS FOR REPORT RECOMMENDATIONS

1.   It is appropriate for the Council to keep its Constitution under regular review for good governance reasons and to amend it, both to reflect experience and changing law, best practice and other circumstances.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.   The Council resolved in May 2002 to review its Constitution on an annual basis. Therefore, it is appropriate that this report is considered by Members. There are a range of recommendations set out within the attached report. Members have a range of options about various changes recommended to them, not least of which is to reject some or all of them. Some matters such as revisions to the Financial Procedure Rules remain as "work in progress" and the Chief Financial Officer will update the meeting as appropriate.

DETAIL (Including consultation carried out)

3.   Full details are contained in the attached draft report.

Background Information

4.   None other than that contained in the attached draft report.

RESOURCE IMPLICATIONS

Capital/Revenue

5.   None

Property/Other

6.   None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

7.   The Executive Arrangements and Constitution are required under the Local Government Act 2000 (as amended).

Other Legal Implications:

8.   None.

POLICY FRAMEWORK IMPLICATIONS

9.   None.

KEY DECISION?   n/a

WARDS/COMMUNITIES AFFECTED:	None

SUPPORTING DOCUMENTATION

Appendices

1.	Draft report to Council **Note:** the appendices to the draft report are listed below as Members Room documents. They are available online and a hard copy will be available in Members rooms

Documents In Members' Rooms

1. Revised Officer Scheme of Delegation

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No

Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None.	

DECISION-MAKER:	COUNCIL			
SUBJECT:	ANNUAL CHANGES TO THE CONSTITUTION			
DATE OF DECISION:	4 JUNE 2014			
REPORT OF:	HEAD OF LEGAL AND DEMOCRATIC SERVICES			
CONTACT DETAILS				
AUTHOR:	**Name:**	Richard Ivory	**Tel:**	023 8083 2794
	E-mail:	richard.ivory@southampton.gov.uk		
Director	**Name:**	Mark Heath	**Tel:**	023 8083 2371
	E-mail:	mark.heath@southampton.gov.uk		
STATEMENT OF CONFIDENTIALITY				
None				

BRIEF SUMMARY

This report sets out the annual review of the Constitution. This was considered and discussed by Governance Committee on 28 April 2014 in its governance role. The recommendations of the Governance Committee are included below.

RECOMMENDATIONS:

(i) to agree the changes to the Constitution as set out in this report;

(ii) to authorise the Head of Legal and Democratic Services to finalise the arrangements as approved by Full Council and make any further consequential or minor changes arising from the decision of Full Council;

(iii) to approve the City Council's Constitution, as amended, including the Officer Scheme of Delegation for the municipal year 2014/15.

REASONS FOR REPORT RECOMMENDATIONS

1. It is appropriate as a core tenant of good governance for the Council to keep its Constitution under regular review and to amend it, both to reflect experience and changing circumstances.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The Council resolved in May 2002 to review its Constitution on an annual basis. Therefore, it is appropriate that this report is considered by Members. There are a range of recommendations set out within the report. Members have a range of options about various changes not least of which is to reject some or all of them.

DETAIL (Including consultation carried out)

3. This report was considered by Governance Committee on 28 April 2014. The committee's comments and amendments are embodied within this report and the appendices.

4. The Constitution of the Council describes the way in which the Council conducts its business; it is required by law. It contains not only the Articles of the Constitution, but also the various rules and procedures for decision-making, access to information, Overview and Scrutiny, the Codes of Conduct, the

Officer / Member Protocol, as well as other specific rules relating to contracts and finance.

5. The Constitution forms the cornerstone of effective corporate governance. Whilst Southampton City Council's constitutional arrangements continue to be recognised as being of a high standard, Full Council agreed in May 2002 that it would on an annual basis robustly review the Constitution and its operation. The purpose of this report is to bring forward proposed changes to the Constitution as detailed below, these having been considered by Governance Committee with a view to build upon the constitutional arrangements for the Council. The main thrust is to try to streamline procedures where possible, remove the need for some matters to come to Cabinet or Council for decision where they do so only on financial grounds and where possible avoid bureaucracy.

Revisions to committee arrangements

6. The Leader of the Council has recommended that a number of changes be made to the present committee structure and if approved that these changes be reflected in the overall appointments to be made by the Council elsewhere on the Council agenda. These detailed changes are listed below:

7. i. **Licensing Committee –** that a smaller main panel of Members be constituted. This would reduce the overall number of Members serving on the Licensing Committee from its present membership of 13 Members to 10. This would reduce the committee to the statutory minimum in respect of any matters before it under the Licensing Act 2003.

   ii. **Planning and Rights of Way Panel –** in principle that the present Planning and Rights of way Panel be held in the evening rather than during the day. It is felt that evening meetings would make it easier for the public to attend and to participate.

   It is also recommended that the present Planning and Rights of Way Panel be split into two Panels. These two panels, A and B would consist of 5 members on each Panel, instead of the current 7, but with a common chair who would be appointed to chair both Panel meetings. One Panel meeting would deal predominantly with the East of the City side planning applications, whilst the other would mainly deal with planning applications for the West of the City. City centre applications would be dealt with by either of the Panels.

   The meetings will be located at the Civic Centre for the first six months and then consideration would be given to moving to venues located in the east and west of Southampton. The costs of alternative venues would need to be finalised as no budget is held for this purpose. Equally, there will be a resource implication in servicing two panels; this straddles the Planning and Democratic Services teams.

   iii. **Employment and Appeals Panel –** There is a strong case for the abolition of this Panel as it is not a lawful requirement, very few decisions are changed by the panel, numerous meetings are cancelled and it lengthens the period for a final decision. However, this can only proceed at the conclusion of the Council's current negotiations on terms and conditions and is currently being discussed with union

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colleagues. A further report will be brought to Council in due course

iv. **Scrutiny Panels** – presently there are two enquiry panels, scrutiny panels A and B, each consisting of 7 Members. Each of these panels only has the resource to run for half a year. Therefore, there is a strong case for running one panel throughout the year undertaking enquiry work. In order to fully utilise the interests and expertise of all Members, it is proposed that only the number of Members and the political proportionality of the panel be determined at the meeting of Full Council. In order to appoint different members onto the Panel to take on different enquiries it is recommended that all non executive members would be able to serve on the Panel. The Overview and Scrutiny Management Committee could then appoint Members when they decide on the scrutiny inquiry work programme or they could be appointed under delegated powers for first inquiry. For each subsequent inquiry, delegated powers would be used to replace the members and reappoint new ones.

Health and Well Being Board – Annual appointment

8. The Health and Social Care Act 2012 requires upper tier local authorities to establish Health and Well Being Boards. While Council determines the number of places allocated to Elected Members on the Board, the decision as to whom to appoint to such vacancies is an Executive function to be determined by the Leader of the Council at the next Cabinet meeting.

9. Council is therefore requested to determine the membership of the Board should comprise:

- 5 Elected Members of Southampton City Council (to be appointed by the Leader of the Council having had due regard to the recommendations of the Health and Well Being Board)

- Statutory Director for Public Health

- Statutory Director for Adult and Children's Services (Director of People)

- A representative from the Southampton Clinical Commissioning Group

- A representative of Healthwatch

- A representative from the NHS Commissioning Board's Wessex Area Team

Council and Executive Procedure Rules -

10. Council will recall that at last year's Annual Meeting the Leader requested that if following either annual or a by election the political control of the authority changes as a direct result that the Constitution is revised so that no significant decisions can be taken by Council, the Executive, or by Executive Members through delegated powers during the period between annual elections and the AGM. The concern is that the Council's arrangements need to ensure that there is no "democratic deficit" which to the public would appear to show political bias and limited legitimacy in the circumstances when one political party (whichever party that is) may have lost control of the Council. The revisions are detailed at paragraph 13 below.

11. Such changes will not affect the Council's ability to react to any time limited or emergency matters in the rare event that they should they arise, as there are

existing adequate powers under the Officer Scheme of Delegation to permit the Chief Executive, Director of Corporate Services and/or Head of Legal and Democratic Services to act.

12. Council deferred the matter and requested the Governance Committee to reconsider. The Governance Committee considered the specific issue again at its meeting on 16th December 2013. Accordingly, officers revisited what can practically be done to ensure that the "democratic deficit" referred to in the original report to Council is addressed. The difficulty in devising a revised solution is that by law call ins are permitted after any Executive decision is made. It is, therefore, the timing of the original decision, the call in and then the timing of the subsequent Cabinet meeting to reconsider (should this be needed) that causes the potential issue. Whilst the last scheduled meeting before an election could take place well before the election, as was the case this year, there is no guarantee for a variety of reasons that the matter would be ultimately disposed of before the election. The only guarantee that the matter will not be decided upon after call in is by putting in place a local arrangement so no Cabinet meeting can take place during this interregnum. That remains the only option which at law will work and in practice meets the "democratic deficit" concern and therefore remains the recommendation. Governance Committee recommended that the original revisions proposed are adopted as they remain the same as the most workable and appropriate option.

13. The proposed addition is as below:

"PERIODS BETWEEN ELECTIONS

If, following either annual elections or a by election, the political control of the authority changes, as a direct result no meetings of Council can be called, or the Urgent Business Sub Committee convened to enable significant decisions to be taken until the next meeting of Council.

Such changes will not affect the Council's ability to react to any time limited or emergency matters, in the rare event that they should they arise as there are existing powers under the Officer Scheme of Delegation to permit the Chief Executive, Director of Corporate Services or Head of Legal and Democratic Services to act."

Officer Delegations

14. The scheme of delegation has been updated to reflect the substantial operational changes that have occurred as a result of the ongoing Directorate restructures and the usual operational changes. The full, revised scheme (Appendix 1) can be found in the Members' Rooms and online. It has not been printed due to its size. As is usual, several delegations have been removed; others moved to reflect operational changes. No new delegations have been added save for:

15. i. specific authority to act in the People Directorate to enter into agreements with health bodies

    ii. revised arrangements for the submission of planning applications which the Head of Planning, Transport and Sustainability has agreed in principle with the Chair of Planning and Rights of Way Panel. In summary these cover the following scenarios.

     a.   Any planning application will be considered by the Panel if there are five or more objections and a ward councillor wishes it to go rather than one objection as now If it is of wider importance it can still be referred to Panel. Officers have deleted the complicated and repetitive text for better clarity so this broadly achieves the same but with brevity and hopefully is easier to understand.

     b.   For departures from the development plan, at least three objections to be received, rather than referring to Panel because it is a departure – there have been lots of these over the last year or two and they tend to generate no interest. If a matter is contrary to policy then a lower threshold should apply than the 5 used for others.

     c.   The hazardous substances applications are deleted as this is about delegation rather than who officers are meant to consult

     d.   Further delegations regarding changes to s.106 as technically numerous of variations should possibly be going to Panel, A clarification has been added that if there is any s.106 that Panel is interested in and they want it to return to Panel for determination then that can happen, thereby removing the delegation

Key Decisions and related operational matters

16.   At the Annual Meeting in 2012 additional financial limits were inserted in the Scheme of Delegation as below:

> *"Save where otherwise provided for in this Scheme, in relation to financial decisions all expenditure over £125,000 shall be made by the relevant Cabinet Member, over £250,000 by the Cabinet and over £2 million by Full Council except in respect of the matters identified below. The limits on financial expenditure set out above will not apply to payments made under contracts, statutory obligations, property transactions, settlement of legal proceedings , treasury management or resulting from any specific decision to delegate at different levels made by the Cabinet or by Full Council"*

17.   The Leader of the Council has reviewed the ongoing necessity for these caveats as whilst it was reasonable to put them in place on taking office they have caused some delays in the ability to take decisions in as short a timeframe as is permitted under the law. With the inherent need to streamline processes and remove bureaucracy where possible, whilst recognising the legal constraints, it is considered sensible to remove these caveats. Decisions will still need to abide by Key Decision criteria and other rules. It is not intended to revise the financial Key Decision limit of 500k (by way of comparison Portsmouth's is 250k and Hampshire CC's 1m). However, it is intended to remove some operational criteria on the level of decision making i.e. that there are no significant, major and operational decision categories. If a matter does not need to come before Cabinet or Council etc then officers will follow a simplified Delegated Decision Notice route. Again, it is intended that this will speed up some decisions.

Financial Procedure Rules (FPRs) [for Governance Committee – as of the date of publishing the report this is "work in progress"]

18.   These too have been revised primarily with regard to financial thresholds. In summary the revisions are as follows:-

19.   A greater role for the Council Capital Board to oversee how capital resources are allocated across the various programmes and monitoring of the overall programme.

20.   Aligning of financial responsibilities with Financial Procedure Rules as described below. Authorisation limits to be streamlined for all financial decisions, provisionally:

21.   • Up to £200k – Directors after consultation with Chief Financial Officer (CFO) and Cabinet Member

        • £200k to £500k – Cabinet Member after consultation with CFO

        • £500k to £2M – Cabinet

        • Over £2M – Council

22.   General simplification of FPRs where possible and flowcharts included to illustrate the decision making process.

23.   Again, copies of the FPRs (Appendix 2) have not been printed due to their size but are both online and in the Members Rooms.

Contract Procedure Rules (CPR)

24.   Members will be aware that a significant review of sub £100k spend has been undertaken by the Head of Contracts, Procurement and Health and Safety with Capita Procurement colleagues. Whilst that review has been completed the subsequent review of the Contract Procedure Rules is still ongoing. The CPRs require a major rewrite and accordingly this is being undertaken at present. As a result draft revised CPRs will be presented to the next Council meeting for consideration.

Member and Officer Protocol

25.   The Governance Committee at its meeting on 16 December 2013 considered revisions to the above protocol as a result of issues raised at the Employment and Appeals Panel in relation to allegations of unauthorised release to the media of personal data. Whilst the appeal was dismissed Governance Committee was requested to review the protocol and it duly recommended minor changes to the Protocol. These are as follows:

> *"Any Member request for personal information or personal data about an individual employee (rather than a general group of employees as a whole) should only be supplied where there is a demonstrable need for that Member to have the information at that level of detail in order to carry out their duties as a Member of the Council. Any such requests should be referred to and considered by the Head of Strategic HR who may if necessary refer the request to the Monitoring Officer.*
>
> *In cases where such information is to be released the Head of Strategic HR will specifically remind the Member that the information is confidential, subject to the protection of the Data Protection Act 1998 and confirm the necessary measures for handling that data in order to keep it*

confidential and ensure that it is not further disclosed to any other person or body either within or external to the Council"

Contracts and sealing requirements

26.   Under CPR 11.3 currently all contracts over £100,000 in value require sealing by the Head of Legal and Democratic Services. There are some benefits in having a document under seal as it extends the limitation period for enforcement from 6 years to 12. However, in reality it is very rare for enforcement of a contract of such relatively modest value to stretch to 6 years after the contract ending. This value was set many years ago and it is considered reasonable to revise it upwards to £250,000. This will mean that fewer contracts will need to be processed by Legal Services and will be handled direct by both Procurement colleagues and the Divisions themselves. The Legal Services Contracts team has been reduced by 25% over the last year so such a revision would be timely without any realistic negative impact on the Council or increased risk.

27.   Additionally, the threshold under CPR 14.2 whereby all tenders over £100,000 will be referred to Legal Services for consideration is intended to be increased to £250,000 for the same reasons as detailed above.

RESOURCE IMPLICATIONS

Capital/Revenue

28.   None

Property/Other

29.   None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

30.   The Executive Arrangements and Constitution are required under the Local Government Act 2000 (as amended). Other matters referred to in the report are addressed in the Local Government Act 1972 (as amended) as well as the Local Government and Public Involvement in Health Act 2007 and Localism Act 2011.

Other Legal Implications:

31.   None.

POLICY FRAMEWORK IMPLICATIONS

32.   None.

KEY DECISION?	n/a
WARDS/COMMUNITIES AFFECTED:	None

SUPPORTING DOCUMENTATION

Appendix 1 and 2 are available for viewing online and hard copies have been placed in Members rooms. They have not been printed due to their size.

1.	Revised Officer Scheme of Delegation
2.	Revised Financial Procedure Rules

Documents In Members' Rooms

See above.

Equality Impact Assessment

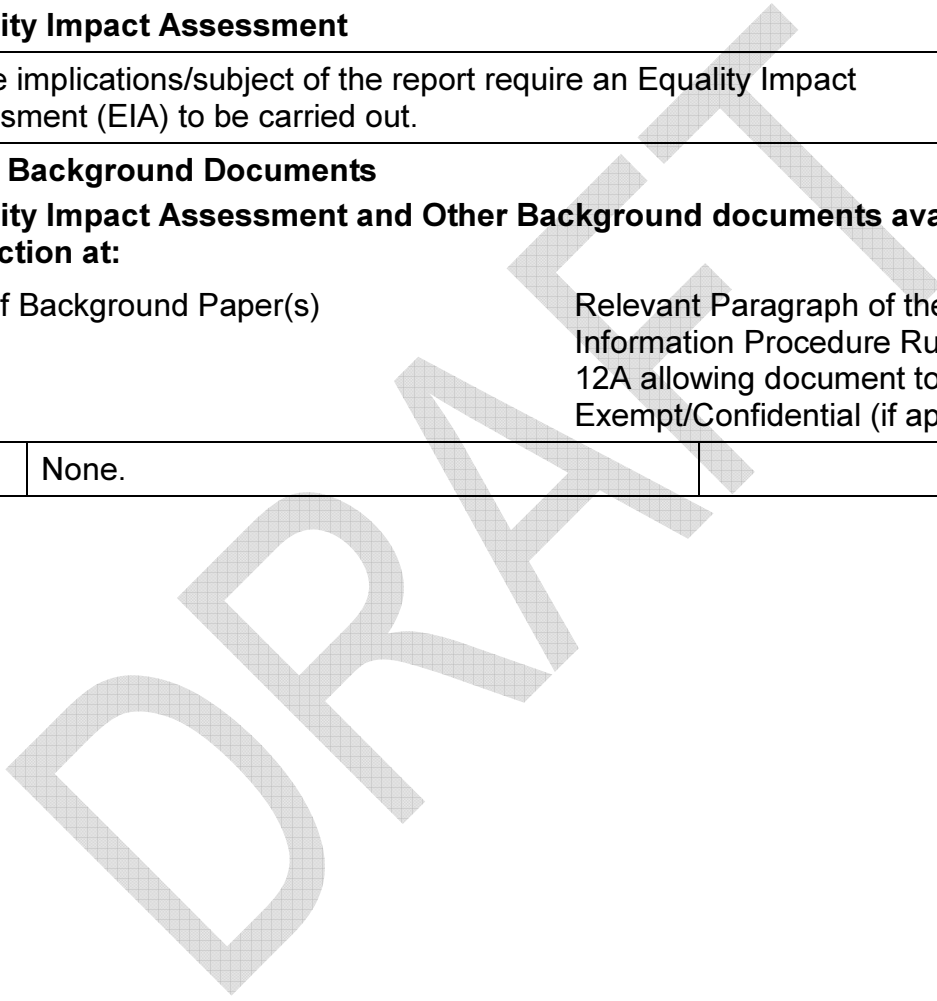| Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No

Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1. None.	

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	CODE OF CORPORATE GOVERNANCE – ANNUAL REVIEW		
DATE OF DECISION:	28 APRIL 2014		
REPORT OF:	HEAD OF LEGAL AND DEMOCRATIC SERVICES		
CONTACT DETAILS			
AUTHOR:	Name:	RICHARD IVORY	TEL:	023 8083 2794
	E-mail:	Richard.ivory@southampton.gov.uk		
Director	Name:	MARK HEATH	TEL:	023 8083 2371
	E-mail:	Mark.heath@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY
N/A

BRIEF SUMMARY

The Code of Corporate Governance sets out the commitment of Southampton City Council to continue to uphold the highest possible standards of good governance. The intention is that the Head of Legal and Democratic Services continues with the "light touch" annual review unless earlier review is required

RECOMMENDATIONS

(i)   To note and approve the updated Code of Corporate Governance ("CCG") (Appendix 1).

REASONS FOR REPORT RECOMMENDATIONS

1.   The Governance Committee has responsibility for leading on all aspects of Corporate Governance by promoting the values of putting people first, valuing public service and creating a norm of the highest standards of personal and professional conduct.

2.   The Governance Committee is also responsible for 'receiving regular reports on the performance of the Corporate Complaints process, Local Government Ombudsman referrals, Annual Governance Statement and Code of Corporate Governance and to recommend revisions to related policies and procedures as appropriate'.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3.   No alternative options have been considered.

DETAIL (Including consultation carried out)

4.   Corporate Governance is defined as 'how local government bodies ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities'
       Source: Delivering Good Governance in Local Government - Framework (CIPFA, 2007)

5.   The CCG is based around six core principles which were identified in the Chartered Institute of Public Finance and Accountancy ("CIPFA") and the Society of Local Authority Chief Executives and Senior Managers ("SOLACE") 'Delivering Good Governance in Local Government: Framework and accompanying Guidance Note' which was originally published in 2007'.

6.   In December 2012, a CIPFA/SOLACE Joint Working Group issued an addendum and revised guidance note following a review of the original Framework and Guidance. Accordingly the format of the CCG document has been revised to accord with the principles in the guidance.

7.   In addition, one of the key actions arising from the 2011-12 Annual Governance Statement was a recognition that "A biennial review is no longer considered appropriate in terms of being able to reflect significant changes in legalisation that potentially impact on the CCG. The CCG will therefore to be subject to an annual 'light touch' review as part of the review of the Constitution".

8.   The minimally revised CCG (Appendix 1) reflects the current best practice guidance.

RESOURCE IMPLICATIONS

Capital/Revenue

9.   None

Property/Other

10.   None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

11.   The Accounts and Audit (England) Regulations 2011 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

Other Legal Implications:

12.   None

POLICY FRAMEWORK IMPLICATIONS

13.   None

KEY DECISION?   No

WARDS/COMMUNITIES AFFECTED:	N/A

SUPPORTING DOCUMENTATION

Appendices

1.	Draft Code of Corporate Governance 2014

Documents In Members' Rooms

1.	N/A

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No

Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	CIPFA/SOLACE Delivering Good Governance in Local Government: Guidance for English Authorities (2012 Edition).	Risk & Insurance Services, Civic Centre SO14 7LY

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CODE OF CORPORATE GOVERNANCE

What is Corporate Governance?

Corporate governance comprises the systems and values by which councils are directed and controlled and through which they are accountable to and engage with their communities.

To demonstrate compliance with the principles of good corporate governance, Southampton City Council must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

"Delivering Good Governance in Local Government (2012)"

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) have published a framework and guidance notes entitled, "*Delivering Good Governance in Local Government*" (the CIPFA / SOLACE Framework"). This provides guidance to local authorities on how to establish a locally adopted code of corporate governance.

Southampton City Council is committed to applying the six core principles of good governance set out in the CIPFA / SOLACE Framework of:

- Focusing on the purpose of the authority and on the 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 with local people and other stakeholders to ensure robust public accountability.

What is the purpose of this Code of Corporate Governance?

Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. Further, good governance enables an authority to pursue its aims effectively whilst controlling and managing risk.

Southampton City Council has a robust Constitution and associated governance documents and arrangements in place. Together, they demonstrate that the Council is committed to ensuring that a robust governance framework is in place and one that reflects the core principles of the CIPFA / SOLACE Framework.

The purpose of this Code of Corporate Governance is therefore to provide a simple document with, where appropriate, hyperlinks to relevant documents relating to governance which are available free of charge on the Council's website.

PRINCIPLE 1: Focusing on the purpose of the authority and the outcomes for the community and creating and implementing a vision for the local area.		
Supporting Principles	**Evidence**	
1. Exercising strategic leadership by developing and clearly communicating the Council's purpose and vision and its intended outcome for citizens and service users.	- The Council Plan - Southampton Connect Plan - Local Development Framework - Sustainability Principles Document	
2. Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.	- The Council Plan - Southampton Connect Plan - Council Constitution (Part 5) – Partnership Code - Procurement Strategy - Customer Access Strategy (in development) - Customer Feedback Procedure - Customer Charter - Comment, Compliment, Complaints Policy - Sustainability Principles Document - Council Performance - webpage	
3. Ensuring that the Council makes best use of resources and that tax payers and service users receive excellent value for money.	- Medium Term Financial Strategy - Statement of Accounts - Annual Governance Statement (Part of the Statement of Accounts) - Annual Audit Letter - Council Constitution (Part 4) – Financial Procedure Rules - Council Constitution (Part 4) – Budget Policy Framework Procedure Rules - Council Constitution (Part 4) - Contract Procedure Rules - Capital Strategy - Treasury Management Strategy - Asset Management Strategy - Transparency - Publication of Data - Decision Making Guide and Information - Council Performance - webpage - Budget Consultation Process - HRA Budget Report & Business Plan - General Fund Revenue Budget 2013/14 to 2015/16	

PRINCIPLE 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Supporting Principles	Evidence
1. Ensuring effective leadership throughout the Council and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.	- Council Constitution - Council Constitution (Part 4) – Overview & Scrutiny Terms of Reference - Constitution (Part 3) – Roles and Responsibilities of Senior Officers - Council Constitution (Part 4) – Overview and Scrutiny Procedure Rules - Council Constitution (Part 5) – Officer Member Protocol - Council Constitution (Part 5) Members' Code of Conduct
2. Ensuring that a constructive working relationship exists between Council Members and officers and that the responsibilities of Members and officers are carried out to a high standard.	- Council Constitution (Part 5) – Officer Member Protocol - Council Constitution (Part 5) - Members' Code of Conduct - Council Constitution (Part 5) Officers Code of Conduct
3. Ensuring relationships between the Council, its partners and the public are clear so that each knows what to expect of the other	- Council Constitution (Part 5) Partnership Code - Customer Charter - Comment, Compliment, Complaints Policy

PRINCIPLE 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Supporting Principles	Evidence
1. Ensuring Council Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	- Council Constitution (Part 5) - Members' Code of Conduct including Register of Interests - Council Constitution (Part 5) Officers Code of Conduct - Officer Code of Conduct including register of Gifts and Hospitality - Regulation of Investigatory Powers Act 2000 Corporate Surveillance Policy - Council Constitution - Council Constitution (Part 4) – Financial Procedure Rules - Council Values

2. Ensuring that organisational values are put into practice and are effective.	• Council Constitution (Part 4) - Executive Procedure Rules • Council Constitution (Part 10) – Officer Scheme of Delegation • The Council Plan • Transparency - Publication of Data

PRINCIPLE 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Supporting Principles	Evidence
1. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	• Council Constitution • Council Constitution – (Part 4) – Council Procedure Rules • Council Constitution (Part 4) – Overview Scrutiny Procedure Rules • Council Constitution (Part 3) – Responsibility for Functions: Terms of Reference - Overview & Scrutiny • Regulation of Investigatory Powers Act 2000 Corporate Surveillance • Data Protection Policy • Comment, Compliment, Complaints Policy • Publication Scheme
2. Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants or needs	• Data Quality Policy • Constitution (Part 2) – Decision Making • Customer Access Strategy (in development) • Council Constitution (Part 4) - Executive Procedure Rules • Council Constitution (Part 10) – Officer Scheme of Delegation • Customer Charter • The Council Plan • Southampton Connect Plan
3. Ensuring that an effective risk management system is in place	• Risk Management Policy & Strategy • Strategic Risk Register • Annual Audit Letter
4. Using the Council's legal powers to the full benefit of the citizens and communities in the City	• Council Constitution • Council Constitution -(Part 5) – Monitoring Officer Protocol

PRINCIPLE 5: Developing the capacity and capability of members and officers to be effective.	
Supporting Principles	**Evidence**
1. Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.	• Member User Group • Workforce Strategy (People Plan)
2. Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	• Council Performance - webpage • Member User Group • Member Training Programme and Councillor Personal Development Plan • Workforce Strategy
3. Encouraging new talent for membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	• Customer Access Strategy (in development) • Council Constitution • Equalities Scheme • Southampton Compact - Partnership working with the community and voluntary sector

PRINCIPLE 6: Engaging with local people and other stakeholders to ensure robust public accountability.	
Supporting Principles	**Evidence**
1. Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	• Council Constitution (Part 4) - Overview & Scrutiny Procedure Rules • The Council Plan • Customer Access Strategy (in development) • Council Constitution (Part 5) – Partnership Code • Connect Plan • Customer Charter • Southampton Compact - Partnership working with the community and voluntary sector
2. 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 Council, in partnership or by commissioning.	• The Council Plan • The Sustainable Communities Strategy • y • Statement of Accounts • Budget Consultation Process • Medium Term Financial Strategy • Equality and Safety Impact Assessments • Council Constitution (Part 5) – Partnership

	Code • <u>Sustainability Principles Document</u>
3. Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	• Workforce Strategy (People Plan)

<u>Monitoring and Review</u>

The Council will monitor the arrangements set out in this Code of Corporate Governance for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date.

Each year the Council will publish an Annual Governance Statement which will explain and assess how the Council has complied with this Code of Corporate Governance and provide details of how continual improvement in the system of internal control will be achieved.

The Governance Committee has responsibility at Member level and the Monitoring Officer has responsibility at officer level for reviewing the corporate governance arrangements set out in this Code of Corporate Governance. Further, the Governance Committee generally considers all processes for risk, control and governance and provides independent, effective assurance about the adequacy of the Council's governance environment and is responsible for promoting and maintaining high standards of probity and conduct of Members and co-opted members.

April 2014

DECISION-MAKER:	GOVERNANCE COMMITTEE			
SUBJECT:	MEMBER LEARNING AND DEVELOPMENT			
DATE OF DECISION:	28 APRIL 2014			
REPORT OF:	HEAD OF LEGAL AND DEMOCRATIC SERVICES			
CONTACT DETAILS				
AUTHOR:	Name:	Richard Ivory	Tel:	023 8083 2794
	E-mail:	richard.ivory@southampton.gov.uk		
Director	Name:	Mark Heath	Tel:	023 8083 2371
	E-mail:	mark.heath@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY
None.

BRIEF SUMMARY

This report concerns the proposed strategy for Member Learning and Development together with the outline programme for Member Development for 2014/15.

RECOMMENDATIONS:

(i)   that the Member Learning and Development Strategy be approved; and

(ii)   that the outline programme for Member Development for 2014/15 be endorsed.

REASONS FOR REPORT RECOMMENDATIONS

1.   Governance Committee is responsible for overseeing and managing programmes of guidance, advice and training on ethics, standards and probity for Councillors and employees, and on the Council's Members' Code of Conduct.

2.   To provide an opportunity for Governance Committee to comment and make recommendations on the strategy and outline programme for Member Development for 2014/15.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3.   None. Governance Committee is responsible for overseeing Member Learning and Development, although Members have the option of approving or rejecting the proposals within the report.

DETAIL (Including consultation carried out)

4.   Elected Members of the Authority seek to serve the communities they represent and the Council as a whole to the best of their ability. To do this the Council needs to ensure that all Members, including the co-opted members, are supported in developing the necessary skills to undertake their various roles.

5.   To support this aim, the Members Development Strategy, sets out the vision

and aims of Member Development, the values to which the Council will adhere and how development will be identified, delivered and managed.

6. To support this aim, the strategy has been developed and has the backing of all political parties. Specifically, consultation on the strategy and the outline for Member Development for 2014/15 was undertaken with the Group Leaders, who have responsibility for the strategic direction and evaluation of Member Development.

7. The strategy concerns the dedicated support that will be given to elected and co-opted members to help them fulfil their roles and contribute to the success and objectives of the Council. It is however, recognised that elected members will have their own political views and will receive political leadership and support from their political groups.

8. A Member Development Charter has been developed by the Local Government Association (LGA) and is supported by South East Employers. The Charter is a nationally recognised accreditation scheme of good practice principles for learning and development. Should the Council which to achieve the Member Development Charter, it would need to have a clear framework to reflect and ensure its members have access to effective and relevant learning and development.

9. Governance Committee are invited to comment on and approved the Member Development Strategy (Appendix 1) together with the outline programme for Member Development for 2014/15 (Appendix 2).

RESOURCE IMPLICATIONS

Capital/Revenue

10. None, all costs will be contained within the recently increased member training budget.

Property/Other

11. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

12. Section 111 – Local Government Act 1972

Other Legal Implications:

13. N/A

POLICY FRAMEWORK IMPLICATIONS

14. N/A

KEY DECISION?	No

WARDS/COMMUNITIES AFFECTED:	None

SUPPORTING DOCUMENTATION

Appendices

1.	Member Development Strategy
2.	Outline Programme for Member Development for 2014/15

Documents In Members' Rooms

1.	None

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No

Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1. None	

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Member Learning and Development Strategy

2014

Table of Content

Section   Page

1. Introduction

1.1 In order to represent their constituents and to fully participate in the Council's decision making processes, all Members need to be supported and develop the necessary skills required in order to carry out their roles.

1.2 This strategy has been developed to set out the aims of Member development and how Member development will be identified, delivered and managed.

1.3 This strategy has the collective support of all Political Parties on the Council.

1.4 The strategy recognises that Members have a range of different backgrounds and experiences and endeavours to take this into account in order to support all Members in undertaking their roles.

2. Aims

2.1 The aim of the learning and development strategy is that all elected Members will have all the necessary skills to perform effectively in their current or potential roles for the Council.

2.2 The strategy will create a clear framework for the development of Members based on their individual needs and the needs of the Council.

2.3 It will ensure that Elected Members have the skills that are at the right level and that meet their roles and responsibilities

2.4 It will ensure that Elected Members have the skills and knowledge to lead the delivery of high quality public services and the confidence to undertake their roles

2.5 The strategy will ensure that Elected Members are fully aware of their responsibilities, accountabilities and legal requirements

2.6 The strategy will support the development of Elected Members in preparing them for future roles and

2.7 The strategy will ensure consistency of approach for all Elected Members

2.8 The key values of the strategy will therefore be as follows:

➢ Development will be available to all Elected Members

- The development will be based on the identified and agreed needs of the individual Elected Member

- That all Elected Members will contribute to identifying and agreeing their development needs

- Development will be delivered through a variety of methods and times to ensure equality of access

- Acknowledge that Elected Members may have transferable skills that can be used to help them perform or develop their Council role.

3. Management of the Strategy

3.1 In order to ensure that learning and development activity is focussed and relevant, it is vital that the strategy is effectively managed. To ensure that the strategy remains relevant, the Group Leaders will lead and make recommendations on all matters of Member Development. The strategy will be regularly reviewed at the Group Leaders meetings and will be revised accordingly. The Director of Corporate Services will support the Group Leaders at the Group Leaders meeting. Implementation and review of the strategy will be led by the Head of Legal and Democratic Services.

3.2 The Group Leaders will have the following responsibilities:

- To regularly review the strategy to ensure that it continues to meet the needs of individual Elected Members and the Council

- To agree the methods of identifying and assessing Elected Member development needs

- To identify any matters either within or outside the Council that may create a training need

- To identify the learning and development that is required to undertake the various roles and responsibilities of Elected Members

- To monitor and agree the budget for Member learning and development

- To monitor the effectiveness of the learning and development carried out

- To monitor Elected Member involvement in the training and development provided and to take relevant action to improve attendance if required

- To monitor and review sources of external funding or the potential for partnership working in shared learning and development programmes

4. Identifying Member Development Needs

4.1 Member development needs will be identified in the following ways:

a) Corporate Training Needs

The Group Leaders will identify areas either, internally or externally that may require learning or development to be provided. Changes may include areas such as corporate priorities, new legislation, developments in the structures, functions or funding of local government,

b) Mandatory training Requirements

These will include training the Code of Conduct, in quasi judicial roles such as, Licensing, Planning, Adoption, Schools Admission and Employment appeals

c) Roles of Members

It is important that learning and development activities ensure that Elected Members have the necessary skills to undertake their roles. The Group Leaders will ensure that all Elected Members have knowledge and understanding of the skills needed to fulfil their roles and that each newly Elected Member or those Members full-filling or aspiring to full-fill new roles are provided with either an induction to their new role or the support to undertake the required responsibilities

d) Special role needs

Many roles will require specialist focused training, such as Chairing Meetings, Media training or Leadership skills. The Group Leaders will identify any such training needs should they not be identified by the individual member.

e) Identifying personal development needs

Identifying learning and development needs by the use of the criteria outlined in a- d above, will define generic training needs linked to corporate aims or Elected Member roles. However, Elected Members need to identify and provide any Personal learning and development needs and Group Leaders will agree and monitor there inclusion in the learning and development programme. All Members should be encouraged to develop a Personal Development Plan and identify such areas for development as presentation skills, speed reading, public speaking etc

4.2 Based on the combination of the areas identified above, a Member Training Plan will be produced.

5. Meeting Member Learning and Development Needs

5.1 In order to ensure value for money and provide an audit trail for effective monitoring the criteria for attendance on external training/conferences should be as follows:

The event must relate to the official business of the Council and the purpose should contribute to the priorities and values of the Council. It must also meet at least one of the following criteria.

a) Provides an opportunity to positively promote the City of Southampton on a national and international stage.

b) Gives an opportunity for the Council's views to be fully represented at key national or international conferences and events.

c) Gives an opportunity to meet with key individuals and organisations to promote support for key initiatives and developments in the City of Southampton, attract investment and share experience/expertise.

d) Provides the opportunity to meet with key individuals from local and/or national government

e) Provides the opportunity to attract inward investment into the City of Southampton and to strengthen and develop links with twin and partner cities.

f) Provides the opportunity for the Council to participate in trade missions and delegations to promote local and regional economic development

g) Gives an opportunity to gather and exchange information on new projects and policy areas.

h) Gives an opportunity to promote areas of expertise and give guidance to other local authorities within the UK and abroad.

i) Gives the opportunity for Members to develop experience and expertise in areas that meet the Council's priorities or for which Members have specific responsibility for policy development and implementation.

j) Give the opportunity for personal development that reflects the roles, responsibilities and personal development plans of the individual Member or Members.

5.2 In order to support the needs of Members, the range of learning styles, individual circumstances and needs, a range of options need to be employed to deliver the learning and development programme. Such delivery methods may include:

- Attendance on Training Courses or Seminars
- In-house briefing sessions
- Written briefings or learning material
- Mentors
- E-learning packages
- Visits to other organisations, local authorities or Partner organisations
- Sharing of information from networking opportunities
- Use of existing knowledge, skills or expertise, for example encouraging Members to lead work shops, disseminating information from training courses, or as a means of meeting continued development aims and objectives.

6.0   Resources

6.1 The Council has identified a training budget for Member learning and development and this will be monitored by the Group Leaders.

Member Skills Development Framework

Section One – All Members

1. Basic Knowledge of Roles and Responsibilities

Role or Responsibility	Skill/knowledge required for role	Learning and Development Provision
Representing the Council and Constituents	- Understanding of the key activities undertaken by Councillors - Understanding the work of the Council - Understanding the role of a Councillor - Knowledge of the priority areas for service delivery - Knowledge of the core business processes such as financial planning - Knowledge of the Constitution - Understanding the role of the monitoring officer and the Section 151 Officer - Knowledge of where to find information - Understanding ethical standards - Understanding equality and diversity issues - Understanding the Media Protocol and Procedures	Member Induction Programme Networking Briefing sessions with Directors and Council Officers Council's Constitution Council's Web pages

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2. Basic Knowledge of the Councillors Role

Role or Responsibility	Skill/knowledge required for Role	Learning and Development Provision
Attending Meetings	➢ Knowledge of meeting (Meeting details and Terms of Reference etc) ➢ Knowledge of the law and practice of meetings ➢ Knowledge of the Codes of Conduct ➢ Meeting conventions ➢ Knowledge of specific legislation (i.e. planning and development control regs, licensing regs etc)	Member Induction Programme Listening Skills Presentation or Public Speaking Skills Council's Web site Briefings
Interaction with Officers	➢ Knowledge of officer responsibilities and contacts ➢ Knowledge of the Officer/Member Protocol	Member Induction Programme Director/Officer briefing meetings Council's Constitution
Working to ethical Standards	➢ Understanding of the code of conduct, standards and ethics ➢ Understanding of the Declaration of Interests Register ➢ Understanding of Declaring Interests at meetings ➢ Understanding the Role of the Monitoring Officer	Member Induction Programme Council's Constitution
Internal Politics	➢ Understanding the Political Group Protocols ➢ Understanding the Political Make-up of the Council ➢ Understanding Roles and Responsibilities	Political Group Mentor

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3. Basic skills or knowledge to successfully fulfil Councillor Responsibilities

Role or Responsibility	Skill/knowledge required for Role	Learning and Development Provision
Work life Balance	➢ Time Management ➢ Knowledge of the Officer Role, Responsibilities and key contacts ➢ Stress Management awareness ➢ Effective use of IT systems ➢ Networking ➢ Knowledge of key activities, priorities and responsibilities	Courses Officer/Member Mentor
Managing Information	➢ Knowledge of sources of information ➢ Understanding processes ➢ Understanding data ➢ Knowledge of data storage and file management	Effective use of IT Members Zone Council's web site Data management protocols Speed reading
Communication	➢ Understanding Media protocol ➢ Diversity Awareness ➢ Effective communication skills/techniques	Member Induction Programme Courses – such as presentation skills, letter writing
Working with Others	➢ Understanding ethical diversity ➢ Understanding the roles and responsibilities of others and of the Councillor ➢ Knowledge of key contacts	Member Induction Programme Member briefings Council's Web site Courses – such as Public speaking,

Role or Responsibility	Skill/knowledge required for Role	Learning and Development Provision
	➢ Officer/Member Protocols ➢ Understanding the community leadership role ➢ Understand the different roles of Councillors (board/trustee members, corporate parent) ➢ Understand when and who to escalate information to	mediation skills
Risk Management and Health and Safety	➢ Understanding of responsibilities for health and safety as an individual and as a Member	Member Induction Programme Members risk assessment
Promoting and enhancing the Council's reputation	➢ Awareness of key roles affecting the Community ➢ Knowledge of Council's decisions and reasons for them ➢ Maintaining exempt and confidential information ➢ Ability to challenge negative perceptions ➢ Ability to communicate relevant information ➢ Ability to adapt communication style to different audiences	Member Induction Member briefings Ward Meetings Surgeries Council's constitution Courses – such as assertiveness training

Corporate Responsibilities	➢ Knowledge and Understanding of Corporate Roles and legal Responsibilities such as:
	    Corporate Parenting, IT Protocols
	    Data Protection/FOI, Media Protocol
	    Confidential Information
		Member Induction
		Officer briefings
		Council's Web Site

4. Basic Skills to enhance the role of Councillors

Role or Responsibility	Skill/knowledge required for Role	Learning and Development Provision
Community Champions for the City	- Understanding current and future issues across a range of topics - Understands community issues and relation to Council's strategic vision and values - Understands the role and responsibilities of a community champion - Engages with the community, working collaboratively, fairly and constructively - Knowledge Council Policy on common issues such as planning. - Understanding corporate complaints procedure - Understands partnership framework and engagement in relation to community issues - Understanding funding sources and local government finance	Courses such as mediation Officer briefings Surgeries Advocacy/counselling skills Presentation skills Negotiation skills Media skills
Decision-making	- Understanding strategic and service context - Knowledge of constitution - Understanding of the impact of decisions on areas and constituents/partners and other organisations - Understanding key concepts such as bias and predetermination - Knowledge of key contacts and who to involve - Understands when to refer decisions or take advice	Political Mentor Officer briefing Council Web site Advocacy/counselling skills

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Casework	➢ Understanding the needs problems raised by constituents and extent and limits of personal Involvement ➢ Good interpersonal skills	

Section 2 – Specific Roles

1. Leader

Role or Responsibility	Skill/knowledge required for Role	Learning and Development Provision
Leadership	➢ Leadership Skills ➢ In-depth knowledge of the Council's roles and responsibilities ➢ Knowledge of decision making law and Council's constitution ➢ Knowledge of key community issues ➢ Knowledge of key issues and working practices of key partners and stakeholders ➢ Knowledge of Regional and National issues ➢ Conflict Management ➢ Project Management ➢ Risk Management ➢ Knowledge of Group Members	LGA Leadership Academy Programme 1:1 Briefings Negotiation skills Media Skills Team building Conflict management Coaching and Mentoring skills
Public and community engagement	➢ Knowledge of working practises of partners and stakeholders at a local and regional level ➢ Knowledge of key issues relevant to the	Leadership Skills Advanced communication/media skills

Role or Responsibility	Skill/knowledge required for Role	Learning and Development Provision
	community ➢ Is able to communicate vision and valves ➢ Is aware of different communication techniques and interpersonal skills	Presentation skill Team building and Development
Strategic Vision	➢ Knowledge of key community issues and areas of improvement ➢ Knowledge of Council's Policies and procedures ➢ Understands wider decision making implications for Council and the City ➢ Understands resource issues	Communication/media skills
Political judgement	➢ Understands the relationship between national and regional government ➢ Combines vision with reality ➢ Is able to reconcile political vision with strategic awareness	Leadership Skills Advanced communication/media skills Presentation skill
Relationship with CX and Directors	➢ Understands roles and responsibilities ➢ Is able to build relationships ➢ Is able to work on key strategies and promote vision and values ➢ Knowledge of procedures and protocols needed to hold Senior Officers to account	Leadership skills Management skills Team building and Development Performance Management Project management

2 Cabinet Member

Role or Responsibility	Skill/knowledge required for Role	Learning and Development Provision
Decision making	➤ Understands the role of the Cabinet member as an individual and as a Member of Cabinet ➤ Understands Council's policies and strategies ➤ Understands how the role fits with the Council's Management Board ➤ Understanding nation and local policies ➤ Knowledge of decision making law and Council's constitution ➤ Understands wider decision making implications for Council and the City ➤ Understands roles and responsibilities of Senior Officers ➤ Understands portfolio area and issues ➤ Is aware of key stakeholders and partners	Leadership skills Communication skills Management skills Team building and Development Performance Management Project management
Communication Skills	➤ Is able to communicate decisions and reasoning ➤ Is aware of different communication techniques and interpersonal skills	Advanced communication/media skills

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3. Scrutiny Member

Role or Responsibility	Skill/knowledge required for Role	Learning and Development Provision
Reviewing and developing policy	➢ Knowledge of existing policies and best practice ➢ Understanding of wider policy context	Meetings and briefings
Performance management	➢ Knowledge of council's performance management strategy ➢ Understanding of risk management ➢ Understanding of project management ➢ Questioning skills	Meetings and briefings

4. Chair

Role or Responsibility	Skill/knowledge required for Role	Learning and Development Provision
Provide leadership and direction	➢ In depth knowledge of the role of the panel/committee	Meetings and Briefings
Provide effective meeting management	➢ Understanding of the role of the chair ➢ Understanding the roles of supporting officers ➢ Understands meeting protocol and procedures ➢ Understanding of bias and predetermination ➢ Understanding use of resources	Facilitation/Mediation skills Public speaking Questioning and listening skills Communication skills Time management

5 Group Leader

Role or Responsibility	Skill/knowledge required for Role	Learning and Development Provision
Leadership	➤ Knowledge of Council procedures, practices and policies ➤ Understanding of the Council's visions, values, key targets, projects and timescales ➤ Understanding of the Group Leaders role and responsibilities ➤ Political awareness and knowledge	Leadership skills 1:1 Briefings Negotiation skills Media Skills
Development of Members	➤ Knowledge of Group Members	Team building Conflict management Coaching and Mentoring skills
Communication	➤ Understands different communication styles	Media skills
Relationship with Others	➤ Understands roles and responsibilities	Briefings Protocols and Procedures

6. Mayor

Role or Responsibility	Skill/knowledge required for Role	Learning and Development Provision
Perform ceremonial duties	➤ Understands remit, roles and powers ➤ Understands etiquette and protocol	Public speaking Communication techniques Briefings
Preside over Council meetings	See role of Chair above	
Promote the role of the Council as a benefit to the community	➤ Knowledge of the Councils priorities ➤ Knowledge of the City	Briefings

Member Induction Programme June – July 2014

Please note the Annual Council Meeting is Wednesday 4 June
Election of Mayor 11.00am in Southampton Guildhall
Council Meeting 2.00pm in Council Chamber

Date/time	Session	Presenters	Venue
Friday 23 May 2pm	**Drop in session for Photographs, Declaration of Office Book, ID Cards, Car Park Passes etc**	Sharon Gilbert, Member Support Team	Members Meeting Room
Tuesday 27 May 2pm – 4pm	**Getting Started** Code of Conduct and Member Support **Preparing for Council –** Decision-making processes and Council Procedures	Richard Ivory Sandra Coltman/Sharon Gilbert

Sandra Coltman/Judy Cordell Democratic Services | TBC |
Date TBC	**Member Induction – Safeguarding Children & Adults**	TBC (May do this as two separate sessions)	TBC
10 June 5.00pm	**Licensing Training**	Richard Ivory Head of Legal, & Democratic Services Peter Savill, Barrister	Conference Room 3
19 June 2.00pm – 4.30pm	**Planning Introduction**	Chris Lyons	Conference Room 4
Date TBC	**Health & Safety Training for Members**	Clyde Jackett	TBC
Date TBC	**Council Overview and Introduction**	Chief Executive, Dawn Baxendale	TBC

Date/time	Session	Presenters	Venue
Date TBC	**Scrutiny Training**	Mark Pirnie	TBC
11 July 10.00am – 1.00pm	**SEE Regional Induction Day for New Members**	South East Employers	TBC
Date TBC	**Governance Training**	Richard Ivory	TBC
Date TBC	**Media Overview for Councillors**	**Communications**	TBC
Date TBC	**Media Training for Cabinet Members**	**Communications**	TBC
17 July 2.00pm – 4.00pm	**Cabinet Development Training**	**South East Employers**	TBC

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	RISK MANAGEMENT STRATEGY 2014-15 AND ANNUAL ACTION PLAN		
DATE OF DECISION:	28 APRIL 2014		
REPORT OF:	CHIEF FINANCIAL OFFICER		
CONTACT DETAILS			
AUTHOR:	Name:	Peter Rogers	Tel:	023 8083 2835
	E-mail:	Peter.Rogers@southampton.gov.uk		
Director	Name:	Andy Lowe	Tel:	023 8083 2049
	E-mail:	Andrew.Lowe@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY
N/A

BRIEF SUMMARY

The Risk Management Strategy details the Council's overall approach to managing risk and is subject to annual review to ensure that it reflects good practice and remains aligned with current business processes and practices. In addition, the Annual Risk Management Action Plan summarises the intended activities/actions that a planned for the forthcoming period to further develop and embed risk management.

RECOMMENDATIONS:

(i) to note and approve the Risk Management Strategy 2014-15 (Appendix 1);

(ii) to note and approve the Risk Management Action Plan 2014-15 (Appendix 2); and

(iii) to note the content of the Risk Management Actions: Status Report 2013-14 (Appendix 3).

REASONS FOR REPORT RECOMMENDATIONS

1. The Governance Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the annual governance statement. In addition, the Committee needs to satisfy itself that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. No alternative options have been considered.

DETAIL (Including consultation carried out)

3. Risk management is an essential part of good governance within any organisation and is intended to provide a framework and process that enables

an organisation to manage uncertainty (risk) in a systematic, effective, consistent and efficient way. It supports informed decision making thereby enabling opportunities to be exploited or action to be taken to mitigate or manage key risks to an acceptable level.

4.   The Accounts and Audit (England) Regulations 2011 also state that the Council is responsible for ensuring that "the relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".

5.   Risk management is also a key component of the Council's overall corporate governance arrangements, and is recognised as such in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework and associated guidance.

6.   The Risk Management Strategy 2014-15 (Appendix 1) has been reviewed and updated taking in account good practice and reflects changes in both organisational structure, roles and responsibilities and business processes.

7.   The Risk Management Action Plan 2014-15 (Appendix 2) is intended to encompass the range of actions considered necessary to ensure that existing good practice is maintained and/or arrangements are further developed as appropriate. The target dates are indicative noting that the plan needs to be flexible in order to be able to respond to other priorities should they arise during the period.

8.   The Risk Management Actions: Status Report 2013-14 (Appendix 3) provides an update in respect of the actions for this period.

RESOURCE IMPLICATIONS

Capital/Revenue

9.   None

Property/Other

10.   None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

11.   The Accounts and Audit (England) Regulations 2011 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

Other Legal Implications:

12.   None

POLICY FRAMEWORK IMPLICATIONS

13.   None

KEY DECISION?   No

WARDS/COMMUNITIES AFFECTED:	None

SUPPORTING DOCUMENTATION

Appendices

1.	Risk Management Strategy 2014-15
2.	Risk Management Action Plan 2014-15
3.	Risk Management Actions: Status Report 2013-14

Documents In Members' Rooms

1.	None

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No

Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	None	

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RISK MANAGEMENT STRATEGY 2014-15

April 2014

CONTENTS

1.	**Introduction**

1.0   This strategy has been developed in line with published good practice* and provides an overview of the operating framework, arrangements and responsibilities for managing risk within the council. The strategy is relevant to Directors, Senior Managers and Managers as 'risk owners' and the Governance Committee in respect of their responsibility for overseeing the council's risk management arrangements.

2.	**What is risk management?**

2.0   Risk and risk management may be defined as follows*:

- **Risk** - 'the effect of uncertainty on objectives'.

- **Risk Management** - 'a coordinated set of activities and methods that is used to direct an organization and to control the many risks that can affect its ability to achieve objectives'.

                                 Source ISO 31000 'Risk Management – Principles and Guidelines'.

2.1   Risk management is an essential part of good governance within any organisation and is a key component of the council's overall governance arrangements. It provides a framework and process that enables an organisation to manage uncertainty in a systematic, consistent and efficient way. It supports informed decision making thereby enabling opportunities to be exploited, or action to be taken to mitigate or manage risk to an acceptable level.

2.2   The continued and ongoing pressure on public sector budgets means that public service organisations are increasingly compelled to have more of an appetite for risk, reflecting that they 'cannot do everything' and face 'hard choices'. Effective management of risk is essential in supporting a 'culture of innovation' and moving from a 'risk averse' to a more 'risk aware' approach.

2.3   The Accounts and Audit (England) Regulations 2011 also state that the council is responsible for ensuring that "the relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".

2.4   The council's risk management function is provided by Risk and Insurance Services within the Finance & IT Division of the Corporate Services Directorate.

* including 'ISO 31000 Risk Management – Principles and Guidelines' and 'A Structured Approach to Enterprise Risk Management' issued by the Institute of Risk Management, the Association of Insurance and Risk Managers and the Association of Local Authority Risk Managers.

3. Risk Management Policy Statement

The council recognises the need to identify and understand it's key business risks and is committed to ensuring that appropriate arrangements are in place to enable informed risk decision taking, recognising that effective risk management seeks to optimise the balance between risk and reward.

Risk management is an essential part of good management and is a key component of the council's overall corporate governance arrangements. It is recognised that, in order to be effective, the approach to risk management needs to be structured and consistent and operate at both strategic and operational levels within the organisation. It is also recognised that risks should be aligned with key priorities and that actions should be proportionate to the level of risk.

In seeking to ensure the effective management of key risks the council will develop policies and procedures intended to:

➢ *Embed risk management into the culture of the organisation using consistent and common terminology;*

➢ *Raise the profile and understanding of risk management at all levels throughout the organisation including members;*

➢ *Develop a structured and consistent approach to the identification and management of key risks;*

➢ *Provide appropriate advice, guidance and training;*

➢ *Ensure that the approach to risk management is in accordance with good practice and is aligned with the council's approach to corporate governance.*

4. Risk Management Process

4.0   In order to manage risk effectively, a common and shared methodology should be adopted and applied on a consistent basis across the council.

4.1   The most important step is to clearly 'identify the risk'. What needs to managed in order achieve the required outcomes of the project, service or activity in question recognising that the achievement, or otherwise, of key priorities or objectives may depend upon:-

- the organisation doing certain things and not doing others;
- the occurrence of events, both internal and external, that could affect the organisation; and
- the circumstances in which the organisation finds itself.

4.2   The following illustrates the risk management methodology adopted by the council.
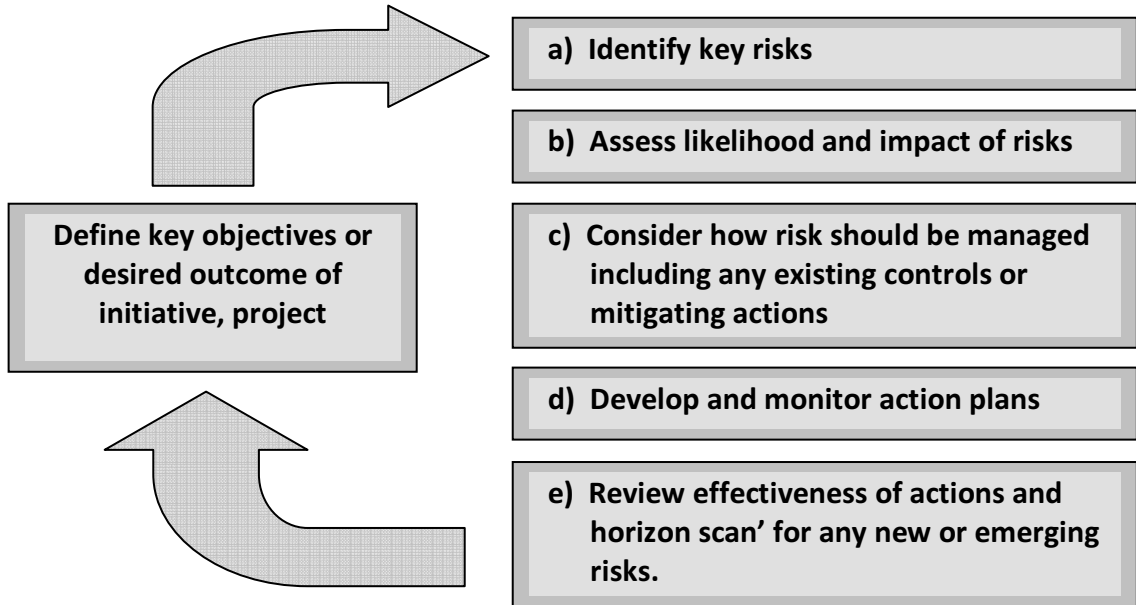
a) Identify those key risks that could prevent or significantly hamper the achievement of the key objectives or required outcomes and/or prevent opportunities from being exploited. The identification of risks may either be via a group exercise or individual contribution however, it is important that there is overall agreement on what the key risks are.

b) Assess the risks in terms of likelihood or frequency (i.e. the probability of risk event occurring) and severity (potential impact should the risk event occur) and plot the 'risk scores' onto a 'Risk Matrix' (Table 1). This is useful in terms of 'sense checking' the individual risk scores to ensure a consistent and proportional approach.

Table1

c) Determine and agree how the risk should be managed – what actions are needed to manage the risk to an acceptable level i.e. what controls, processes, policies or activities would reasonably be expected to be in place to manage the identified risk? The actions required to manage the risk may then be developed noting that these may comprise a combination of existing processes and new actions (see Appendix 2 - 'Risk Assurance Report' template).

d) Identify and agree the nominated 'Risk Owner' who is then responsible for ensuring that the actions required to manage the risk are developed, progressed and implemented.

e) Review the risks to ensure that they are being managed effectively, action plans remain fit for purpose and that the risk appetite is still appropriate. In addition, the review will provide an opportunity to consider whether there are any new or emerging issues that may impact on the risk and/or any new risks that need to be considered.

5. Roles and responsibilities

5.0 All employees, members and those who act on behalf of the council have a role to play in the effective management of risk. The principal roles and responsibilities are summarised below:-

Individual/Group	Role/Responsibility
Members	• To have an understanding of the key principles of risk management;
Cabinet Members (including the Cabinet Member with responsibility for 'Leading on Risk Management'.	• To provide a 'Lead' in terms of influencing strategy and overall approach; • To ensure that there is an appropriate consideration of risk in relation to the decision making process; and • To be aware of the council's strategic risks and those relating to their respective portfolios.
Governance Committee	• To provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the Annual Governance Statement; and • To be satisfied and provide assurance that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies.
Council Management Team	• To oversee the corporate approach to managing risk and to determine and agree the council's overall risk appetite; • To identify and agree the council's key strategic risks and to facilitate development of appropriate action plans to manage the risks; • To periodically review (at least three times per annum) both the status and content of strategic and directorate risk registers; and • To support and monitor the implementation and ongoing processes for embedding risk management throughout the council.

Individual/Group	Role/Responsibility
Directors / Directorate Management Teams	• To support the council's risk management strategy; • To ensure that a co-ordinated and consistent approach is taken in respect of the identification and management of risk; • To ensure that risks are appropriately managed and to have in place appropriate review and monitoring arrangements; • To ensure that robust business continuity plans are in place covering key service areas and that the plans are reviewed and tested within agreed timescales; and • To provide evidence, based on sources of internal and external assurance, to support preparation of the Annual Governance Statement.
Directorate Business Development Managers	• To support both the Directorate Management Team and the Risk & Assurance Manager in respect of ensuring that processes are in place for the robust management of key risks.
Senior Managers	• To manage risk effectively in their service areas and in accordance with the agreed risk appetite or tolerance.
Risk and Assurance Manager / Risk and Insurance Services	• To facilitate the continuing development of the council's risk management arrangements including developing, maintaining and communicating appropriate guidance and information; • To support directorates in developing their risk management arrangements in line with the agreed Risk Management Strategy; • To maintain and facilitate the periodic review of the Strategic Risk Register in consultation with the Council Management Team; • To review and report upon the adequacy and effectiveness of the council's risk management arrangements; • To arrange appropriate risk financing measures and provide advice and guidance on the extent of insurance or self insurance arrangements; • Where appropriate, to arrange the placement of cover with insurers including the negotiation of premium rates and policy terms; and • To provide and manage a claims handling service to process claims made by directorates and by members of the public.
Employees	• To manage risk in the course of undertaking their duties;
Internal Audit	• To audit, via a risk based audit programme, the risk and internal control processes across the council. • To co-ordinate fraud and irregularity investigations including assessing the effectiveness of fraud prevention controls and detection processes; and • To provide assurance on the effectiveness of internal control processes.

6.   Integration with other corporate processes

6.0   **Business planning / Performance Management**
Business planning is concerned with identifying key priorities and objectives for the forthcoming period, with the output from this exercise used to inform and assist managers in identifying those key risks that need to be managed in order to support delivery of the key business objectives, which is then monitored via the performance management arrangements.

6.1   **Decision making**
The need to identify and communicate key risks features in the Decision Standards Guidance document which instructs report authors to 'consider whether there are any significant risks associated with the idea / proposal and how these might need to be presented'. The 'Detail' section of the corporate report template can also be used to highlight any key risks associated with the decision and/or to provide assurance that appropriate actions or controls are in place to manage the risk.   In addition, the template for reports to the Council Management Team also includes a 'key risks' section.

6.2   **Partnership Working**
A 'Partnership Working in Southampton' guide forms part of the Council's Constitution. The guide, which is intended to ensure that sound governance arrangements are in place, provides 'signposts to good practice' and makes explicit reference to the need to "think ahead and anticipate any potential problems or barriers to progress".

6.3   **Project Management**
The need to identify and manage risk features throughout the various Gateways within the PM Connect Project Management Methodology. Specific guidance on the effective management of key risks is provided for Project Managers, Sponsors and Boards.

6.4   **Corporate Governance**
Defined as 'how local government bodies ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities'.

Source: Chartered Institute of Public Finance & Accounts and Society of Local Authority Chief Executives – Delivering Good Governance in Local Government 2012.

6.5   **Annual Governance Statement**
The Accounts and Audit (England) Regulations 2011 require that local authorities publish an 'Annual Governance Statement' ("AGS") with their annual Statement of Accounts. The AGS is a key corporate document that sets out the council's overall corporate governance framework and highlights any significant gaps or areas where improvement is required. Risk Management is an integral part of the overall governance framework in terms of supporting informed and transparent decision-making and accountability to stakeholders.

6.6   **Fraud Risk Management**
The management of fraud risk is the responsibility of everyone within the organisation and internal control systems are intended to minimise the opportunity for fraud or misappropriation of assets. Whistleblowing (Duty to Act) arrangements are in place together with an Anti Fraud and Anti Corruption Policy and Strategy.

7.   Communication

7.0   The Risk Management Strategy and other associated guidance and template documents are made available on the intranet. The site is updated on at least an annual basis by the Risk and Assurance Manager.

7.1   Appropriate training opportunities will be made available to both members and staff relevant to their needs and responsibilities.

8.   Reporting

8.0   The Risk & Assurance Manager shall, via the Chief Financial Officer , present an annual report to the Governance Committee outlining the planned activities for the forthcoming period in addition to providing a mid-term update.

9.   Review

9.0   This document will be reviewed annually by the council's Risk and Assurance Manager and any significant amendments reported to the Governance Committee for approval.

Appendix 1

Glossary of common terms used in relation to risk management

Assessing risks
The evaluation of risk with regard to the impact if the risk is realised and the likelihood of the risk being realised.

Consequence
The outcome of an event.

Contingency
An action or arrangement that can be put into place to minimise the impact of a risk if it should occur.

Control
Any action, procedure or operation undertaken to either contain a risk to an acceptable level, or to reduce the likelihood.

Corporate Governance
The system by which an organisation is directed and controlled.

Exposure
The consequences, as a combination of impact and likelihood, which may be experienced by the organisation if a specific risk is realised.

Fraud
The intentional distortion of financial statements or other records by persons internal or external to the organisation, which is carried out to conceal the misappropriation of assets or otherwise for gain.

Governance Committee
The Member body responsible for ensuring the adequacy of the risk management framework, internal control and reporting environment including (but not limited to) the reliability of the financial reporting process and the Annual Governance Statement.

Horizon Scanning
Systematic activity designed to identify, as early as possible, indicators of changes in risk.

Identifying Risks
The process by which events that could affect the achievement of key objectives, are drawn out, described and recorded.

Impact
The effect that a risk event would have if it occurs.

Inherent Risk
The level of risk before any action has been taken to manage it.

Internal Control
The policies, procedures, practices and organisational structures designed to provide reasonable assurance that business objectives will be achieved and that undesired events will be prevented or detected and corrected.

Likelihood
The probability that an identified risk event will occur.

Operational Risk
Risks concerned with day-to-day operational issues that an organisation might face as it delivers its services.

Residual Risk
The level of risk remaining after action has been taken to manage it.

Risk	*The effect of uncertainty on objectives.*
Risk Appetite/Tolerance	*The amount of risk that the council is prepared to accept, tolerate or be exposed to at any point in time.*
Risk Assurance Report	*The risk reporting tool adopted by the council which captures information about each risk in terms of how it should be managed and the effectiveness of the controls in place (via an assurance rating).*
Risk Financing	*The mechanisms (e.g. insurance programmes) for funding the financial consequences of risk.*
Risk Management	*The culture, processes and structures that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives.*
Risk Owner	*The person with responsibility for ensuring that the controls identified in the RMAPs are adequate and appropriate and that the actions are being progressed.*
Risk Matrix	*The number of levels of likelihood and impact against which to measure the risk and to record the risk appetite.*
Risk Strategy	*The overall organisational approach to risk management.*
Strategic risk	*Risks concerned with the high level strategic aims and objectives of the organisation.*

Risk Assurance Report - Template   <u>**Appendix 2**</u>

RISK No:	R01	Version No:	Last updated:		**KEY RISK AREA**	

RISK DESCRIPTION	**EXPECTED KEY CONTROLS**	**SOURCE(S) OF ASSURANCE**	**ASSURANCE LEVEL**			
			Q3	**Q4**		**Comment Q4**
	1		1	1		
			3	2		
	2		4	3		
			3	3		
RISK OWNER						
RISK SCORE	3		2	2		
Initial			3	3		
CURRENT						
Target						
LIKELIHOOD / **IMPACT**	4		3	2		
			2	2		

1 - Substantial assurance	**2 - Adequate assurance**	**3 - Limited assurance**	**4 - No assurance**
There is clear evidence of a robust and effective process, framework or activity that is operating effectively.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps	Evidence of inconsistent application and/or critical weakness(es) within the policy, framework or activity	There is no, or insufficient, evidence of an appropriate policy, framework or activity.

RISK FINANCING STRATEGY

April 2014

<u>CONTENTS</u>

1.	Introduction

1.0   The Risk Financing Strategy is a key component of the council's Risk Management Strategy and sets out the council's overall approach to risk financing. It will be of particular relevance to the Governance Committee in respect of its responsibility for overseeing the council's risk management arrangements.

2.	Definitions

2.0   **Risk Financing** - "Utilisation of source(s) of funds to pay for insurable losses. Source(s) of funds can be classified as:

Internal - a risk retention arrangement is established to use funds from within the organisation to pay for losses;

External - a risk transfer arrangement (generally through the purchase of insurance) is established to provide access to funds to pay for losses".

2.1   Although this document refers primarily to self insurance [risk retention] and external insurance cover, in some cases other risk financing options may be available and these will be referred to as appropriate.

3.	Structure, Resources and Accountability

3.0   The council's Financial Procedure Rules state that the Chief Financial Officer has responsibility 'to advise the Cabinet on proper insurance cover where appropriate, and effect corporate insurance cover, through external insurance and internal funding'.

3.1   The Risk and Assurance Manager reports to the Chief Financial Officer on all strategic risk financing issues and is responsible for ensuring that the adopted strategy is implemented and is subject to annual review.

3.2   The council's Risk Management and Insurance section is responsible for:

- Maintaining adequate and cost effective risk financing measures;

- Managing the internal self insurance fund;

- Providing risk management advice, guidance and support;

- Arranging, where appropriate, the placement of cover with external insurers including the negotiation of premium rates and policy terms; and

- The provision of an appropriate insurance claims handling service.

3.3   The council will normally appoint an external independent insurance broker/advisor to support and assist the council in respect of the periodic tender of its insurance portfolio. The appointment will normally include provision of ongoing support on a retained basis.

3.4   The appointment of an insurance broker/advisor will be led by the Risk and Assurance Manager with such an appointment normally taking place at least six months in advance of any renewal (or tender) of external insurances.

3.5   External insurance will be procured in accordance the council's Contract Procedure Rules. The council will award contracts for the provision of insurance services on the basis of the most economically advantageous terms in respect of price and quality.

3.6   The tender of the council's insurance portfolio will normally take place every three to five years (unless a longer or shorter term contract or agreement is proven to be beneficial to the council). In accordance with good practice the council will normally seek to enter into a 'long term agreement' ("LTA") with insurer(s). The LTA, which normally includes a discount on the premium, provides continuity of cover, an element of financial certainty and is in line with the standard market approach.

4.   Process and procedures

4.0   An effective risk financing programme is one that provides appropriate and adequate protection for the council to support and enable current and future service delivery in addition to being able to demonstrate value for money.

4.1   The overall objective of the Risk Financing Strategy is to ensure that funds are available to pay for insurable losses using the most cost effective sources of finance. In doing so the council seeks to protect its financial position through the selective purchase of insurance cover and seeks to ensure that the risk financing structure is as financially efficient as possible, whilst accepting that financial certainty has a cost.

4.2   The aim is to achieve the optimum balance between self insurance and external insurance, with the latter intended primarily to protect the council against the effects of a catastrophic loss and to limit the council's financial exposure in any one period. The approach seeks to smooth the cost of risk and minimise year on year fluctuations.

4.3   The structure of the risk financing programme will be subject to a periodic review, led by the insurance broker/advisor, in order to identify any potential gaps, duplication etc in cover, and to evaluate self insurance against other risk transfer options.

4.4   The cost of risk (i.e. external insurance premiums and contribution to the internal insurance fund) is apportioned across service areas on an equitable basis via an annual insurance recharge.

4.5   Losses within the insurance deductible are met from the self insurance fund, which is reviewed on a monthly basis by the Risk and Assurance Manager. If, at any point, it becomes apparent that a shortfall of funds could occur then the matter will be referred immediately to the Chief Financial Officer.

4.6   In line with good practice the 'self insurance fund' is subject to independent actuarial review which is normally undertaken every three years. The review considers whether adequate funds are available to meet current and future liabilities. A summary of the report is provided to the Chief Financial Officer and to the Governance Committee.

5.   Alternative Risk Transfer

5.0   The council is committed to securing value for money and securing the most cost efficient source of risk financing. The insurance market for local authorities has traditionally been a specialist market with only a very limited number of insurers prepared to offer cover.

5.1   The council, in consultation with its insurance broker/advisor, will keep abreast of any opportunities in respect of 'alternative risk financing' including consortia purchasing, joint procurement, risk pooling etc. The foregoing options would however only be considered where any such proposals provided an acceptable level of financial certainty and security and a clear cost benefit.

6.   Communication and Consultation

6.0   The Risk Management Strategy will be published on the council's intranet site.

7.   Benchmarking

7.0   Where appropriate the council will compare its approach to risk financing with peer authorities and will draw on benchmarking data in order to identify potential gaps in cover or areas for review.

8.   Review

8.0   This document will be reviewed annually by the Risk and Assurance Manager with any significant changes reported to the Governance Committee.

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RISK MANAGEMENT ACTION PLAN 2014-15

	THEME/SOURCE/ISSUE	ACTION	TARGET	LEAD OFFICER
1.	**Risk Strategy and Reporting**	To further develop and refine the new 'Risk Assurance Report' approach in terms of being able to clearly and simply articulate the status of key risks and to ensure a consistent approach across the Council.	**Mar 15**	Risk and Assurance Manager in consultation with the Council Management Team / Directorate Management Teams.
2.	**Communication**	To develop a page or area on 'Sharepoint' to provide CMT, and other nominated persons, with access to view, edit and update the Strategic Risk Assurance Report and other related documents. SharePoint site is a Web site, used by the Council that provides a central storage and collaboration space for documents and information.	**May 14**	Risk and Assurance Manager with the support of the Transformation and Performance Division.
3.	**Training**	Explore the options in terms of an 'e-learning' risk management training solution.	**Dec 14**	Risk and Assurance Manager
4.	**Business Planning**	To review, and where necessary, challenge the content of the Directorate Risk Assurance Reports to ensure that the identified risks are aligned with the Directorates key priorities and that there is consistency of approach.	**Sept 14**	Risk and Assurance Manager in consultation with Directorate Management Teams.
5.	**Risk Financing**	To undertake tender of the council's corporate insurance portfolio via the Insurance Framework Agreement, developed by the Government Procurement Service ("GPS").	**Mar 15**	Risk and Assurance Manager in consultation with the council's insurance broker and Capita Procurement Services.
6.		In advance of the tender, to review the content and structure of the current programme specifically in terms of deductibles / self insurance with view to identifying the optimum balance between self insurance and external insurance.	**Oct 14**	Risk and Assurance Manager in consultation with the council's insurance broker.
7.		In advance of the tender, to undertake an exercise to 'cleanse' our insurance claims loss experience by critically reviewing the reserves allocated to outstanding claims.	**Oct 14**	Risk and Assurance Manager in consultation with the council's insurance broker.

Agenda Item 8

Appendix 2

	THEME/SOURCE/ISSUE	ACTION	TARGET	LEAD OFFICER
8.		To review the type and scope of information required in order to develop a high quality tender document that is aligned with insurance company underwriting expectations.	**Oct 14**	Risk and Assurance Manager in consultation with the council's insurance broker.
9.	**Loss Control**	To facilitate a Fleet & Driver Risk Management Review. This exercise, undertaken by our Motor Claims Handlers and at no cost to the Council, will look at the operation of the Fleet from a risk management perspective.	**June 14**	Risk and Assurance Manager in consultation with our Motor Claims Handlers.
10.	**Loss Control**	To facilitate and direct a programme of property 'fire and security' risk reviews either at the request of insurance underwriters or in response to an area of concern.	**Sept 2014**	Risk and Assurance Manager in consultation with insurers and the Responsible Persons within the respective premises/service areas.
11.	**Guidance and advice**	To ensure that an appropriate and current range of risk management and insurance guidance documents are available and aligned with the requirements of service areas.	**Mar 2015**	Risk and Assurance Manager
12.	**Policy and Strategy**	To review and update the Risk Management Strategy to ensure that it remains relevant and appropriate. Report any significant changes to the Governance Committee.	**Mar 2015**	Risk and Assurance Manager

RISK MANAGEMENT ACTION PLAN 2013-14 : STATUS REPORT

	THEME / SOURCE / ISSUE	ACTION	TARGET	STATUS	COMMENTS
1.	**Risk Reporting / Communication**	To further develop and refine the 'risk dashboard' approach in order to clearly and simply articulate the status of key risks.	**Dec 2013**	**COMPLETED**	The 'risk dashboard approach' has been replaced by the new 'Risk Assurance Report' which was developed following feedback from CMT and provides a far more intuitive approach to managing risk. The new style report was endorsed by the Governance Committee at the December meeting.
2.	**Risk Strategy / Communication**	To work with the Council Management Team, including the new Chief Executive when in post, to determine the future format and focus of the 'Risk Workshop Reviews' including the process for updating and reviewing the Strategic Risk Register and the overall approach to managing risk.	**Sept 2013**	**COMPLETED**	
3.	**Business Planning**	Review, and where necessary, challenge the content of the Directorate Risk Registers to ensure that the key risks are aligned with the key priorities and that there is consistency of approach.	**Sept 2013**	**COMPLETED**	Attended each of the respective Directorate Management Teams to assist and support the development of 'directorate risks'.
4.	**Communication**	To continue to work with the Directorate Business Development Managers (or their equivalent) recognising their pivotal role in ensuring that there is a co-ordinated and consistent approach to managing risk across the organisation.	**Dec 2013**	**COMPLETED**	Regular meetings are held with Directorate Business Development Managers both as a group and individually with briefing meetings held after the CMT Risk Review Workshops.
5.	**Risk Funding**	To arrange for an independent actuarial review of the internal self insurance fund. The review is undertaken triennially, in line with good practice, and will consider whether adequate funding is available within the self insurance arrangements to meet current and future liabilities.	**July 2013**	**COMPLETED**	Self Insurance Fund Review completed in June. The review considered the position of the internal insurance fund as at 31st March 2013 in terms of whether the level of funding is adequate to meet current and future liabilities. The review, undertaken by Marsh Risk Consulting using various statistical techniques, concluded that the fund was currently in a healthy position.

Appendix 3

	THEME / SOURCE / ISSUE	ACTION	TARGET	STATUS	COMMENTS
6.	Risk Funding	To consider the implications of the Civil Justice Reforms, in particular, the changes that will be required in order to comply with the new protocols relating to how Employers Liability and Public Liability claims (up to £25k) are handled.	July 2013	COMPLETED	An internal communication exercise undertaken to publicise the nature of the changes together with a review of internal claims handling procedures. The new process in is place and working well.
7.	Loss Control Reviews and Surveys	Undertake loss control reviews in order to identify improvements in how risk is managed and/or to seek to reduce losses. In addition, to facilitate and direct a programme of property 'fire and security' risk reviews either at the request of insurance underwriters or in response to an area of concern.	Mar 2014	COMPLETED	All of the actions from the 2012-13 loss control reviews have now been completed. All of the required surveys for 2013-14 have been completed with the actions detailed in the 'Risk Improvement Reports' being progressed.
8.	Guidance and advice	Ensure that an appropriate and current range of risk management and insurance guidance documents are available and aligned with the requirements of service areas.	Mar 2014	NOT PROGRESSED	Due to competing priorities this action was not able to be progressed in 2013-14.
9.	Policy and Strategy	Review and update the Risk Management Strategy to ensure that it remains relevant and appropriate. Report any significant changes to the Governance Committee.	Mar 2014	COMPLETED	

OTHER SIGNIFICANT ACTIONS

- The appointment of a new liability insurance provider for 2014-15. The expectation was that the cover would remain with the current liability insurers (Travelers) until the end of the long term agreement in April 2015 however they advised that they were seeking over a 100% increase in our overall liability insurance premium. This increase reflected a market position adopted by the insurers which was influenced by a small number of very high value claims that had occurred across their overall book of business. Despite the short notice, it was deemed appropriate to formally 'test the market' resulting in new liability insurers (QBE) being appointed from 1st April 2014.

- Presentation to the Council's Leadership Group in February 2014 to explore and challenge the notion that the council is 'risk averse'.

DECISION-MAKER:		GOVERNANCE COMMITTEE		
SUBJECT:		INTERNAL AUDIT PROGRESS REPORT – MARCH 2014		
DATE OF DECISION:		28 APRIL 2014		
REPORT OF:		CHIEF INTERNAL AUDITOR		
CONTACT DETAILS				
AUTHOR:	Name:	Neil Pitman	Tel:	023 8083 4616
	E-mail:	Neil.pitman@southampton.gov.uk		
Director	Name:	Mark Heath	Tel:	023 8083 2371
	E-mail:	Mark.heath@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY
N/A

BRIEF SUMMARY

Under the Accounts and Audit (England) Regulations 2011, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and

- undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Governance Committee, summarising:

- progress in implementing the audit plan;

- internal audit reviews in progress;

- audit opinion on all internal audit reviews completed since the last report and executive summaries of published reports where critical weaknesses or unacceptable levels of risk were identified; and

- the status of 'live' reports, i.e. those where internal audit work is completed and actions are planned to improve the framework of governance, risk management and management control

Appendix 1 summarises the activities of internal audit for the period to March 2014.

RECOMMENDATIONS:

    (i)   That the Governance Committee notes the Internal Audit Progress report to the period March 2014 as attached.

REASONS FOR REPORT RECOMMENDATIONS

1.   In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Governance Committee is required to receive the Chief Internal Auditor's progress report.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.   None

DETAIL (Including consultation carried out)

3.   The progress report to the period March 2014 is attached for consideration in the appendix.

RESOURCE IMPLICATIONS

Capital/Revenue

4.   None

Property/Other

5.   None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

6.   The Accounts and Audit (England) Regulations 2011 state 'a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

Other Legal Implications:

7.   None

POLICY FRAMEWORK IMPLICATIONS

8.   None

KEY DECISION? ~~Yes~~/No

WARDS/COMMUNITIES AFFECTED:	

SUPPORTING DOCUMENTATION

Appendices

1.	Internal Audit Progress Report – March 2014
2.	
3.	

Documents In Members' Rooms

1.	None
2.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	~~Yes~~/No

Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	
2.	

Report Tracking

VERSION NUMBER:	1
DATE LAST AMENDED:	10 April 2014
AMENDED BY:	Neil Pitman

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SUBJECT:	**Internal Audit: Progress Report**
MEETING:	**Governance Committee**
DATE OF MEETING:	**28 April 2014**
REPORT OF:	**Head of Southern Internal Audit Partnership**
REPORT DATE:	**21 March 2014**

1   Opinion definitions

Opinion	Framework of governance, risk management and management control
Substantial assurance	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate Assurance	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited assurance	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No assurance	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

2	Status of 'live' reports:								

Audit title	Report date	Accountable Director	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Street Cleansing and Parks & Open Spaces	19/11/12	Place	Adequate	Adequate	**14 (0)**	**0 (0)**	**14 (0)**	**0 (0)**
Heating Charges	17/12/12	Place	Adequate	Adequate	6 (1)	0 (0)	5 (1)	1 (0)
Cash Collection & Banking	21/01/13	Corporate Services	Limited	Adequate	12 (5)	0 (0)	7 (5)	5 (0)
Sustainability (Use of Natural Resources / Carbon Reduction)	15/03/13	Place	Limited	Adequate	**11 (9)**	**0 (0)**	**11 (9)**	**0 (0)**
Estate Regeneration	26/04/13	Transformation & Performance	Adequate	Adequate	**21 (16)**	**0 (0)**	**21 (16)**	**0 (0)**
Development Management	26/04/13	Place	Limited	Adequate	7 (4)	0 (0)	5 (4)	2 (0)
Payroll	22/05/13	Corporate Services	Adequate	Adequate	**7 (2)**	**0 (0)**	**7 (2)**	**0 (0)**
Joint Commissioning - Children and Families	30/05/13	Corporate Services	Limited	Limited	**13 (13)**	**0 (0)**	**13 (13)**	**0 (0)**
Council Tax & NNDR	07/06/13	Corporate Services	Substantial	Substantial	2 (0)	1 (0)	1 (0)	0 (0)
Quality Assurance	18/07/13	People	Adequate	Adequate	15 (9)	2 (2)	11 (5)	2 (2)
Portage	13/09/13	People	Adequate	Adequate	**6 (0)**	**0 (0)**	**6 (0)**	**0 (0)**

Audit title	Report date	Accountable Director	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Grants to voluntary organisations	10/10/13	Transformation & Performance	Adequate	Adequate	**3 (2)**	**0 (0)**	**3 (2)**	**0 (0)**
Neighbourhood wardens	22/10/13	People	Adequate	Adequate	7 (2)	1 (0)	0 (0)	6 (2)
School standards	25/10/13	People	Adequate	Adequate	5 (0)	0 (0)	0 (0)	5 (0)
Parking Services	13/11/13	Place	Adequate	Adequate	**1 (0)**	**0 (0)**	**1 (0)**	**0 (0)**
Southampton Day Services – Freemantle Community Centre	13/01/14	People	Adequate	Adequate	**3 (2)**	**0 (0)**	**3 (2)**	**0 (0)**
Accounts Payable	30/01/14	Corporate Services	Substantial	Substantial	1 (0)	1 (0)	0 (0)	0 (0)
Inventory Management	06/02/14	Corporate Services	Adequate	Adequate	1 (0)	1 (0)	0 (0)	0 (0)
Application Support	06/03/14	Corporate Services	Adequate	Adequate	5 (0)	5 (0)	0 (0)	0 (0)
Sholing Technology College	13/03/14	People	Adequate	Adequate	17 (4)	11 (1)	3 (1)	3 (2)

3	Executive summaries of new reports published where critical weaknesses or unacceptable levels of risk were identified:

There are no new reports that have identified critical or unacceptable levels of risk to the Council.

4	Internal Audit Performance

The internal audit service is measured against the following key performance targets:

Performance Targets – 21 March 2014		
	Target for Year (%)	Actual to Date (%)
% of revised plan delivered (including 2012/13 c/f)	95	93
Compliant with the Public Sector Internal Audit Standards 2013	Yes	Yes
% of positive customer responses to Quality Appraisal Questionnaire	90	98.2

5	Planning and Resourcing

The internal audit plan for 2013/14 was approved by the Council's Management Team and the Governance Committee in April 2013. The audit plan has remained fluid to ensure internal availability to react to the changing needs of the Council. Progress against the plan is detailed within section 7

6	**Fraud and Irregularities**

Within the year we have assessed and where appropriate, advised, investigated or supported the investigation of four allegations of fraud, corruption or improper practice. Of these:

- o   2 were investigated resulting in disciplinary action;
- o   1 officer resigned during the course of the investigation;
- o   1 remains on-going.

We have also continued to provide advice on other cases where required.

7	**Rolling work programme**

Audit title	Audit Progress				
	TOR issued	**Fieldwork commenced**	**Fieldwork complete**	**Draft report issued**	**Final report issued**
2013 / 2014 Audit Plan (including carry forward)					
Health and Safety	✔	✔	✔	✔	14/10/13
Contract Management	✔	✔	✔	✔	04/12/13
Project management	✔	✔	✔	✔	22/07/13

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Portage	✓	✓	✓	✓	02/09/13
Contribution & Charging (Non-Residential Care Contributions)	✓	✓	✓	✓	10/07/13
Street Lighting PFI	✓	✓	✓	✓	09/09/13
Partnership arrangements	✓	✓			
Information Governance	✓	✓			
Human Resources	✓	✓	✓	✓	14/10/13
Gas Safety – Procurement	✓	✓	✓	✓	09/08/13
Business Continuity & Emergency Planning	✓	✓	✓		
Annual Governance Statement	N/A	✓	✓	✓	03/07/13
Precautions against fraud	N/A	✓	✓	✓	31/05/13
National Fraud Initiative	N/A	✓	N/A	N/A	N/A
Risk Management	✓	✓	✓	✓	27/01/14

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Effectiveness of the Role of Internal Audit	✓	✓	✓	✓	05/12/13
Housing rent collection	✓	✓	✓	✓	
Teachers Pensions - annual claim (TR17)	✓	✓	✓	✓	15/01/14
Employers Pensions (teachers and LGPS)	✓	✓	✓	✓	
Income Collection and Transactions	✓	✓	✓	✓	
Accounts Payable	✓	✓	✓	✓	30/01/14
Debtors process review	✓	✓	✓	✓	
NNDR	✓	✓	✓	✓	06/02/14
Payroll	✓	✓	✓	✓	
Housing Benefits (including Council Tax Reduction Scheme)	✓	✓	✓	✓	23/12/13
Application support	✓	✓	✓	✓	06/03/14
Change control	✓	✓			

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Inventory Management	✓	✓	✓	✓	06/02/14
Grants to voluntary organisations	✓	✓	✓	✓	10/10/13
Across Schools Thematic Review 1 (payroll)	✓	✓			
General school reviews – Bevois Town Primary School	✓	✓	✓	✓	
General school reviews – Fairisle Infant & Nursery School	✓	✓	✓	✓	07/02/14
General school reviews – St Monica Juniors	✓	✓	✓	✓	
General school reviews – Sholing Technology College	✓	✓	✓	✓	13/03/14
SFVS	✓	✓	✓	N/A	N/A
School standards	✓	✓	✓	✓	25/10/13
Data and performance management – Support Services	✓	✓	✓	✓	
Highways	✓	✓	✓	✓	*26/03/13*
Itchen Bridge	✓	✓			

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Parking Services	✓	✓	✓	✓	13/11/13
Neighbourhood wardens	✓	✓	✓	✓	22/10/13
Transformation of city services	✓	✓	✓	✓	
European Funding	✓	✓	✓	N/A	N/A
Delivery of statutory functions - Family Centres and children centres	✓	✓			
Client Monies Service	✓	✓			
PARIS	✓	✓	Advice/Consultancy role		
Reablement	✓	✓	✓	✓	
Learning and Development	✓	✓			
Fostering	✓	✓			
Public Health Contracts	✓	✓			
Public Health	✓	✓			

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
PUSH	✔	✔	✔	✔	25/06/13
Grant Claims – BEEMS Claim 2	✔	✔	✔	N/A	N/A
Grant Claims – BEEMS Claim 3	✔	✔	✔	N/A	N/A
Southampton Day Services – Freemantle Community Centre	✔	✔	✔	✔	13/01/14

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	INTERNAL AUDIT PLAN 2014-15		
DATE OF DECISION:	28 APRIL 2014		
REPORT OF:	CHIEF INTERNAL AUDITOR		
CONTACT DETAILS			
AUTHOR:	Name:	Neil Pitman	Tel:	023 8083 4616
	E-mail:	Neil.pitman@southampton.gov.uk		
Director	Name:	Mark Heath	Tel:	023 8083 2371
	E-mail:	Mark.heath@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY
N/A

BRIEF SUMMARY

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business, activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and

- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Historically the plan projected audit activity over a 3 year period, however due to the rapidly changing local government environment, the relevance of predicting future years coverage at this stage would be of questionable value.

Internal Audit focus should be proportionate and appropriately aligned. Currently only medium and high priority reviews are incorporated within the Audit Plan.

All low priority review areas remain within the audit universe and reassessed on an annual basis however are not routinely incorporated in the planning process if continued to be assessed as a low priority.

Other reviews, based on criteria other than risk, may also be built into the work plan. These may include "mandatory" audits or reviews requested or commissioned by management. Any commissioned review must be able to clearly demonstrate contribution to the audit opinion on risk management, control and governance.

The plan will remain fluid and subject to ongoing review and amendment, in consultation with the relevant Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through

the Chief Internal Auditor's continued contact and liaison with those responsible for the governance of the Council.

A key role of internal audit is to objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

In a climate where it is necessary to become less process driven and eliminate unproductive tasks, internal audit will not be seen (or perceived) as a barrier to innovation. Whilst it is imperative that Internal Audit continue to ensure an appropriate control environment exists and appropriately reported on, the service is ideally positioned and has been appropriately briefed to challenge current practice and where applicable highlight duplication and over control, contributing to efficiencies across the Council.

RECOMMENDATIONS:

(i)   The Governance Committee is invited to comment on and approve the Internal Audit Plan for 2014/15 as attached

REASONS FOR REPORT RECOMMENDATIONS

1.   In accordance with proper internal audit practices, the Governance Committee is required to approve, but not direct, the Internal Audit Plan.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.   None

DETAIL (Including consultation carried out)

3.   The internal audit plan has been compiled in consultation with senior managers and the Council's Management Team.

RESOURCE IMPLICATIONS

Capital/Revenue

4.   None

Property/Other

5.   None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

6.   The Accounts and Audit (England) Regulations 2011 state 'a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

Other Legal Implications:

7.   None

POLICY FRAMEWORK IMPLICATIONS

8.   None

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	N/A

SUPPORTING DOCUMENTATION

Appendices

1.	Internal Audit Plan 2014-15

Documents In Members' Rooms

1.	None

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No

Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1. None	

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Internal Audit Plan 2014-15 (Draft)

Audit	Audit Sponsor	Risk Score	Risk Rating	Strategic / Directorate Risk Registers	Days
Transformation	Corporate Crosscutting (Transformation & Performance)	24	Very High	SRR02; SRR03; SRR08; SRR12	25
PARIS	People	24	Very High	SRR14; DRR - (Pe)	20
Safeguarding (Children's / Adults)	People	24	Very High	SRR07	20
Integrated Commissioning Unit	People	23	High	SRR02, SRR08	20
Housing Operation Transformation	People	21	High		20
Better Care Fund	People	21	High	SRR03	15
Extra Care Housing	People	21	High		20
Workforce Management	Corporate Crosscutting (Corporate Services)	21	High	SRR08; SRR11	20
Local Safeguarding Children's Board	People	21	High	SRR07	13
Network Management and Security	Corporate Services	20	High		20
Schools Thematic Review 1 Financial Management	People	20	High		20
Human Resources	Corporate Crosscutting (Corporate Services)	20	High		20
Income Collection and Transactions	Corporate Services	20	High		12
General school reviews	People	20	High		20
MASH - Multi Agency Safeguarding Hub	People	20	High	SRR07	15
MARP - Multi Agency Resource Panel	People	20	High		15
Housing stock control	People	20	High		20
People Directorate Transformation Programme	People	20	High		15
City Deal	Corporate Crosscutting (Transformation & Performance)	20	High		15
Direct payments	People	20	High		15
Procurement	Corporate Crosscutting (Corporate Services)	20	High	DRR - (CS)	20
Health and Safety	Corporate Crosscutting (Corporate Services)	20	High	SRR10; DRR - (Pl)	15
Safeguarding - Protection and Court Teams (PACT)	People	20	High	SRR07	15
Teachers Pensions - annual claim (TR17)	Corporate Services	19	High		15
Council Tax (including council tax support)	Corporate Services	19	High		15
Transport	People / Place	19	High		20
Contact scheme	People	19	High		15
SFVS - School Financial Value Standards	People	19	High		5
School Capital programme	People	19	High		15
Adoption	People	19	High		15
Delivery of statutory functions - LADO / EDT	People	19	High		20
Families Matters grant claims	People	19	High		8
Public Health	People	19	High		15
Accounts Payable	Corporate Services	18	High		15
Respite schemes - children and adults	People	18	High		15
Housing Capital Programme	People	18	High		15
Housing allocation policy	People	18	High		10
Reablement	People	18	High		15

Audit	Audit Sponsor	Risk Score	Risk Rating	Strategic / Directorate Risk Registers	Days
Public Health Contracts	People	18	High		15
IT Capacity Planning	Corporate Services	18	High		20
Across school thematic review 2 Pupil Premium	People	17	Medium		20
Data centre security	Corporate Services	16	Medium	SRR05; SRR13	5
Building control	Place	16	Medium		15
Public Health Grant	People	16	Medium		10
Street Lighting PFI	Place	15	Medium		15
Financial Management (budget monitoring)	Corporate Crosscutting (Corporate Services)	14	Medium	SRR02	15
Treasury Management	Corporate Services	14	Medium		12
Value Added Tax	Corporate Services	14	Medium		12
Bank account change/control	Corporate Services	14	Medium		12
IT Developments	Corporate Services	14	Medium		20
Financial Assessment Process	People	14	Medium		10
Contribution and charging policies	People	13	Medium		20
Annual Governance Statement	Corporate Services	-	Mandatory		5
Fraud Thematic Review(s)	Corporate Crosscutting (Corporate Services)	-	Medium		15
Precautions against fraud & Fraud Advice	Corporate Crosscutting (Corporate Services)	-	High		30
Reactive Fraud	Corporate Crosscutting (Corporate Services)	-	High		65
National Fraud Initiative	Corporate Crosscutting (Corporate Services)	-	Mandatory		25
Effectiveness of the Role of Internal Audit	Corporate Services	-	Statutory		3
BEEMS	Transformation & Performance	-	Mandatory		25
Customer First Programme	Corporate Crosscutting (Transformation & Performance)	-	High		15
PUSH	Corporate Services	-	Mandatory		10
Annual Audit Report	-	-			3
Audit charter	-	-			2
Operational Plan Preparation	-	-			15
Monitoring, Liaising & Reporting	-	-			25
External Audit Liaison	-	-			5
Audit Committee	-	-			5
Follow Up	-	-			12
Advice	-	-			25
Total Audit Days					**1109**

DECISION-MAKER:	GOVERNANCE COMMITTEE			
SUBJECT:	INTERNAL AUDIT CHARTER 2014-15			
DATE OF DECISION:	28 APRIL 2014			
REPORT OF:	CHIEF INTERNAL AUDITOR			
CONTACT DETAILS				
AUTHOR:	Name:	Neil Pitman	Tel:	023 8083 4616
	E-mail:	Neil.pitman@southampton.gov.uk		
Director	Name:	Mark Heath	Tel:	023 8083 2371
	E-mail:	Mark.heath@southampton.gov.uk		
STATEMENT OF CONFIDENTIALITY				
N/A				

BRIEF SUMMARY

With effect from 1 April 2013 all public sector bodies were required to adopt the Public Sector Internal Auditing Standards [the Standards]. One of the requirements of the Standards is for 'the board' to approve annually the Internal Audit Charter

The internal audit charter is a formal document that defines internal audits purpose, authority and responsibility.

The internal audit charter establishes internal audits position within the organisation, including the nature of the chief internal auditor's functional reporting relationship with the board; authorised access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

In respect of public sector organisations the internal audit charter must also:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

The Internal Audit Charter 2014-15 is attached at Appendix 1.

RECOMMENDATIONS:

      (i)   to approve the Internal Audit Charter 2014-15 (Appendix 1).

REASONS FOR REPORT RECOMMENDATIONS

1.   In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Governance Committee is required to approve annually the internal audit charter.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.   None.

DETAIL (Including consultation carried out)

3.   The internal audit charter 2014-15 is attached for consideration in Appendix 1.

RESOURCE IMPLICATIONS

Capital/Revenue

4.   None

Property/Other

5.   None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

6.   The Accounts and Audit (England) Regulations 2011 state 'a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

Other Legal Implications:

7.   None

POLICY FRAMEWORK IMPLICATIONS

8.   None

KEY DECISION?   No

WARDS/COMMUNITIES AFFECTED:	

SUPPORTING DOCUMENTATION

Appendices

1.	Internal Audit Charter 2014-15

Documents In Members' Rooms

1.	None

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No

Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)   Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	None	

Internal Audit Charter 2014-15

Introduction

Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards, which took effect from the 1 April 2013, provide a consolidated approach across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Authority

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2011, which states that a relevant body must:

'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 ['the Standards'].

Purpose

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The role of internal audit is best summarised through its definition within the Standards, as an:

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

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within Southampton City Council lies with the Head of Finance & IT, as the authority's Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the *'Definition of Internal Auditing'*, the *'Code of Ethics'* and *'the Standards'*.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Governance Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this should mean the Council Management Team

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Head of Finance & IT who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards.

Where it is considered necessary to the proper discharge of internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Governance Committee).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Head of Finance & IT, will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'Senior Management' and *'the Board'* will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to *'senior management'* and *'the Board'*, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to *'senior management'* and *'the Board'*.

If the Chief Internal Auditor, *'the Board'* or *'Senior Management'* consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Head of Finance & IT, accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- o   retains no executive or operational responsibilities;
- o   operates in a framework that allows unrestricted access to senior management and *'the Board'*;
- o   reports functionally to *'the Board'*;
- o   reports in their own name;
- o   rotates responsibilities for audit assignments within the internal audit team;
- o   completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- o   ensures the planning process recognise and address potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to *'Senior Management'* and *'the Board'*. The nature of the disclose will depend upon the impairment.

To ensure the independence of the Chief Internal Auditor is safeguarded and that remuneration and performance assessment are not inappropriately influenced by those subject to audit, the Chief Executive will both countersign and contribute feedback to the performance appraisal of the Chief Internal Auditor. Feedback will also be sought from the Chair of the Governance Committee.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the *'Definition of Internal Auditing'*, the *'Code of Ethics'* and the *'Standards'* and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor in accordance with the Council's laid down procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In accordance with the Council's constitution (Part 4 – Financial Procedure Rules (S C.12-C.24)), in carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control

The Council assume a strategic partner role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients. (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the SIAP. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisations success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Additionally, proactive fraud reviews will be incorporated within the plan to deter and detect fraud, covering known areas of high risk.

Managers are required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor. The Chief Internal Auditor manages and controls all investigations and will ensure that investigators are fully trained in carrying out their responsibilities.

Where there is evidence that Council staff are committing fraud, internal audit will liaise with Human Resources and the department concerned. The decision on whether to invoke criminal proceedings will be made by the Chief Internal Auditor in conjunction with the Monitoring Officer.

The monitoring of the Council's Anti-Fraud Strategy will be the responsibility of the Chief Internal Auditor, as part of the monitoring of the internal audit annual plan.

Internal audit also facilitate the Council's participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- o The opinion;
- o A summary of the work that supports the opinion; and
- o A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme

Senior Management

As those responsible for the leadership and direction of the Council it is imperative that the Council Management Team are engaged in:

- o approving the internal audit charter (minimum annually);

- o approving the risk based internal audit plan;

- o receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;

- o making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and

- o receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance

The Board

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- o   approving the internal audit charter;
- o   approving the risk based internal audit plan;
- o   approving the internal audit budget and resource plan;
- o   receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- o   making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations;
- o   agreement of the scope and form of the external assessment as part of the quality management and improvement plan;
- o   receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- o   approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to *'Senior Management'* and *'the Board'* for approval.

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners: Hampshire County Council
                                 Southampton City Council

Key Stakeholder Partners: Havant Borough Council
                                 East Hampshire District Council
                                 Winchester City Council

External clients: Hampshire Fire & Rescue Authority
                                 Office of the Police & Crime Commissioner
                                 / Hampshire Constabulary
                                 Hampshire Pension Fund

                                 Higher Education Institutions

                                 University of Winchester

                                 Further Education Institutions

                                 Barton Peveril;
                                 Brockenhurst;
                                 Fareham;
                                 FCoT;
                                 Highbury;
                                 Itchen;
                                 Peter Symonds;
                                 Portsmouth;
                                 QMC;
                                 St Vincent's;
                                 Taunton's; and
                                 Totton

Assurance Services

o **Risk based audit**: in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.

o **Developing systems audit**: in which:

  o the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
  o programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.

o **Compliance audit**: in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.

o **Quality assurance review**: in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.

o **Fraud and irregularity investigations**: Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.

o **Advisory / Consultancy services**: in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	EXTERNAL AUDIT ANNUAL PLAN - YEAR ENDING 31 MARCH 2014		
DATE OF DECISION:	28 APRIL 2014		
REPORT OF:	CHIEF INTERNAL AUDITOR		
CONTACT DETAILS			
AUTHOR:	Name:	Neil Pitman	Tel:	023 8083 4616
	E-mail:	Neil.pitman@southampton.gov.uk		
Director	Name:	Mark Heath	Tel:	023 8083 2371
	E-mail:	Mark.heath@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY
Not applicable.

BRIEF SUMMARY

The purpose of this report is to provide the Governance Committee with a basis to review the external auditors proposed audit approach and scope for the 2013/14 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements.

This report summarises the external auditor's assessment of the key risks which drive the development of the audit for the Council, and outlines their planned audit strategy in response to those risks.

RECOMMENDATIONS:

  (i) That the Governance Committee notes the External Auditor's Audit Plan – Year Ending 31 March 2014.

REASONS FOR REPORT RECOMMENDATIONS

1. The Governance Committee's Terms of Reference require it to be satisfied that appropriate action is being taken on risk and internal control related issues identified by the external auditors. Specifically, the Committee has responsibility for oversight of the reports of external audit.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. None

DETAIL (Including consultation carried out)

3.   The External Auditor's report is attached for consideration in the appendix:

   o Audit Plan – Year Ending 31 March 2014

The external auditor will be in attendance at the Committee meeting to answer any questions.

The report, as attached, has been discussed and agreed with the appropriate officers.

RESOURCE IMPLICATIONS

Capital/Revenue

4.   None

Property/Other

5.   None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

6.   The duties and powers of auditors appointed by the Audit Commission are set out in the Local Government Act 1999

Other Legal Implications:

7.   None

POLICY FRAMEWORK IMPLICATIONS

8.   None

KEY DECISION?   ~~Yes~~/No

WARDS/COMMUNITIES AFFECTED:	

SUPPORTING DOCUMENTATION

Appendices

1.	Audit Plan – Year Ending 31 March 2014
2.	

Documents In Members' Rooms

1.	None
2.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	~~Yes~~/No

Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	
2.	

Report Tracking

VERSION NUMBER:	1
DATE LAST AMENDED:	10 April 2014
AMENDED BY:	Neil Pitman

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Audit Plan

Year end 31 March 2014

Southampton City Council

Ernst & Young LLP

EY

Building a better
working world

Governance Committee   14 April 2014
Southampton City Council
Civic Centre
Southampton
SO14 7LY

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Governance Committee with a basis to review our proposed audit approach and scope for the 2013/2014 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 28 April 2014 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kate Handy
Director
For and behalf of Ernst & Young LLP
Enc

Contents

1.   Overview

Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ► Our audit opinion on whether the financial statements of Southampton City Council give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended; and

- ► A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ► Strategic, operational and financial risks relevant to the financial statements.

- ► Developments in financial reporting and auditing standards.

- ► The quality of systems and processes.

- ► Changes in the business and regulatory environment.

- ► Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

Compared to the preceeding year, our audit will focus on changes in the financial statements, brought about by changes in legislation and the CIPFA Code on Local Authority Accounting. For example, changes resulting from the localisation of business rates.

In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements and value for money conclusion audits, and outline our plans to address these risks.

We will provide an update to the Governance Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2014.

Our process and strategy

- ► Financial Statement Audit

  - ► We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Council's level of gross expenditure. We also consider qualitative issues, such as the impact on the public's and other stakeholder understanding of your accounts and the information contained. Our audit is designed to identify errors above materiality

► We aim to rely on the Council's internal controls in the key financial systems. We identify the controls we consider important and seek to place reliance on internal audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.

► We seek to place reliance on the work of internal audit wherever possible. We have already liaised with Internal Audit over their coverage of the controls on which we would wish to undertake a programme of audit work.

► Arrangements for securing Economy, Efficiency and Effectiveness

► We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness

► Our focus will be on the actions the Council is taking to secure its medium term financial standing, and how it is developing its transformation programme to provide a source of the required service changes and efficiencies.

2. Financial Statement Risks

We outline below our assessment of the financial statement risks facing Southampton City Council, identified through our knowledge of the entity's operations and discussion with members and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Localisation of Business Rates	
There have been significant changes in the arrangements for business rates from April 2013. The detailed accounting arrangements are not yet clear and this therefore presents a risk in terms of the financial statements. One of the main changes is that individual councils now need to provide for rating appeals. This includes not only claims from 1 April 2013 but claims that relate to earlier periods. As appeals are made to the Valuation Office, councils may not be aware of the level of claims. Council's may also find it difficult to obtain sufficient information to establish a reliable estimate.	► We will review the detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice. ► We will review the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS37. As part of this we will ensure the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts.
Minimum Revenue Provision	
The Council has reviewed the calculation of its Minimum Revenue Provision (MRP) in previous years. Whilst this review is not complete the Council may be looking to make an adjustment to the MRP that has been made previously.	Our approach will focus on: ► Assessing the Council's previous practice against its stated accounting policies, the relevant regulations and DCLG guidance; and ► Reviewing whether there is an error that meets the requirements of IAS8, in order to support a prior year adjustment.
Risk of management override	
As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	Our approach will focus on: ► Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ► Reviewing accounting estimates for evidence of management bias; and ► Evaluating the business rationale for significant unusual transactions.

Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning

mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:
- ► Identifying fraud risks during the planning stages.
- ► Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ► Understanding the oversight given by those charged with governance of management's processes over fraud.
- ► Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ► Determining an appropriate strategy to address those identified risks of fraud.
- ► Performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may make reference to it in our reporting to you.

3. Economy, Efficiency & Effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at Southampton City Council; and

2. Whether there are proper arrangements in place at Southampton City Council to secure economy, efficiency and effectiveness in the use of resources.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

Other risks		Our audit approach
Financial Pressures		
The Council is facing financial pressures estimated at approximately £55m over the period 2014/15 to 2016/17. It reports it needs to fill this gap, through a combination of efficiency savings, income generation activities, and potentially service changes or reductions.	Economy, efficiency and effectiveness Financial resilience	Our approach will focus on: ► reviewing your 2014/15 annual budget, and medium term forecast assumptions ► understanding the new transformation programme, and assessing the extent to which it contributes to addressing the financial pressures.
The one-council transformation programme started in September 2013, to deliver and coordinate a change programme across the Council. This is one response from the LGA peer review in July 2013 for a need to take a coordinated approach across the Council to transformation, and to develop clear links to the financial planning process.		

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principle objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

i) financial statements; and

ii) arrangements for securing economy, efficiency and effectiveness in its use of resources.

We issue a two-part audit report covering both of these objectives.

i) Financial Statement Audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

► Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and

► Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

4.2 Audit process overview

Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will seek to test key controls, both manual and IT:

► Cash and bank

► Council tax

► Creditors

► Debtors

► Housing & Council Tax Benefits

► NNDR

> ► Payroll

We have also identified the following key processes that we will test substantively post year-end:

► Housing rents

► Property, Plant and Equipment

► Pension Liabilities

► Financial Statements Close Process

Internal audit

As in prior years, we will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements.

Where relevant, we will attempt to use the work of internal audit if they have covered the key controls we wish to test in the key processes outlined above.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of payroll, cash payments and receipts and journal entries. These tools:

• help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and

• give greater likelihood of identifying errors than random sampling techniques.

We will report any significant findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Governance Committee.

Use of experts

We will utilise specialist EY resource, as necessary, to help us to form a view on judgments made in the financial statements. Our plan currently includes the involvement of specialists in pensions.

Mandatory procedures required by auditing standards

In addition to the financial statement risks outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

► Addressing the risk of fraud and error. Significant disclosures included in the financial statements.

► Entity-wide controls.

► Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.

► Auditor independence.

Procedures required by the Code

► Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Remuneration Report.

► Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.

► Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements.

4.3 Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We have determined that overall materiality for the financial statements of the Council is £7.8 million, based on 1% of our initial estimate of your gross revenue expenditure.

We will communicate uncorrected audit misstatements greater than £390,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of Southampton City Council is £189,216.

4.5 Your audit team

The engagement team is led by Kate Handy, who has significant experience on Southampton City Council.   Kate is supported by Kevin Suter who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the Chief Finance Officer. Martin Young will lead the delivery of the audit opinion work and will be the key contact for the Finance Team and Internal Audit.

4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government accounts; and the deliverables we have agreed to provide to you through the Governance Committee cycle in 2014. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide a formal report to the Governance Committee in September 2014 incorporating the outputs from our year-end procedures respectively. From time to time

matters may arise that require immediate communication with the Governance Committee and we will discuss them with the Governance Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council members and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Governance Committee timetable	Deliverables
High level planning:			Audit Fee letter issued 18 April 2013
Risk assessment and setting of scopes	**February/March 2014**	April 2014	Audit Plan
Testing of routine processes and controls	**March/April 2014**		
Year-end audit	**August – September**	September 2014	Report to those charged with governance

Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).

Confirmation to the NAO regarding the Whole of Government Accounts submission

Audit completion certificate |
| Public summary reporting | **October** | | Annual Audit Letter |

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5.   Independence

5.1   Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
► The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence.	► A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that we are independent; ► Details of any inconsistencies between APB Ethical Standards, the Audit Commission's Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

5.2   Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Self- interest threats

A self interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that are in compliance with the Audit Commission's Standing Guidance

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Kate Handy, your audit engagement partner and the audit engagement team have not been compromised.

5.3   Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 28 June 2013 and can be found here:

http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2013

Appendix A   Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2013-14	Actual Fee 2012/13	Explanation of variance
	£'000	£'000	
Total Audit Fee – Code work	**189,216**	**189,630**	In 2012/13 we charged an additional £414 for correspondence with an elector. We cannot plan for such activity, and therefore, the planned fee for 13/14 is set at the level of the scale fee.
Certification of claims and returns	35,800	32,950	Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.
Non-audit work (provide details)	0	0	

The agreed fee presented above is based on the following assumptions:

►   The level of risk in relation to the audit of accounts in consistent with that in the prior year (where we have prior year experience);

►   No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;

►   An effective control environment

►   Officers meeting the agreed timetable of deliverables;

►   Appropriate quality of documentation is provided by the audited body

►   We are able to place reliance, as planned, on the work of internal audit;

►   Our accounts opinion and use of resources conclusion being unqualified

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B   UK required communications with those charged with governance.

There are certain communications that we must provide to the Governance Committee. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process	Report to those charged with governance
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	Report to those charged with governance
Fraud ► Enquiries of the Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	Report to those charged with governance
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	Report to those charged with governance
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off	Report to those charged with governance

Required communication	Reference
► Enquiry of the Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance Committee may be aware of	
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan Report to those charged with governance
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	Report to those charged with governance
Significant deficiencies in internal controls identified during the audit	Report to those charged with governance
Certification work ► Summary of certification work undertaken	Annual Certification Report Annual Audit Letter if considered necessary
Fee Information ► Breakdown of fee information at the agreement of the initial audit plan ► Breakdown of fee information at the completion of the audit	Audit Plan, Report to those charged with governance, and Annual Audit Letter if considered necessary

EY | Assurance | Tax | Transactions | Advisory

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