

GOVERNANCE COMMITTEE

Monday, 14th September,
2015

at 5.00 pm

PLEASE NOTE TIME OF MEETING

Conference Room 3 - Civic Centre

This meeting is open to the public

Members of the Committee

Councillor Barnes-Andrews (Chair)
Councillor Daunt
Councillor Inglis
Councillor Jordan
Councillor Noon
Councillor O'Neill
Councillor Keogh

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.

[02 Part 2 - Articles](#)

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.

Public Representations

At the discretion of the Chair, members of the public may address the meeting on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda

Southampton City Council's Priorities:

- .Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Affordable housing
- Services for all
- City pride
- A sustainable Council

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

Mobile Telephones:- Please switch your mobile telephones to silent whilst in the meeting

Use of Social Media:- The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair's opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council's Standing Orders the person can be ordered to stop their activity, or to leave the meeting.

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

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.

Dates of Meetings: Municipal Year 2015/16

2015	2016
15 June	8 February
14 September	25 April
9 November	
14 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.

[03 - Part 3 - Responsibility for Functions](#)

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 of 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 APOLOGIES AND CHANGES IN PANEL MEMBERSHIP (IF ANY)

To note any changes in membership of the Committee made in accordance with Council Procedure Rule 4.3.

2 ELECTION OF VICE-CHAIR

To elect the Vice Chair for the Municipal Year 2015/16.

3 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS

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.

4 STATEMENT FROM THE CHAIR

5 MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)

(Pages 1 - 2)

To approve and sign as a correct record the Minutes of the meeting held on 15th June 2015 and to deal with any matters arising, attached.

6 SOUTHAMPTON CITY COUNCIL COMPLAINTS 2014/15

(Pages 3 - 22)

Report from Head of Legal and Democratic Services detailing recorded complaints in the 2014/15 municipal year, attached.

7 ANNUAL GOVERNANCE STATEMENT 2014-15

(Pages 23 - 38)

Report of the Chief Finance Officer seeking approval of the draft Annual Governance Statement for 2014-15, attached.

8 FINANCIAL STATEMENTS FOR 2014/15

(Pages 39 - 50)

Report of the Council's Chief Financial Officer setting out the Financial Statements for 2014/15 for consideration, attached

9 EXTERNAL AUDIT - AUDIT RESULTS REPORT

(Pages 51 - 82)

Report of the Chief Financial Officer providing a summary of the findings from the 2014/15 audit, attached.

10 INTERNAL AUDIT PROGRESS REPORT ; AUGUST 2015

(Pages 83 - 102)

Report of the Chief Internal Auditor outlining progress against the internal audit plan, attached.

Friday, 4 September 2015

Head of Legal and Democratic Services

GOVERNANCE COMMITTEE

MINUTES OF THE MEETING HELD ON 15 JUNE 2015

Present: Councillors Barnes-Andrews (Chair), Daunt, Inglis, Jordan, Lewzey and Noon

Apologies: Councillor O'Neill

1. **ELECTION OF VICE-CHAIR**

The Committee elected Councillor Lewzey as Vice-Chair for the 2015-2016 Municipal Year.

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

RESOLVED: that the minutes for the Committee meeting on 27th April 2015 be approved and signed as a correct record.

3. **FREEDOM OF INFORMATION, DATA PROTECTION AND REGULATION OF INVESTIGATORY POWERS ACTS: ANNUAL REVIEW 2014-15**

The Committee considered the report of Head of Legal and Democratic Services detailing performances against information law obligations for the year 2014-15

RESOLVED that Committee noted the update of the statistical information for the year 1st April 2014 – 31st March 2015 relating to:

- a. FOIA and associated legislation;
- b. DPA 1998;
- c. RIPA 2000.

4. **FINANCIAL STATEMENTS 2014/15**

The Committee considered the Council's Chief Financial Officer setting out the draft unaudited Financial Statements for 2014/15 for consideration and sign off

RESOLVED that the Committee:

- (i) noted that the Draft Financial Statements 2014/15 have been signed by the CFO.
- (ii) noted that the approval of the audited Financial Statements 2014/15 by the Governance Committee will take place on the 14 September 2015.
- (iii) noted that there is a revision to the statement on the Minimum Revenue Provision Policy as set out in paragraphs 12 to 15.

5. **REVIEW OF PRUDENTIAL LIMITS AND TREASURY MANAGEMENT OUTTURN 2014/15**

The Committee considered the report of the Council's Chief Financial Officer detailing Treasury Management activities and performance for 2014/15 against the approved Prudential Indicators for External Debt and Treasury Management.

RESOLVED that Committee:

- (i) noted the Treasury Management (TM) activities for 2014/15 and the outturn on the Prudential Indicators
- (ii) noted that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year.
- (iii) noted the revised MRP Policy as set out in Appendix 4.
- (iv) endorsed the recommendation to Council to approve the revised MRP policy and delegates authority to the Chief Financial Officer to make any future changes which benefit the authority and to report back at the next Treasury update.

6. **ANNUAL GOVERNANCE STATEMENT 2014-2015**

The Committee considered the Chief Financial Officer seeking to review the draft Annual Governance Statement 2014-15 and to note the status of the 2013-14 Action Plan.

RESOLVED that the Committee:

- (i) noted the draft 2014-15 Annual Governance Statement set out in Appendix 1 of the report.
- (ii) noted the status of the 2013-14 Annual Governance Statement Action Plan set out in Appendix 2 of the report.

7. **CHIEF INTERNAL AUDITOR'S ANNUAL REPORT AND OPINION 2014-2015**

The Committee considered the report of the Chief Internal Auditor detailing the Annual Report and Opinion 2014-15 for approval.

RESOLVED that the Committee:

- (i) approved the Chief Internal Auditor's Annual Report and Opinion for 2014-15.
- (ii) requested that information detailing the investigations of fraud set out in the report be circulated to the Committee by email prior to the next meeting.

Agenda Item 6

DECISION-MAKER	GOVERNANCE COMMITTEE		
SUBJECT	SOUTHAMPTON CITY COUNCIL COMPLAINTS 2014/15		
DATE OF DECISION	14 SEPTEMBER 2015		
REPORT OF:	HEAD OF LEGAL AND DEMOCRATIC SERVICES		
AUTHOR	Name:	Customer Relations Manager	Tel: 023 8083 3258
	E-mail:	mark.naylor@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

N/A

SUMMARY

This report summarises the type and number of complaints received from the 1st April 2014 and the 31st March 2015.

The Customer Relations Team administers complaints from all directorates within Southampton City Council that the service area has been unable to resolve at point of contact, and are based in Legal & Democratic Services.

RECOMMENDATION:

That the report be noted.

REASONS FOR REPORT RECOMMENDATIONS

To update members of this Committee on performance trends and any learning points arising out of complaints made by the public via Southampton City Council's Complaint's Procedures during 2014/15. Identifying these issues assists the Council in understanding where things have "gone wrong" in the past year in order to improve service delivery.

CONSULTATION

1. This report is presented to Governance Committee for information purposes.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. N/A

DETAIL

3. The effective and responsive management of complaints is a vital part of the Council's overall approach to customer care. In addition, the customer feedback that valid complaints provide can be used to improve service delivery, facilitate council wide learning and demonstrate continuous improvement.

4. At the end of a complaints investigation, the customer is advised that if they are still not satisfied with the outcome, they may pursue their complaint to the Local Government Ombudsman (LGO) or the Housing Ombudsman (HO). This provides the customer with an entirely independent source of redress if they remain aggrieved and the Council works closely with the LGO or HO to resolve outstanding complaints where appropriate..

Corporate Complaints (1st April 2014 and 31 March 2015)

From 1st April 2014 to 31st March 2015 the council received a total of 1104 corporate complaints. This represents a 32 % increase on the 743 complaints receive in 2013/14. This is the first increase after three consecutive years of significant decrease in the total number of complaints received.

5. In 2014/15 five customer facing service areas accounted for 50% complaints received in the corporate complaint area.
 In previous years, following the adoption of an “immediate service recovery” ethos, customer facing areas have been able to decrease the number of complaints recorded by taking immediate effective action on receipt of an issue from a member of the public. Where immediate action was not possible or the issue is identified as a continuing failure within the service area, matters are recorded as complaints and enter the complaints procedure and therefore recorded as such.
 By adopting this approach, members of the public are receiving an immediate resolution to the issue, which is generally what is required.
6. Table 1 below lists the five Divisions with the highest proportion of complaints for 2014/15 and compares this with figures for 2013/14 and 2012/13.

TABLE 1					
Rank of 5 Divisions with the highest proportion of complaints for 2014/15					
2014/15		2013/14		2012/13	
Housing Services	21%	Capita Services	10%	Housing Services	27.7%
City Services (waste etc)	12%	Local Taxation	6%	Waste and Fleet Management	22.5%
Local taxation	8%	Housing Repairs	6%	Local Taxation	9.5%
Capita Delivered	6%	Waste Management	5%	Customer Services	6.3%
Planning	3%	Housing Services	4%	Regulatory Services	5.6%

Table 2 lists alphabetically those Divisions that have been included in the five with the highest proportion of complaints from 2012/13 to 2014/15.

TABLE 2			
Divisions with the highest proportion of complaints 2011/12 to 2013/14			
	2014/15	2013/14	2012/13
Capita/Customer Services	6%	10%	5.6%
Highways & Parking	0.4%	N/A	N/A
Housing Services	21%	4%	27.7%
Housing Repairs	13%	6%	
Local Taxation	8%	6%	9.5%
Waste & Fleet Transport	12%	5%	22.5%
Regulatory Services	0.015%	N/A	5.6%

Complaints are recorded into one of a number of categories. The table below indicates the percentage of complaints within each category and compares this with figures for the last two years.

TABLE 3			
Category	2014/15	2013/14	2012/13
Discrimination	0%	0%	0.5%
Misinformation	2%	2%	8%
Charges	2%	4%	10%
Speed	1%	2%	3%
Behaviour	8%	11%	17%
Performance	29%	21%	38%
Other	27%	21%	12%
Avoidable Contact	1%	0%	2%
Disagree with Decision	12%	12%	10.5%

Despite repeated attempts to encourage Investigators of complaints, at service level, to use the “other” box as a last resort to define a complaint resolution, the percentage of “other” has now risen to 27%. In June 2015 a request was submitted for the “other” facility to be removed from the system.

7. Table 4 below provides a breakdown of this Council's performance in relation to complaints compared to the Council's statistical neighbours (as used for formal audit purposes). This helps the Council compare like for like in terms of type of authority, geographical area within the country and broadly similar population sizes and make-up. The Corporate Complaints policy is not a statutory requirement. However, failure to have a Corporate Complaints policy in place would lead to an adverse report from the LGO and would likely be viewed as maladministration by the LGO in itself. The systems and processes that individual councils have in place are based on LGO guidance and are tailored to individual council structures and services. Comparison between authorities is, therefore, difficult, as other Council's may operate variations in their complaints regimes. The following table sets out the overall figures for the number of complaints received.

TABLE 4				
Authority	Corporate Complaints received 2014/15	Corporate Complaints received 2013/14	Adult Population 2011	Complaints per head of adult population 2014/15
Southampton	1104	743	236,900	0.0046
Portsmouth	474	438	207,100	0.002
Brighton & Hove	1701	1786	273,400	0.006
Plymouth		1329	207,877	
Bristol	2201	2331	432,500	0.005

8. Table 5 below shows the number of complaints responded to at each stage of the procedure. Those complaints that cannot be responded to within the target period are frequently those that are more complex, and can involve investigating actions across more than one service area or division. Where this situation occurs the complainant will be contacted and a revised completion date agreed.

TABLE 5				
	Working days to close 2014/15		Working days to close 2013/14	
Stage	≤ 20 days	> 20days	≤ 20 days	> 20 days
1	86%	14%	90%	10%
	≤ 20 days	>20 days	≤ 20 days	>20 days
2	92%	8%	81%	19%

As of the 1 June 2015 there are no outstanding Corporate complaints that have not been responded to, which were recorded prior to the 31 March 2015.

Children's Services (Social Care) Complaints (1st April 2014 –31st March 2015)

9. Children's Services and Learning complaints are classified according to the following definitions:
 - Social care complaints are those investigated under the Children's Social Care Complaints Policy (which reflects statutory regulations);
 - All other Children's Services complaints are investigated using the Council's Corporate Complaints Policy;
 - Referrals are requests for help which are passed to the relevant council directorate and partner services;
10. During the financial year 2014/15, there were 253 Stage 1 complaints made about Children's Social Care. This compared to 154 in 2013/14 and shows a 34% increase in complaints received.
11. The majority of complaints continue to be resolved at the first stage of the procedure through work by managers and staff in the service, consistent with good customer care. Where resolution is not possible in this way, the Council commissions an Independent Investigator (external to the Council who is responsible for investigating the complaint) and an Independent Person (whose role is to oversee the investigation to ensure fairness and that the child(ren) involved in the process are represented), to look into complaints at Stage 2 of our procedure.
12. Only 5 Stage 1 complaints (1.97%) required independent investigation. One of which was withdrawn following mediation.
13. Table 6 sets out the number of complaints which progress to Stage 2, and shows how this has changed since 2012/13 to 2014/15.

TABLE 6		
External Investigation of Complaints (Stage 2)		
Year	No of Stage 1 Complaints	Percentage (and number) progressing to Stage 2
2012/13	179	1.12% (2)
2013/14	154	1.81% (4)
2014/15	235	1.97% (5)

14. Complaints unresolved after Stage 2 (and not covered by the Statutory process) can be referred to the LGO.
15. Table 7 shows a slight increase in the total number of contacts (complaints, representations, comments and compliments etc) received in 2014/15 compared to 2013/14.

This is unlikely to be a true reflection of the number of compliments received by staff but recording is historically an issue. All staff should be encouraged to send copies of compliments and letters they receive to the Customer Relations Team in order that they can be recorded and reported to the relevant service Director so that good service can be recognised.

TABLE 7				
	2013/14		2014/15	
Record Type	Number		Number	
Stage 1 complaints	154		235	
Comments	10		7	
Referrals	7		0	
Compliments	63		8	
Total	234		250	

16. Table 8 provides a breakdown of complaints by complaint issue and type and highlights some of the major themes and issues contained within the contacts and complaints we receive. As most complaints relate to more than one issue, this approach to breaking them down allows us to maximise our learning from them. For example, many of the complaints relate to either about the service provision, individual staff or poor communication. Some of these are consistent with the period of high staff turnover that impacted upon the wider consistency.

TABLE 8

Complaint Issue	Number
Communication/Information	40
Unhappy with social worker	94
Unhappy with service provided/received	97
Policy/Procedure	0
Financial Issues	3
Eligibility Criteria	5
School Admissions	2
Bullying/ Exclusions	0
Environment Housing	0
TOTAL	241

17. Table 9 shows an overall increase in response rates (within policy timescales) to complaints in Children's Services and Learning in 2014/15.

TABLE 9				
Overall Performance Report -01/04/2013 to 31/03/2014				
Record Type	Acknowledgment		Full Response	
	2013/14	2014/15	2013/14	2014/15
Safeguarding: Social Care				
Stage 1 complaint	98.65%	99.5%	84.16%	73.5%
Learning Services				
Corporate Stage 1 Complaint	84.16%	92.9%	75%	75.0%

The below tables indicate the outcomes of complaints

Stage	Upheld	Partially upheld	Not upheld	Stopped / Withdrawn
Stage 1 (statutory)	39	53	111	6
Stage 1 (corporate)	5	2	9	0
Stage 2 (statutory)	2	0	0	1
Stage 2 (corporate)	1	0	1	0
Stage 3 (statutory)	0	0	0	0
Total	47	55	121	7

Remedies used

Type	Number
Apology	41
Explanation	114
Review process / policy	4
Training needs	3
Reimbursement of expenses	0
Meeting offered	2
School place offered	2
In court process /arena	6

As of the 1 June 2015 there are no outstanding Childrens complaints that have not been responded to, which were recorded prior to the 31 March 2015.

Adults Services (Social Care) Complaints (1st April 2014 – 31st March 2015)

18. For the financial year 2014/15, there were 113 stage one complaints made about Health & Adult Social Care compared to 154 in 2013/14. This represents a 26.62% decrease.

The majority of complaints continue to be resolved at the early stages of the procedure as a result of work by the team manager or senior manager. However, where resolution is not possible in this way stage two investigations are undertaken by the Customer Relations Team.

19. Table 12 sets out the number of complaints by age. The highest number of complaints (53 (46.90%)) is from the 76+ age group, which should be expected in part because this age group is the largest in the service population served by Health and Adult Social Care.

TABLE 12		
Adults Complaints by Age		
Age	Number	Percentage
16-19	0	
20-24	3	2.65%
25-59	27	23.90%
60-64	8	7.08%
65-75	13	11.50%
76+	53	46.90%
Not known	9	7.97%
TOTAL	113	100.00%

20. Table 13 provides a breakdown of complaints by complaint issue and highlights some of the major themes and issues contained with the complaints we receive. The issues raised can be classified in ten specific ways.

Reason / Issue for complaint	No of Issues
Disabled Parking Badge	10
Eligibility criteria	8
Finance	46
Information / Communication	12
Miscellaneous: Housing Environment	1
Policy and Procedure	0
Unhappy with care manager	16
Provider Services	5
Unhappy with service	47
TOTAL	145

21. The majority of complaints were regarding service provision and professional practice.

TABLE 14	
H&ASC AND CORPORATE COMPLAINTS BY SERVICE AREA	
How Received	2014/15
Safeguarding	1
Single Point Access (SPA)	9
Disabled Parking Badges	10
Hospital Discharge Team	6
Long Term Team One	38
Long Term Team Two	8
Day Care Services	2
External Provider – Domiciliary Care	4
Internal Provider – Residential Care	7
Internal Provider – Domiciliary Care	0
Mental Health Services	2
Finance: Benefits (Assessment)	6
Debtors Team	18
Direct Payments/Personal Budget	12
Sensory Services	0

- 22.

OUTCOMES

Outcome	Number
Complaint withdrawn	2
Not Upheld	47
Partially Upheld	20
Upheld	30
Safeguarding investigation	4
Ongoing	3
TOTAL	106

23. Adult Social care complaints are assessed by risk level. Complaints are classified as low, medium and high risk as follows:
- *Low risk* - an unsatisfactory service or experience not directly related to care and which has no or minimal impact or risk to provision of care.
 - *Medium risk* - Service or experience below reasonable expectations in several ways, but not causing lasting problems. Has potential to impact on service provision. Some potential for litigation

- *High risk* - Significant issues regarding standards, quality of care and safeguarding or denial of rights. Complaints with clear quality assurance or risk management issues that may cause lasting problems for the organisation and so require investigation. Possibility of litigation and adverse local publicity. Alternatively, serious issues that may cause long-term damage, such as grossly substandard care, professional misconduct or death. Will require immediate and in –depth investigation. May involve serious safety issues. A high probability of litigation and strong possibility of adverse national publicity

24. These risk levels will affect the pathway and timescale of how we deal with these complaints. (See Table 17).
25. Overall performance has declined since last year and the reasons for some of the delays are reported to have been shortages of staff in some services.
26. Under the adult social care complaints procedure, the council aims to send complainants a full reply within 20 working days if possible, or if the matter is more complicated, this can be extended and the complainant informed. For extremely complex cases, which may require independent investigation, a target of up to 60 working days may be necessary depending on risk category or number of people to be interviewed.

TABLE 17					
OVERALL PERFORMANCE REPORT					
Complaint Type	Acknowledgement within timescale		Full response within timescale		
	Adult Statutory Complaint	2013/14	98.8%	LOW	2013-14
2014/15		100%	2014-15		N / A
			MEDIUM	2013-14	46.75% (72)
				2014-15	60.0% (57)
			HIGH	2013-14	33.3% (1)
				2014-15	55.6%

As of the 1 June 2015 the number of outstanding Adult complaints that have not been responded to, which were recorded prior to the 31 March 2015, is as follows:

Receipt Date	Reference	Due date	Overdue by days
09/12/2014	A/CRT086	08/01/2015	100
16/03/2015	A/CRT154	15/04/2015	33
23/03/2015	A/CRT157	17/04/2015	31
23/03/2015	A/CRT158	21/04/2015	29
28/10/2014	A/CRT073	25/11/2014	18
13/03/2015	A/CRT150	24/04/2015	40

2014/15 CONCLUSIONS

27. Overall the total number of complaints dealt with in 2014/15 increased by 23.7%.

Corporate

Complaints increased by 32%

Stage 1 response within target time remained static

Stage 2 response within target time saw significant improvement

Childrens (incl learning Services)

Complaints increased by 34%

Stage 1 response within target time saw significant decrease

Stage 2 response (independent investigation) remained static.

Adults

Complaints decreased by 26.62%

Stage 1 response within target time saw a decrease in performance

Stage 2 response within target time remained static

28. **Learning from Complaints**

Each complaint when finalised is returned to the Customer Relations Team with a feedback/lessons learned document completed by the Investigating Manager

Whilst many issues are unique to that particular complaint, some highlight deficiencies in policy and process. They also highlight good or poor practice within individual departments or services.

These forms are returned with an Action Plan. This plan gives time scales for issues to be rectified. The return rate of completed forms varies. Directorate Management teams are impressing upon Service Managers the value of feedback.

The Customer Relations Team monitor these sheets to

- 1) ensure that the action plan is completed
- 2) identify issues forming patterns or trends
- 3) identify learning for individuals, teams or services as a whole.

Individual “lesson learned” continue to be recorded and improvements to services are made on those individual basis.

Examples of this are;

- Complaint details were used in the recent update of the Council web site
- A review of the “dropped kerb” enforcement policy and letter wording used by the Highways Team.
- On going refinements to the communications available to service users in respect of both Adult and Social care including issues with telephone management, email generic boxes etc.

The Customer Relations Team Manager attends, every quarter, the Directorates management team meetings.

Quarterly figures are presented and trends and lessons identified.

Action plans are then endorsed by senior managers and used to improve performance and direct change in the following three months, before figures etc are presented again.

This allows continuous improvement, but in small manageable pieces, identifying trends early and providing solutions quickly.

During 2014 new templates and guides for dealing with complaints were prepared and the Customer Relations Team embarked on a programme of attending Service Manager Meetings, updating staff with common issues regarding complaint investigation, process and providing feedback regarding dissatisfaction expressed by customers after receiving stage 1 replies.

The templates have been refined during 2014 as a result of feedback and the programme is to continue to be rolled out during 2015 until all managers and departments have been seen.

It is intended that a generic training package will be formalised which can be used when demand requires (ie new managers to the authority).

The most significant issue recorded as cause for complaint continues to be communication, especially with individuals but also with individual departments.

This is more noticeable in Children’s and Adult Services.

Whilst the pressure on Corporate Teams is lessened by the availability of online forms and electronic contact processes, Social Care clients rely and require either face to face contact or telephone contact with staff who carry their own work load. This coupled with the fact that most Social care staff spend a considerable amount of time out of the office, leads to frustration and complaint on behalf of the customer.

Whilst clients are able to contact departments within the Social Care arena, it is the length of time for staff to re contact the customer that causes the frustration.

Communication issues within Childrens Services complaints still remains high and the service continue to seek remedies to these issues.

As with the Corporate Teams, a “service recovery” ethos has been adopted in Social Care where encouragement is given to try to deal with issues quickly without leading to formal complaint procedure. This has not had the same impact in Social care because of the very nature of the work and individuals being dealt with by the service.

29. Local Government Ombudsman (LGO) Complaints 2014/15

Local Government Ombudsman complaints, the final ‘independent’ stage for all complaints processes, are dealt with by the Legal Services Manager (Corporate & Environment) on behalf of the Council. The Local Government Ombudsman (the Commission for Local Administration in England) is appointed by HM the Queen and operates under Act of Parliament to provide an independent review of all complaints falling within their jurisdiction.

In an effort to simplify outcomes for complainants the LGO has recently moved from findings of ‘Maladministration’ and ‘Injustice’ to a more commonly understood term ‘fault’. If ‘Fault’ is found a complaint is recorded as upheld, even if the Council has already taken steps to remedy that fault and the LGO is satisfied with the remedy offered by the Council.

All findings are now reported on the LGO website within 3 months of the decision being published.

Statutory Reports still remain the highest ‘fault’ finding the LGO can make. These require the Council’s Monitoring Officer to prepare a report for consideration at full Council following a period of statutory publication of the findings. Council’s that fail to co-operate with the LGO or any of their findings may be subject to Judicial Review.

It was noted in the last annual report on LGO complaints that the expected increase in complaints following the substantial service impacts caused by resource constraints had not yet worked through the system. It would appear, in considering this year’s figures, that those service reductions are now having a negative impact on the number of complaints being referred to the LGO with substantial increases in referrals overall. A very significant number of complainants are also either not using the Council’s own complaints mechanisms, or completing them, before attempting to engage the LGO. A 131% increase in premature complaints being referred back to the Council has been recorded this year. While the overall cause of this is not yet known, there are 2 significant factors that may be contributing. It will be seen within this report itself that a large number of complaints in certain areas are significantly overdue and delays in dealing with complaints locally do mean complainants attempt to refer matters to the LGO without completing the Council’s own complaints procedures.

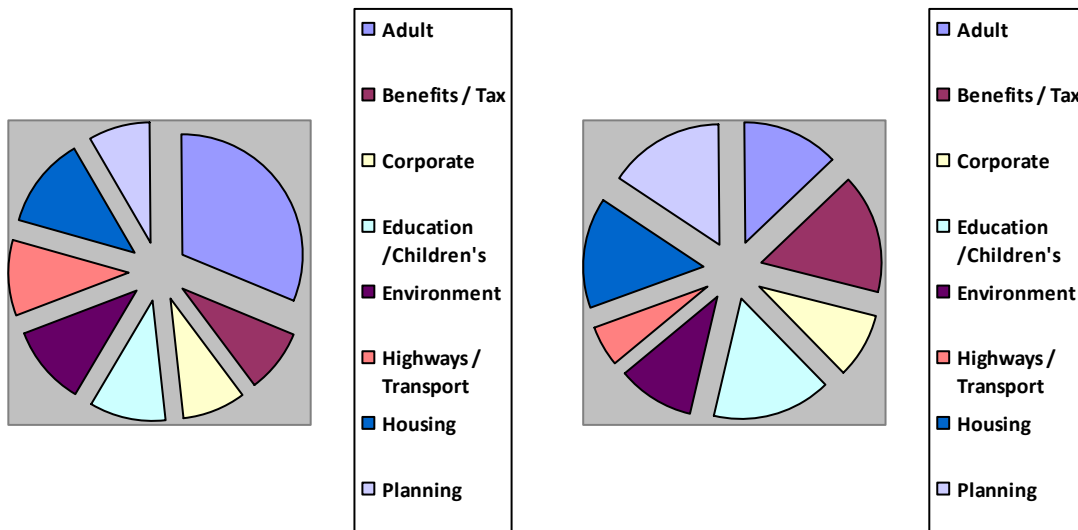
In response to a specific complaint several years ago the Council agreed to include a direct link to 'Complaints' on the front page of it's website. Following the review of the website last year, the site no longer includes a direct 'Complaints' button linking the public to the complaints system from the front page of the website (complaints are now listed on a subpage within 'Contacts'). Insufficient analytics are available at the time of writing this report to see if the 'hit count' from the web site shows a reduction in traffic as a result of the removal of the direct link but this is likely to be a contributing factor when taken alongside the increase in complaints generally.

	2013/14	2014/15	% increase / (decrease)
Complaints received	48	69	43.8%
Decisions made	45	70	55.5%
Statutory Reports	0	0	0
Upheld	8	7	(-14.3%)
Not Upheld	10	8	(-20%)
Closed / Invalid etc	14	25	78.6%
Premature Referrals	13	30	130.8%

30. Complaints Received by Area

2013/4

2014/15



31. Details of Complaints Upheld

Of the complaints upheld by the LGO last year, 5 related to Planning matters, 1 adult social services and 1 Housing.

Of the 5 planning complaints, 3 related to the same planning application. In that case an application for a granny annexe had been approved and the LGO was critical of the Council's failure to properly consider the plans showing a slope at the property and had neglected to impose a condition preserving the slope. The applicant subsequently raised the level of the land to provide an even surface resulting in some impact on neighbouring amenity. In 2 of the 3 cases, the impact was considered marginal and no action was required by the Council to remedy the complaints. In the third, the Council accepted there would be some overlooking as a result and offered an appropriate boundary treatment to remedy the complaint as part of its internal complaint response. The complainant remained unhappy and referred the matter to the LGO. The LGO upheld the complaint on finding fault but indicated that it was happy with the remedy offered by the Council. The total remedy in that case was a written apology, £50 in recognition of time and trouble pursuing the complaint and boundary treatment valued at £2523.57.

The remaining 2 planning complaints were remedied without financial cost to the authority. In one case the planning decision was held as valid but the complaint was upheld on failings in the Council's handling of the complaint. The LGO found fault in the way the stage 1 complaint was addressed by the Head of Service (having been named as the officer who made the delegated decision on the original planning application) without explanation of why he could not investigate and by the failure to address this point or a discrepancy in plans submitted with the application in the Council's stage 2 response. Further officer training on responding to complaints was offered to 2 officers accordingly and clear guidance issued to Heads of Service in relation to responding to complaints where a prior decision had been issued by more junior officers acting in their name. The final planning complaint related to a perceived failure to take enforcement action against a business operating out of a residential property. The substantive planning decision was again found to be without fault but faults were identified in the way the matter was investigated by the services area, including delays of some 5 months, poor communication and loss of evidence (DVD's). The LGO noted however that the complainant had significantly contributed to the delays, swamped the planning department with video recordings found to be of little relevance when viewed and contributed to a significant drain on resources. An apology for the errors in this case was deemed sufficient remedy.

The children's social care complaint related to failings in the way the de-registration of a foster carer was managed following the receipt of safeguarding concerns. Failings included inadequate instructions to social workers investigating the matter and failure to support other family members involved along with general poor communication while investigations were underway. The LGO was however satisfied that there was no significant injustice caused and the Council's offer to apologise and review procedures was an adequate remedy.

The adult social care complaint related to a joint decision by the Council and NHS Trust (joint complaints are investigated under a protocol engaging both bodies). The complaint related to the adequacy of rehabilitation and discharge procedures following a stay in hospital for stroke. The Council apologised for its part in the errors and the LGO accepted that the main faults lay with the NHS Trust. The Trust was ordered to apologise again and to produce an action plan for a review and changes to discharge procedures.

The Council remains in the top quartile nationally for speed and efficacy of its responses to and co-operation with the Local Government Ombudsman and has recently been recognised and congratulated at a national seminar for Ombudsman link officers for its proactive approach to staff training and working with the LGO to identify and deliver joint training for senior managers when the complaints service and processes were restructured. That said, the training offer previously provided has been largely superseded by high staff turnover in key areas and significant organisational restructures and further consideration to refresher training and training for new staff will need to be considered as the organisation settles into new operating models over the next 12 – 18 months.

Nationally, the Ombudsman has published a special report on the impact of resource constraints on Council's complaints handling. The LGO's *Annual Review of Local Government Complaints* suggests that many councils are dealing with increasing numbers of complaints and have less resource available to manage them due to resources being cut in service areas and complaint handling teams.

Research found that, on average, people spent nine months trying to resolve their complaint before going to the LGO, and 43% of people were not told that they could approach the LGO for an independent review.

Nationally in 2014/15 the LGO registered 18,211 complaints and enquiries about councils, and upheld 46% of all complaints where it carried out a detailed investigation. Within its total number of complaints there was a 10% increase in adult social care complaints and an 11% decrease in complaints about benefits and tax.

Local Government Ombudsman, Dr Jane Martin, said:

"Our findings point to a local complaints system that is under real pressure. Complaint handling teams are having to do 'more with less' and the process is not as accessible and timely as it should be.

"More investment into complaints, both in terms of resources and developing an open culture, is a good value way of driving service improvement – and local government needs to challenge itself on this question. Complaints must be seen as a positive. They can provide an early warning system for issues and are an indicator of public sentiment."

"We hope that by sharing our data and knowledge from complaints, we can help with this process by promoting local accountability for actions, and allowing better scrutiny of services."

32. So How Does Southampton Compare?

The table below shows how Southampton performs against key local and unitary comparators. This is an edited snapshot of total number of complaints and % Upheld and is not intended to give more than a brief overview of comparative pressures / performance. More detail, and statistics for all other Council's, is included in the LGO Annual Report referred to above.

	Total Complaints	% Upheld
Bournemouth	76	40%
Bristol	131	55.9%
Brighton & Hove	138	51.5%
Hampshire	107	53.6%
Plymouth	90	40%
Portsmouth	45	60%
Southampton	69	46.7%

Southampton continues to perform reasonably well compared to the national and local picture but still faces many of the same challenges including reducing staff and other resources both within service areas and the corporate complaints team this year. Full details of both the Council's annual performance letter and the LGO Annual Review can be viewed on www.LGO.org.uk

33. Learning from Complaints

Communications

- Feedback used to form consultation and implementation of the Web Refresh project
- Changes made to voice recognition switchboard system

Highways & Parking

Enforcement Policy and letters sent to residents regarding dropped kerb requirements reviewed after customer complaints highlighted issues which appeared out of step with other similar council policy

- As a result of large number of major road projects outside the city boundary (which effected residents within the city due to the diversion etc, information distributed to alert residents to the complaint contact details for the respective companies and agencies for direct complaint management, rather than be referred after being received by SCC

Local Taxation

- Wording of standard letters reviewed due to complaints about apparent abruptness of the letters.

Children's Services & Learning

Learning from complaints can be put into three categories, Individual learning, Team/Service Learning and Organisational learning. During the past year complaints have resulted in the following actions to improve future services. These include:

- Review of the SEND application and process systems
- Review of Police Disclosure information requests to speed up system and get offenders to court quickly thereby safeguarding child victims in a timely manner. Internal telephone system refined so that duty officers can intercept office calls and all social workers instructed to give out direct office and mobile telephone numbers to aid direct contact with service users.

Health & Adult Social Care

- Charges waived or refunded
- Time and trouble payment reimbursement of legal fees
- Review of and changes to Care Package / Care Manager
- Mental Health assessment and process forms reviewed. Communications forms an on-going part of service area accessibility.

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Agenda Item 7

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	ANNUAL GOVERNANCE STATEMENT 2014-15		
DATE OF DECISION:	14 SEPTEMBER 2015		
REPORT OF:	CHIEF FINANCIAL OFFICER		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Peter Rogers	Tel: 023 8083 2835
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Director	Name:	Andy Lowe	Tel: 023 8083 2049
	E-mail:	andrew.lowe@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

N/A

BRIEF SUMMARY

In accordance with the Accounts and Audit Regulations the council is required to develop and publish an Annual Governance Statement ("AGS"). The AGS is intended to provide an accurate representation of the corporate governance arrangements in place during the year and to identify any significant gaps or areas where improvements may be required.

An important part of the process is for the Governance Committee to review and approve the final draft of the AGS prior to the document being presented to the Chief Executive and Leader of the Council for signing.

RECOMMENDATIONS:

The Governance Committee is asked to:

- (i) Review the final draft of the 2014-15 AGS (Appendix 1)

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.
2. This responsibility extends to receiving, reviewing and approving the draft AGS prior to the document being presented to the Chief Executive and Leader of the Council for signing.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. No alternative options have been considered.

DETAIL (Including consultation carried out)

4. The AGS is produced following detailed review of the council's governance arrangements. The review requires the systems and processes that comprise the council's corporate governance arrangements to be brought together and reviewed.
5. The draft AGS has been developed by an internal senior manager group

(Controls Assurance Management Group) and was reviewed by the Council Management Team on 26th May 2015.

6. The Committee will recall that, at the meeting on 15th June, Members were invited to comment on an early draft of the AGS. This is in accordance with CIPFA guidance where it is recommended that “the AGS is first reviewed by members of the Audit [Governance] Committee at an early stage to allow comments and contributions to be made. The AGS must be current at the time it is published, so the Audit [Governance] Committee should review it again in September”.
7. There are no significant changes to the draft AGS however in respect of ‘The Governance Framework’ section, item (s) has been amended to reflect the fact that the People’s Panel has now been established and item (u) reflects an updated position in respect of the actions taken following the Internal Audit review of ‘Partnership Arrangements’. In addition, the ‘Significant Governance Issues’ section has been updated to reflect where planned actions have been completed.
8. As per the process adopted in previous years, the Governance Committee will be provided with a mid-year report in respect of the status of the ‘Planned Actions’.

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 2015 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: Not Applicable

SUPPORTING DOCUMENTATION

Appendices

1. Draft AGS 2014-15

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. N/A	

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ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

Southampton City Council (“the council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The council has approved and adopted a Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’. A copy of the code is on our website at:

<http://www.southampton.gov.uk/policies/Code%20of%20Corporate%20Governance.pdf> or can be obtained from the:

Head of Legal and Democratic Services,
Southampton City Council,
Civic Centre,
Southampton,
SO14 7LY

This statement explains how the council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Part 6, which requires all relevant bodies to prepare an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, cultures and values by which the council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council’s policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the council for the year ended 31st March 2015 and up to the date of approval of the statement of accounts.

ANNUAL GOVERNANCE STATEMENT

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the council's governance arrangements include arrangements for:

a) Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

Service delivery is guided by a framework of strategic plans and policies which are developed and agreed at three different levels:

- Sub-regional level, which cover more than one local authority;
- City level by 'Southampton Connect' and with our partners; and
- Council level for services which we deliver or commission.

The sub-regional level is through the Partnership for Urban South Hampshire ("PUSH") and the Solent Local Enterprise Partnership ("Solent LEP"). PUSH is a collaborative partnership working arrangement between the local authorities in the area to support the sustainable economic growth of the sub region and the Solent LEP is a locally-owned partnership between businesses and local authorities and seeks to play a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs.

Southampton Connect is the strategic partnership in the city which seeks to promote the city and to address the key challenges facing Southampton. This collaborative arrangement brings together the private, voluntary, public and community sectors to work together to tackle the key city challenges facing Southampton and improve outcomes for all those who live, work and visit the city.

Key strategic partners have come together (as part of Southampton Connect) to agree a 10 year vision – 'city of opportunity where everyone thrives' with the goal of achieving prosperity for all. The new Southampton City Strategy for 2015-2025 builds upon progress made by the previous priority projects and has been developed through focusing on the challenges facing Southampton, regional aspirations and feedback from residents via the City Survey (conducted in early 2014). The priorities identified within the Southampton City Strategy are:

- Economic growth with responsibility
- Skills and employment
- Healthier and safer communities.

The City Strategy also identifies the following cross-cutting themes that require the collective action of Southampton Connect partners to progress over and above the work of the strategic partnerships:

- Fostering city pride and community capacity;
- Delivering whole place thinking and innovation;
- Improving mental health; and
- Tackling poverty and inequality.

The council approved a new Southampton City Council Strategy 2014-17 ("Council Strategy") which is a key strategic document, setting out what the council will do, how the council will work and how it will contribute to the Southampton City Strategy (2015 – 2025). It sets out the council's priorities for the next three years and will influence all other strategies and policies developed during this period, as well as spending decisions; directorates and services will also use it to plan service delivery. The key priorities identified within the Council Strategy are aligned with the Southampton City Strategy.

ANNUAL GOVERNANCE STATEMENT

b) Reviewing the authority's vision and its implications for the authority's governance arrangements

The Council Strategy 2014-17 was approved by Council in July 2014 and replaces the former 2013-16 Council Plan. The Council Strategy has been refreshed in light of feedback from residents (through a pre-budget consultation survey and the City Survey conducted early 2014) and to reflect the changing local and national context.

The Council Strategy defines the council's priorities and outcomes however it is recognised that with reducing funding and demand management challenges, the council needs to establish realistic performance outcomes for these priorities. The Cabinet, the Council's Management Team and Heads of Service have developed performance outcomes for the council's priorities as part of the new operating model design.

The council has adopted a Code of Corporate Governance ("CCG") which identifies, in one document, how the council ensures that it runs itself in a lawful, structured, ethical and professional manner. The CCG is administered by the Head of Legal and Democratic Services and is subject to an annual 'light touch' review with any recommendations presented to the Governance Committee.

c) Translating the vision into objectives for the authority and its partnerships

The Council Strategy sets the direction of travel and priorities for the council and will influence all other strategies and policies developed during this period, as well as spending decisions. It sets out how the council will work, both in terms of internal processes and procedures and interactions and relationships with partners in health, private and voluntary sectors, in respect of delivering services effectively. The Council Strategy identifies the following key priorities:

- Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Good quality and affordable housing
- Services for all
- City pride
- A sustainable Council

The Cabinet provided clear guidance to ensure that the views of residents were reflected. Each priority has associated outcomes or 'success measures'. The council actively monitors and publishes performance against the key indicators in the Council Strategy on a quarterly basis.

d) Measuring the quality of services for users, ensure they are delivered in accordance with the authority's objectives and to ensure they represent the best use of resources and value for money

The Council Strategy identifies the key priorities, expected outcomes and success measures. The targets and progress are monitored and reported to both the Council's Management Team and Cabinet, and are published quarterly on the council's website.

In addition, all significant commercial partnership working arrangements have a range of key performance indicators which are used to verify and manage service performance. The council is committed to achieving best value from its suppliers and ensuring that goods and services are procured in the most efficient and effective way. Regular review meetings are held with key suppliers in order to ensure that contracts remain fit for purpose.

The council's 'Contract Procedure Rules', which form part of the council's Constitution, govern how the council buys the supplies, services and works that it needs.

ANNUAL GOVERNANCE STATEMENT

e) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements

The council has a Constitution that sets out how it operates, how decisions are made (including an Officer Scheme of Delegation) and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the council to choose. The Constitution, which is divided into 15 Articles and sets out the detailed rules governing the council's business, is published on the council's website at: <http://www.southampton.gov.uk/council-democracy/meetings/council-constitution.aspx>

f) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The council's Constitution contains both an Officer Code of Conduct and a Members' Code of Conduct which set out the expected behavior and standards to be adhered to. In addition, a 'Code of Conduct and Disciplinary Rules' are in place for employees. The Code of Conduct sets out the expected standards of behaviour for all employees and the Disciplinary Rules set out examples of behaviour which are considered to be a breach of the Code of Conduct or a breach of the employee's contract of employment.

g) Reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

The council's Constitution details how the council operates, including how decisions are made and the role of Overview and Scrutiny. It also includes an Officer Scheme of Delegation setting out the powers, duties or functions that may be exercised under Delegated Powers. The Head of Legal and Democratic Services conducts an annual review of the council's constitutional arrangements, which is considered by the council's Governance Committee, in its governance role, prior to submission to the Annual General Meeting of the council in May.

h) Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The council has in place a Risk Management Policy and Strategy which is subject to annual review to ensure that it continues to reflect good practice and remains aligned with current business processes and practices. The policy and strategy is presented to the Governance Committee for review and approval.

The Governance Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment. In addition, the Risk Management Policy and Strategy summarises the principal roles and responsibilities recognising that all employees, members and those who act on behalf of the council have a role to play in the effective management of risk.

i) Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The council is committed to safeguarding public funds and has in place an anti-fraud and anti-corruption policy statement and strategy. The strategy summarises the responsibilities of Members, Chief Officers and employees and outlines the process to be followed where there is suspicion of financial irregularity. The strategy applies equally to all organisations with which the Council has joint working relations.

ANNUAL GOVERNANCE STATEMENT

The council also has in place an Anti-Money Laundering policy and a Bribery Policy which are also published on the council's website and set out both the expectations and responsibilities of Members, Chief Officers and employees. These policies and strategies are subject to periodic review.

j) Ensuring effective management of change and transformation

The council's has in place a Transformation Programme which is led by a Transformation Implementation Director who, in turn, reports to the council's Transformation and Improvement Board which is chaired by the Cabinet Member for Transformation and supported by the Council's Management Team.

In July 2014 the Council approved a range of actions associated with the next phase of its Transformation Programme. This recognised that, in order to become a sustainable council that is more customer-focused, commercially minded and able to deliver the required budget savings, a systematic redesign of how services are delivered and managed was necessary. The outcome of this exercise, undertaken with external partners, was the development of a New Operating Model which was subsequently approved by Cabinet and Full Council in February 2015.

The new operating model for the Council is to be fully implemented by 2017 and is aligned with and focused on delivering the outcomes and priorities of Council Strategy 2014-17. The new operating model is intended to create a sustainable council that is:

- **more self-reliant** – over time becoming less dependent on central government funding and increasing income generation.
- **focused on outcome-based services** - regularly commissioning the services needed based on outcomes for residents, and making evidence based decisions on those services that need to be stopped or changed.
- **quicker to respond** – more able to adapt to changing circumstances and residents' needs including improving the digital offer to our customers.
- **equipped to work in new ways** – implement new ways of working for council staff, seeking new ways of reducing procurement spend and better use of assets.
- **providing a mixed economy of service providers** – taking different approaches to delivering services, taking ideas from all sectors as well as the public sector.

k) Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government (2010)'

The council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer ("CFO") in Local Government (2010)'. The CFO is professionally qualified and is a member of the Council Management Team and has direct access to the Chief Executive. The CFO is actively involved in ensuring that strategic objectives are aligned to the longer-term finance strategy. The CFO has input into all major decisions, advises the Executive on financial matters and is responsible for ensuring that budgets are agreed in advance, that the agreed budget is robust and that the finance function is fit for purpose.

ANNUAL GOVERNANCE STATEMENT

l) Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA 'Statement on the Role of the Head of Internal Audit (2010)'

The council's assurance arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Head of Internal Audit (2010)'. The Head of Internal Audit (Chief Internal Auditor) is professionally qualified and is responsible for reviewing and reporting on the adequacy of the council's internal control environment, including the arrangements for achieving value for money.

The Chief Internal Auditor has direct access to the Chief Executive, and 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).

m) Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The Head of Legal and Democratic Services is designated as the Monitoring Officer with responsibility for ensuring compliance with established policies, procedures, laws and regulation, and reporting any actual or potential breaches of the law, or maladministration, to the full Council and/or to the Cabinet.

n) Ensuring effective arrangements are in place for the discharge of the head of paid service function

The Chief Executive is designated as the Head of Paid Service with responsibility for leading the Council Management Team in driving forward the strategic agenda, set by Cabinet. The Chief Executive together with the Council Management Team is responsible for the leadership and direction of the council including the co-ordination and commissioning of council-wide activity and programme management.

o) Undertaking the core functions of an audit committee, as identified in CIPFA's 'Audit Committee – Practical Guidance for Local Authorities'

The council has a formally constituted Governance Committee that undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. It provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance statement process.

p) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

'Decision Making - Corporate Standards and Guidance for Officers' is published on the internet and sets out the decision-making process, highlighting those aspects of decision making that are compulsory and must be complied with in all respects.

In addition, the council has Financial Procedure Rules which provide the framework for managing the council's financial affairs, and Contract Procedure Rules which govern the method by which the council spends money on supplies, services and works. Both documents form part of the council's Constitution.

ANNUAL GOVERNANCE STATEMENT

q) Whistle blowing and receiving and investigating complaints from the public

The council has in place 'Whistleblowing Policy' (Duty to Act) which reflects the legal framework and obligation on the council to enable staff to raise concerns which may involve unlawful conduct, illegality, financial malpractice or dangers to the public, employees or the environment. This procedure sets out the action that individuals should take to report a concern and also the action to take if, in extreme circumstances, a matter is not addressed or if they feel that raising the matter internally could result in evidence of malpractice being concealed.

There is a Corporate Complaints policy and procedure in place which is published on the council's website and sets out how a complaint will be dealt with. In accordance with legislation there are separate procedures in place in respect of Adults' and Children's Social Care. Complaints about Members are dealt with under the Members' Code of Conduct.

r) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

A Member Development Strategy is in place which sets out how Member Learning and Development will be identified, delivered and managed. The Strategy, which was approved the Governance Committee in April 2014, refers to the following key values:

- Development will be available to all Members;
- Development will be based on the identified and agreed needs of the individual Member;
- All 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; and
- An acknowledgement that Members may have transferable skills that can be used to help them perform or develop their Council role.

Senior Officer development needs form part of the annual performance appraisal process with a requirement that learning and development priorities are linked to key objectives and service plan priorities. The training needs of senior officers forms part of the "Annual Statement of Training Requirement" which reflects training needs across council. This is separated into three sections as follows:

- **Corporate / whole council**– training that is generically needed to meet wider council requirements; policy / procedure / council standards. It will often include SCC management development training, customer service and health and safety training needs.
- **Core training**– relates to the core / key knowledge and skills training needed by staff to competently and confidently deliver the specific council business e.g. residential care training / waste removal training / social work training / housing training etc.
- **Specialist**– any specialist part of the "core business". For example a smaller number of people who undertake a specialist function within the division e.g. adoption and fostering.

s) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The council supports the principle that people should have the opportunity to voice their opinions on issues that affect them. The views of customers are at the heart of the council's service delivery arrangements and are actively sought.

The council's website includes a 'Have your say' section which set out how residents and other

ANNUAL GOVERNANCE STATEMENT

stakeholders can voice their opinions and shape service delivery. It includes information on:

- Consultation
- E-Petitions
- Comments, compliments and complaints
- Have your say at meetings

In addition, where appropriate, public consultation is used to seek the views of residents and stakeholders. For example the 2014-15 Pre Budget consultation process helped shape the final 2015-16 budget report. Information was made available in an easy-to-understand format and respondents were informed on how their feedback was used. This was then reported to Cabinet before they made their final recommendations to Council.

The council has established a 'People's Panel', with the aim of recruiting over 1,000 volunteers to join it. This Panel comprises a group of residents who are interested in taking part in consultations and other opportunities to express their views on council services, health services and living in the city, the results of which will be used to inform future decisions and services. The council will also track residents' views over time to see how changes in the city affect their opinions and experience of the city. Members of the People's Panel may also be asked to take part in various forms of activity including surveys, quick polls, interviews and workshops.

A 'Southampton Youth Forum' has also been established. This is a mechanism for ensuring that the views of young people in the city are heard and acted upon by the council. It involves a termly meeting to discuss topics and share ideas, alongside the termly meeting online surveys will be used to gather feedback from young people.

This is in addition to the Southampton City Residents Survey which took place in 2014 and will be repeated every other year for the next five years. The survey, undertaken in partnership with other key organisations working in the city including the local Clinical Commissioning Group, Police, NHS Trusts, Fire Service and further education bodies, is an important step in building a better understanding of our residents.

t) Enhancing the accountability for service delivery and effectiveness of other public service providers

Performance in respect of the key priorities and success measures identified in the 'Council Strategy' is monitored by the Council Management Team and reported to Cabinet. Quarterly performance reports, which include success measures, key indicators and a direction of travel, are published on the council's website.

A number of the council's key services are delivered in partnership with external service providers. These outsourced contracts are managed by a centralised Contract Management Team which provides a senior management interface between the council and our partnership service providers. All such arrangements include a suite of key performance indicators and are based upon a culture of continuous improvement, recognising the need to achieve a balance between the council's ongoing financial challenges and long term strategic aims.

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u) Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

A Partnership Code forms part of the council's Constitution and identifies the key considerations when developing a partnership including 'is there clarity of purpose and is it compelling' and 'how will decisions be made and acted upon'.

An Internal Audit review on 'Partnership Arrangements' was undertaken in 2014 which focussed on the adequacy and coverage of partnership guidance to address key risk exposure to the organisation. The overall opinion was that 'adequate assurance could be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives'. The report did however include a number of observations mainly around updating and enhancing the 'Partnership Code' to emphasise resourcing, governance, accountability, performance and alignment to strategic aims when entering into partnership arrangements

Following the Internal Audit Review, and discussion with the Chairs of the main partnerships:

- The Chief Executive has established a Chairs' Group, comprising the Chairs of the key strategic partnerships (Southampton Connect, Health and Wellbeing Board, Safe City Partnership, Employment, Skills and Learning Partnership). The Chairs of the Local Safeguarding Children's Board and Southampton Safeguarding Adults Board have also been invited to join this group. The group will coordinate the programme of work for the year, ensuring a more joined up and consistent approach.
- Support for the key partnerships has been brought together into the council's new Strategy Unit, to ensure coordinated and effective support is provided to all Boards.
- There has been a review of the Health and Wellbeing Board in order to ensure that the Board is future proof and fit for purpose so that it can make strategic health decisions for the city in response to the needs of the local population now and in the future.
- Plans are in place to review the partnership code, raise awareness with Elected Members and develop a handbook for Board members by December 2015.
- An annual review of partnership performance and value for money will also be undertaken by the Strategy Unit and reported to the Chairs Group, CMT and Cabinet in the autumn. The intention is that this will be an internal, council focussed document, which will provide an assessment as to whether requirements are being met, and whether the council is obtaining value from the money and effort it allocates to the partnerships.

REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is led by a 'Controls Assurance Management Group' (comprising the Section 151 Officer, Chair of the Governance Committee, Assistant Chief Executive, Monitoring Officer and Chief Internal Auditor).

The review process, applied in respect of maintaining and reviewing the effectiveness of the system of internal control, is informed by:-

- The views of Internal Audit regularly reported to Governance Committee via the 'Internal Audit: Progress Report' which include executive summaries of new reports published where critical weaknesses or unacceptable levels of risk were identified. In addition, where appropriate, the relevant Director and/or Head of Service being required to attend a meeting to update the Committee regarding progress and actions;
- The views of external auditors, regularly reported to the Governance Committee, including regular progress reports, the Annual Audit Letter and Audit Results Report – ISA260;

ANNUAL GOVERNANCE STATEMENT

- The Chief Internal Auditors 'Annual Report and Opinion' on the adequacy and effectiveness of the Council's internal control environment;
- The Internal Audit Charter and delivery of the annual operational plan;
- The work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment;
- The completion of an annual 'Self Assessment Statement' by Directors which covers the key processes and systems that comprise the council's governance arrangements and is intended to identify any areas where improvement or further development is required;
- Completion of an 'Assurance Framework' document which reflects the key components of the Council's overall governance and internal control environment. This document, based on CIPFA/SOLACE guidance, records the key controls in place, and sources of assurance, and identifies any significant gaps or weaknesses in key controls;
- The independent views of regulatory inspection agencies such as Ofsted and the Care Quality Commission;
- The Risk Management Policy and Strategy, specifically the Strategic and Directorate Risk Registers;
- The work of the Governance Committee in relation to the discharge of its responsibility to lead on all aspects of corporate governance.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified:

	Governance Issue	Planned Action
1.	The published Corporate Procurement Strategy refers to the period 2009-12	The slippage is mainly due to the implementation of the 2015 Public Contract Regulations in February 2015 and the time it has taken to understand the new regulations, whilst also briefing the organisation what it needs to do to comply with the new regulations. As a result CPR's need to be completely revised to take account of both the new regulations and the fact that Capita Procurement now manage all of the councils' procurements. In addition, we are reviewing contract management and procurement as part of our operating model work with PwC.

ANNUAL GOVERNANCE STATEMENT

	Responsible Officer: Chief Financial Officer	Target for completion: December 15
2.	Business continuity plans need to be reviewed and updated to reflect the high level of organisational change that has taken place and is ongoing.	A new Business Continuity Policy and associated templates have been drafted and are to be presented to the Council's Management Team in June 15 for approval. The new Business Continuity Plan template will then rolled out across the service areas (Dec 15).
	Responsible Officer: Director of Place	Target for completion: December 15
3.	Information Governance arrangements need to be reviewed and aligned with new organisational structures and operational arrangements.	<p>(i) Review and implement appropriate arrangements to provide adequate organisational resources in each Directorate to enable compliance and oversight of information governance, to include monitoring and reviewing compliance, report breaches, ensuring action plans are implemented.</p> <p>(ii) To compile and submit the annual Information Governance NHS Toolkit to ensure data sharing can continue.</p>
	Responsible Officer (i): Head of Legal & Democratic Services September 2015	Still being compiled –Target
	Responsible Officer (ii): Director of People	COMPLETED: July 15
4.	<p>The level of employee understanding and awareness in respect of their responsibilities for the management of information is potentially inconsistent.</p> <p>Not all staff have completed the mandatory Information Governance e-learning (including Data Protection, Freedom Of Information Act and Protecting Information). There are concerns regarding the accuracy and robustness of the training database that captures training which is being urgently investigated.</p>	<p>Completion of the mandatory training needs to be rigorously enforced with a sanction in the event of continued non-compliance.</p> <p>A revised database package consolidating the components is being investigated as is a different and more appropriate style of roll out to those colleagues who do not ordinarily access IT.</p>
	Responsible Officer: Head of Legal & Democratic Services Target for completion: September 15	
5.	The skill and competencies of employees will need to be aligned with, and reflect, the organisational needs going forward.	<p>Development and delivery of a standard Corporate Induction Programme for new employees.</p> <p>Development of a management template identifying the standard required competencies and skills required. To incorporate ongoing learning requirements in respect of awareness of key policies and processes.</p> <p>Assessment of chief officer graded employees and leadership development plans put in place</p>

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	Responsible Officer: Head of Strategic HR	Target for completion: December 15
6.	Some of the documents, policies and strategies referred to in the published Code of Corporate Governance have since been updated.	Review and update document to ensure that it refers to current documents, policies and strategies
	Responsible Officer: Head of Legal & Democratic Services COMPLETED – but ongoing	

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Signed

.....
Dawn Baxendale
 (Chief Executive)
 on behalf of Southampton City Council

.....
Councillor Simon Letts
 (Leader of the Council)

Agenda Item 8

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	FINANCIAL STATEMENTS FOR 2014/15		
DATE OF DECISION:	14 SEPTEMBER 2015		
REPORT OF:	CHIEF FINANCIAL OFFICER		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Mel Creighton	Tel: 023 8083 4897
	E-mail:	Mel.Creighton@southampton.gov.uk	
CFO	Name:	Andrew Lowe	Tel: 023 8083 2049
	E-mail:	Andrew.Lowe@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

BRIEF SUMMARY

In accordance with the Accounts and Audit Regulations 2011 the deadline for approving the Financial Statements 2014/15 is the 30 September 2015. The draft statements were signed by the Chief Financial Officer (CFO) on 29 May 2015 and reported to Governance Committee on 15 June 2015. They were made available at that point for review.

The Annual Audit, carried out by our auditors Ernst & Young, commenced on 8 June 2015 and has now been completed. This report details the findings noted in the draft annual audit report of any major changes to the Financial Statements arising from the annual audit. Any further changes, identified on submission of the final audit report, which is expected prior to this meeting, will be presented at this meeting.

RECOMMENDATIONS:

It is recommended that Governance Committee:

- (i) Notes the changes to the Financial Statements 2014/15 as a result of the annual audit as detailed in paragraphs 6 to 8 and appendix 1;
- (ii) Approves the audited Financial Statements 2014/15.

REASONS FOR REPORT RECOMMENDATIONS

1. It is a legal requirement that Statement of Accounts 2014/15 be approved and signed by the person presiding at this meeting, subject to any residual changes required following the completion of the Audit, by 30 September 2015.
2. The draft accounts were signed by the Chief Financial Officer on 29 May 2015, a month earlier than the statutory date of the 30 June 2015.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. The Financial Statements have been prepared in accordance with statutory accounting principles. No other options have been considered as it is a legal requirement that the Financial Statements are prepared and signed by the

person presiding at this meeting no later than 30 September 2015.

DETAIL

CONSULTATION

4. Not applicable.

FINANCIAL STATEMENTS

5. The Financial Statements are a complex document and the layout and information provided are defined by statutory requirements. The key issues that should be drawn to the attention of Committee were presented at its meeting on the 15 June 2015. A copy of this is available in Members rooms on request from report author or by following the link below.

[Governance Committee 15th June 2015](#)

FINANCIAL STATEMENTS AMENDMENTS

6. The Financial Statements for 2014/15 have been completed earlier than required this year in recognition that for the financial year 2017/18 it will be a legal requirement to have the accounts certified by 31st May. This has been made possible by significant effort from the Finance Team and due to sound financial management procedures being in place. The draft annual audit report includes a limited number of adjustments, none of which change the overall bottom line position of the Council for 2014/15.
7. There were a number of minor numerical and typographical errors some presentational and additional disclosure adjustments to the Draft Financial Statements signed by the CFO on 29 May 2015.
8. The latest Draft Financial Statements, along with full details of any changes made, are available in Members rooms on request from report author or by following the link below:

[Draft Statement of Accounts 2014/15](#)

The main adjustments to the statements were:

- Comprehensive Income and Expenditure Statement (CIES) (18) – Income and Expenditure within the cost of services both overstated by £18.36M and £2.61M respectively with respect to internal recharges and pooled budget contributions

Net Expenditure unchanged at £198.44M

- Comprehensive Income and Expenditure Statement (CIES) (19) – Prior year's Income and Expenditure within the cost of services both overstated by £15.65M and £2.61M respectively with respect to internal recharges and pooled Budget Contributions

Net Expenditure unchanged at £197.96M

- Cash Flow Statement (16) - Incorrect treatment of £2.76M deferred capital receipt with the Cash Flow Statement.

£2.76M adjustment between lines:

Adjustment to surplus or deficit on the provision of services for non-cash movements £112.54M (from £109.78M); and

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (£50.49M) (from (£49.36M)).

The remaining adjustments to the statements and notes are detailed in Appendix 1.

RESOURCE IMPLICATIONS

Capital/Revenue

9. The capital and revenue implications were considered as part of the General Fund Capital Outturn report and the General Fund Revenue Outturn report that were presented to Council in July.

Property/Other

10. There are no specific property implications arising from this report.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

11. Accounts and Audit Regulations 2011.

Other Legal Implications:

12. None.

POLICY FRAMEWORK IMPLICATIONS

13. Not applicable. It should be noted that the Financial Statements are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK.

KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:

SUPPORTING DOCUMENTATION

Appendices

1.	Revisions made to Statements of Account 2014/15
2.	

Documents In Members' Rooms

1.	Governance Committee Report 15 June 2015 – Financial Statements 2014/15
2.	Draft Unaudited Financial Statements 2014/15

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.		
2.		

TO BE DETACHED BY DEMOCRATIC SERVICES

REPORT MONITORING FORM

THIS FORM MUST BE COMPLETED FOR ALL REPORTS!

PLEASE ENSURE YOU COMPLETE THE SECTIONS HIGHLIGHTED IN YELLOW NEAR THE END OF THIS FORM.

DATE OF DECISION:	
DECISION MAKER:	
SUBJECT/TITLE OF REPORT:	

KEY DECISION?	<input type="checkbox"/>	[TYPE YES, NO or N/A]
DATE PROPOSAL INCLUDED IN FORWARD PLAN:		<input type="text"/>
REGULATION 15 EXCEPTION?	<input type="checkbox"/>	[TYPE YES, NO or N/A]
Date notification given to Scrutiny:		<input type="text"/>
REGULATION 16 URGENCY?	<input type="checkbox"/>	[TYPE YES, NO or N/A]
Date agreement of Scrutiny obtained:		<input type="text"/>

OTHER LEGAL IMPLICATIONS:		Paragraph number/comment:
Human Rights Act 1998:	<input type="checkbox"/>	
Equalities Act 2010	<input type="checkbox"/>	
Crime & Disorder Act 1998(specifically s.17 duty):	<input type="checkbox"/>	
Proceeds of Crime Act 2002(Money Laundering):	<input type="checkbox"/>	
Freedom of Information Act 2000:	<input type="checkbox"/>	
European "State Aid" Guidance:	<input type="checkbox"/>	

POLICY FRAMEWORK PLANS:			
Annual Library Plan	<input type="checkbox"/>	Adult Learning Plan	<input type="checkbox"/>
Best Value Performance Plan	<input type="checkbox"/>	14-19 Strategy	<input type="checkbox"/>
Community Strategy (Including Local Agenda 21 Strategy)	<input type="checkbox"/>	Economic Development Strategy	<input type="checkbox"/>
Children & Young Peoples Plan (CYPP)	<input type="checkbox"/>	Health and Well-Being Strategy	<input type="checkbox"/>
Plan & Strategies which together comprise the Development Plan	<input type="checkbox"/>	Crime & Disorder Reduction Strategy	<input type="checkbox"/>
Youth Justice Plan	<input type="checkbox"/>	Local Transport Plan	<input type="checkbox"/>
Medium Term Plan Economic Development	<input type="checkbox"/>		<input type="checkbox"/>
Housing Strategy (inc HRA Business Plan)	<input type="checkbox"/>		<input type="checkbox"/>

KEY AREAS TO BE ADDRESSED/CONSIDERED:	
Organisational Development/Human Resources Issues	<input type="checkbox"/>
Report Tracking	

VERSION NUMBER:	<input type="text"/>
DATE LAST AMENDED:	<input type="text"/>
AMENDED BY:	<input type="text"/>

Approval by Executive Member:

Name:

Date:

Approval by Senior Manager:

Name:

Date:

Approval by Director:

Name:

Date:

FOR DEMOCRATIC SERVICES USE ONLY:

DATE AND TIME REPORT RECEIVED:

Date

Time:

LEGAL CLEARANCE:

[TYPE YES or NO]

Name:

FINANCIAL CLEARANCE:

[TYPE YES or NO]

Name:

POLICY CLEARANCE:

[TYPE YES or NO]

Name:

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Governance Committee

Revisions made to Statement of Accounts

	Page	New Note /Paragraph	Detail																				
1	52	Note 17 d)	<p>Financial Instruments - Gains and Losses</p> <p>Signage incorrect on some rows due to polarity changes made to reserves on the balance sheet i.e. showing reserves as negative balances this resulted in Net gain / (loss) figures being incorrect (as linked).</p>																				
2	74 & 69	Old Note 32 & 26 b)	<p>Termination Benefits</p> <p>Note 32 Termination Benefits deleted, all subsequent notes renumbered - narrative added to note 26 b) Exit Packages</p>																				
3	45	Note 12 b)	<p>Revaluations</p> <p>All valuations carried out by Capita Symonds (changed from Internally)</p>																				
4	89	Collection Fund	<p>Cross Referencing</p> <p>Amended Council Tax precepts 4 (from 2)</p> <p>Business Rates Income added 3</p> <p>Cost of Collection added 5</p>																				
5	90	Collection Fund Note 2	<p>Council Tax Base</p> <p>added: which compares to the actual net income of £90.2M (£85.8M – 2013/14).</p>																				
6	91	Collection Fund Note 3	<p>Non-Domestic Rates (NDR)</p> <p>Added: The Rateable Value on 28 March 2015 was £253.1M and the Business Rate Multiplier for the year 47.1p in the £, giving gross rates before reliefs of £119.2M.</p>																				
7	61	Note 21	<p>Note 21 Provisions</p> <p>Other Provisions - £200k credit incorrectly included in debit column - therefore additional provisions made in year and amounts used in year both understated by £200k</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Balance</th> <th style="text-align: left;">Add Provisions</th> <th style="text-align: left;">Amounts used</th> <th colspan="2" style="text-align: left;">Balance at</th> </tr> <tr> <th colspan="5" style="text-align: left;">31 March 2015</th> </tr> </thead> <tbody> <tr> <td>Other Provisions</td> <td style="text-align: right;">1,542k</td> <td style="text-align: right;">2,642k</td> <td style="text-align: right;">(227k)</td> <td style="text-align: right;">£3,997k</td> </tr> <tr> <td>Was</td> <td style="text-align: right;">1,542k</td> <td style="text-align: right;">2,462k</td> <td style="text-align: right;">(27k)</td> <td style="text-align: right;">£3,997k</td> </tr> </tbody> </table>	Balance	Add Provisions	Amounts used	Balance at		31 March 2015					Other Provisions	1,542k	2,642k	(227k)	£3,997k	Was	1,542k	2,462k	(27k)	£3,997k
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8	60	21 d)	<p>Note 21 d) Other Provisions</p> <p>wording changed from insignificant to immaterial</p>																				

	Page	New Note /Paragraph	Detail																																													
9	3		<p>Key Facts - source data added</p> <p>⁽ⁱ⁾ Source: Population Estimates for UK, England and Wales, Scotland and Northern Ireland, Mid 2013 Release</p> <p>⁽ⁱⁱ⁾ Source: Annual Survey of Hours and Earnings 2014 (Resident based query), NOMIS. Earnings rounded to the nearest pound.</p> <p>⁽ⁱⁱⁱ⁾ Source: HM Land Registry House Price Index Feb 2015</p>																																													
10	52	Note 17 b)	<p>Financial Instruments - Balances</p> <p>Fair Value adjustment line split to show movement on gains / losses and other EIR adjustments</p>																																													
11	70	Note 29	<p>Amounts Due from Related Parties:</p> <p>Figures for Hampshire CC added and Totals updated</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">2013/14</th> <th style="text-align: center;">Money Owed to SCC</th> <th style="text-align: center;">2014/15</th> </tr> <tr> <th style="text-align: center;">£000</th> <th></th> <th style="text-align: center;">£000</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">5,301</td> <td>HM Revenues & Customs (VAT)</td> <td style="text-align: right;">5,792</td> </tr> <tr> <td style="text-align: right; background-color: yellow;">1,693</td> <td>Hampshire County Council</td> <td style="text-align: right; background-color: yellow;">2,681</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">6,994</td> <td>Balance Carried forward</td> <td style="text-align: right; border-top: 1px solid black;">8,473</td> </tr> </tbody> </table> <p style="text-align: center; font-size: small;">* Non material balances removed from previous years figures</p>	2013/14	Money Owed to SCC	2014/15	£000		£000	5,301	HM Revenues & Customs (VAT)	5,792	1,693	Hampshire County Council	2,681	6,994	Balance Carried forward	8,473																														
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12	69	Note 27	External Audit Fees: Reference to 2012/13 removed																																													
13	87	HRA note 8	<p>Direct Revenue Financing Reserve /Item 8:</p> <p>2013/14 figures updated - showing 12/13</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">2013/14</th> <th></th> <th style="text-align: center;">2014/15</th> </tr> <tr> <th style="text-align: center;">£000</th> <th></th> <th style="text-align: center;">£000</th> </tr> </thead> <tbody> <tr> <td style="text-align: right; background-color: yellow;">0</td> <td>Direct Revenue Financing Reserve</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="text-align: right; background-color: yellow;">(6,486)</td> <td>Direct Revenue Financing Balance Brought Forward</td> <td style="text-align: right;">(5,544)</td> </tr> <tr> <td style="text-align: right; background-color: yellow;">6,486</td> <td>Contribution From Revenue In Year</td> <td style="text-align: right;">5,544</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">0</td> <td>Applied for Capital</td> <td style="text-align: right; border-top: 1px solid black;">0</td> </tr> <tr> <td></td> <td>Balance Carried Forward</td> <td></td> </tr> </tbody> </table>	2013/14		2014/15	£000		£000	0	Direct Revenue Financing Reserve	0	(6,486)	Direct Revenue Financing Balance Brought Forward	(5,544)	6,486	Contribution From Revenue In Year	5,544	0	Applied for Capital	0		Balance Carried Forward																									
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	88	HRA note 11	<p>Item 8 Credit and Debit (General) Determination</p> <p>2013/14 figures updated - showing 12/13</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: center;">Item 8 Credit and Debit (General) Determination</th> </tr> <tr> <th style="text-align: center;">2013/14</th> <th></th> <th style="text-align: center;">2014/15</th> </tr> <tr> <th style="text-align: center;">£000</th> <th></th> <th style="text-align: center;">£000</th> </tr> </thead> <tbody> <tr> <td style="text-align: right; background-color: yellow;">(34)</td> <td>Interest and Investment Income</td> <td style="text-align: right;">(26)</td> </tr> <tr> <td style="text-align: right; background-color: yellow;">13,850</td> <td>Impairments and Revaluation of Fixed Assets</td> <td style="text-align: right;">14,034</td> </tr> <tr> <td style="text-align: right; background-color: yellow;">(394)</td> <td>Amortisation of Item 8 Discount</td> <td style="text-align: right;">(13)</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">13,422</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">13,995</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right; background-color: yellow;">5,396</td> <td>Interest payable and similar charges</td> <td style="text-align: right;">5,277</td> </tr> <tr> <td style="text-align: right; background-color: yellow;">18,261</td> <td>Depreciation</td> <td style="text-align: right;">18,519</td> </tr> <tr> <td style="text-align: right; background-color: yellow;">(13,850)</td> <td>Impairments and Revaluation of Fixed Assets</td> <td style="text-align: right;">(14,034)</td> </tr> <tr> <td style="text-align: right; background-color: yellow;">5,551</td> <td>Principal Repayments</td> <td style="text-align: right;">5,130</td> </tr> <tr> <td style="text-align: right; background-color: yellow;">46</td> <td>Debt management costs</td> <td style="text-align: right;">45</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">15,404</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">14,937</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">28,826</td> <td>Net Item 8 (Credit)/ Debit</td> <td style="text-align: right; border-top: 1px solid black;">28,932</td> </tr> </tbody> </table>	Item 8 Credit and Debit (General) Determination			2013/14		2014/15	£000		£000	(34)	Interest and Investment Income	(26)	13,850	Impairments and Revaluation of Fixed Assets	14,034	(394)	Amortisation of Item 8 Discount	(13)	13,422		13,995				5,396	Interest payable and similar charges	5,277	18,261	Depreciation	18,519	(13,850)	Impairments and Revaluation of Fixed Assets	(14,034)	5,551	Principal Repayments	5,130	46	Debt management costs	45	15,404		14,937	28,826	Net Item 8 (Credit)/ Debit	28,932
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	Page	New Note /Paragraph	Detail																		
14	43	Note 10	Adjustments Between Accounting Basis and Funding Basis Under Regulation: wording adjusted from "Movement on Market Value of Investment" to read "Movement on Market Value of Investment Properties".																		
15	1	Preface	Added approved brackets to Our capital programme of £334.7M as below Our approved capital programmes of £334.7M (2014/15 - 2019/20)																		
16	20	Cash flow Statement	Cash Flow Statement - No net impact £2,762k Adjustment between: Adjustment to surplus or deficit on the provision of services for non cash movements £112,544k (from £109,782k); and Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (£50,491) (from (£47,356k)) Incorrect treatment of Deferred Capital Receipt within the Cash Flow Statement - no net impact																		
17	64	Note 23	Note 23 Notes to Cash Flow Statement a) Reconciliation of Net Surplus or (Deficit) on the Provision of Services to Net Cash Flows from Operating Activities <table> <tr> <td>Depreciation</td> <td>£40,878k</td> <td>(from £22,685k)</td> </tr> <tr> <td>Impairment</td> <td>£12,735k</td> <td>(from £30,928k)</td> </tr> <tr> <td>Adjustments for effective interest rate</td> <td>£252k</td> <td>(from £168k)</td> </tr> <tr> <td>(Increase)/Decrease in Int & Dividend Debtors</td> <td>(£260k)</td> <td>(from (£264k))</td> </tr> <tr> <td>(Increase)/Decrease in Debtors</td> <td>£2,157k</td> <td>(from (£605k))</td> </tr> <tr> <td>Other</td> <td>(23k)</td> <td>(from £65k)</td> </tr> </table> Proceeds from sale of ppe, and invest prop. etc (£18,762k) (from (£15,980k)) Impact of Deferred Capital Receipt of £2,762k and Recategorisation £18,193k of Depreciation from Impairment and impact of adjustment 10 on the cash flow No Net impact on the Cash Flow Statement	Depreciation	£40,878k	(from £22,685k)	Impairment	£12,735k	(from £30,928k)	Adjustments for effective interest rate	£252k	(from £168k)	(Increase)/Decrease in Int & Dividend Debtors	(£260k)	(from (£264k))	(Increase)/Decrease in Debtors	£2,157k	(from (£605k))	Other	(23k)	(from £65k)
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19	17	Comp. I&E - Comparatives	Comprehensive Income and Expenditure Statement Comparatives Internal Recharges & Pooled Budgets Prior year's Income and Expenditure overstated by £15.65M and £2.61M respectively with respect to Internal Recharges and Pooled Budget Contributions No Net impact																		

	Page	New Note /Paragraph	Detail																														
20	72	Note 31	<p>Note 31 Leases</p> <p>Amended future minimum lease payments disclosure</p> <table> <thead> <tr> <th></th> <th>2014/15</th> <th>Was</th> <th>2013/14</th> <th>Was</th> </tr> <tr> <th></th> <th>£000</th> <th>£000</th> <th>£000</th> <th>£000</th> </tr> </thead> <tbody> <tr> <td>Not later than 1 year</td> <td>5,520</td> <td>5,824</td> <td>4,803</td> <td>4,244</td> </tr> <tr> <td>2 to 5 years</td> <td>16,304</td> <td>19,524</td> <td>14,884</td> <td>12,649</td> </tr> <tr> <td>Later than 5 years</td> <td><u>511,929</u></td> <td><u>557,865</u></td> <td><u>522,046</u></td> <td><u>470,004</u></td> </tr> <tr> <td>533,753</td> <td>583,213</td> <td>541,733</td> <td>486,897</td> <td></td> </tr> </tbody> </table>		2014/15	Was	2013/14	Was		£000	£000	£000	£000	Not later than 1 year	5,520	5,824	4,803	4,244	2 to 5 years	16,304	19,524	14,884	12,649	Later than 5 years	<u>511,929</u>	<u>557,865</u>	<u>522,046</u>	<u>470,004</u>	533,753	583,213	541,733	486,897	
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21	40	PPA	<p>Note 5 Prior Period Adjustments</p> <p>Inserted Note 5 - renumbered subsequent notes</p> <p>Table and narrative showing prior period adjustments with respect to Internal Recharges and Pooled Budgets</p> <p>Narrative highlighting prior period adjustment to Leases Note above</p>																														
22	28	Note 1	<p>Note 1 Accounting Policies j) Financial Instruments</p> <p>Inserted Accounting Policy with respect to Available for Sale Assets as per CIPFA Guidance</p>																														
23	41 & 42	Note 8	<p>Note 8 Amounts Reported for Resource Allocations</p> <p>Amended tables to reflect netting of Internal Recharges Income and Pooled Budgets per adjustments 18 and 19 above.</p>																														

Agenda Item 9

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	EXTERNAL AUDIT – AUDIT RESULTS REPORT		
DATE OF DECISION:	14 SEPTEMBER 2015		
REPORT OF:	CHIEF FINANCIAL OFFICER		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Mel Creighton	Tel: 023 8083 4897
	E-mail:	Mel.Creighton@southampton.gov.uk	
Director	Name:	Andrew Lowe	Tel: 023 8083 2049
	E-mail:	Andrew.Lowe@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

BRIEF SUMMARY

The Audit Commission's Code of Audit Practice (the Code) requires the Council's external auditors to report to 'those charged with governance' on the work carried out to discharge their statutory audit responsibilities together with any governance issues identified.

The Draft Audit Results Report summarises the findings from the 2014/15 audit which is substantially complete. It includes the messages arising from the audit of the Council's financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in its use of resources.

RECOMMENDATIONS:

It is recommended that the Governance Committee:

- (i) to note the external auditor's 'Audit Results Report' as attached Appendix 1.

REASONS FOR REPORT RECOMMENDATIONS

1. The Governance Committee's terms of reference require it to be satisfied that appropriate action is 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 report, as attached in Appendix 1, has been discussed and agreed with the Chief Executive and the Chief Financial Officer.
4. The external auditor will be in attendance at the Governance Committee meeting to answer questions and to provide an update of any further findings identified in completing the audit.

RESOURCE IMPLICATIONS

Capital/Revenue

5. None

Property/Other

6. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

7. Local Government Act 1999

Other Legal Implications:

8. None

POLICY FRAMEWORK IMPLICATIONS

9. None

KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:	
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SUPPORTING DOCUMENTATION

Appendices

1.	Annual results report 2014/15
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Documents In Members' Rooms

1.	None
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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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Southampton City Council

Audit results report for the year ended 31 March 2015

September 2015

Ernst & Young LLP



Governance Committee
Southampton City Council
Civic Centre
Southampton
SO14 7LY

3 September 2015

Dear Members

Audit results report

We are pleased to attach our audit results report for the Governance Committee. This report summarises our preliminary audit conclusion in relation to Southampton City Council's (the Council's) financial position and results of operations for the year ended 31 March 2015. We will issue our final conclusion after the Governance Committee scheduled for 14 September 2015.

Our audit is designed to express an opinion on the 2014/15 financial statements, to reach a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, and to address current statutory and regulatory requirements. This report contains our findings on the areas of audit emphasis, our views on the Council's accounting policies and judgments, and any significant deficiencies in internal control.

This report is intended solely for the information and use of the Governance Committee and the Council. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of the report with you at the forthcoming Governance Committee meeting.

Yours faithfully
For and on behalf of Ernst & Young LLP

Helen Thompson

Ernst & Young LLP
United Kingdom
Enc.

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2. Scope update	5
3. Significant findings from the financial statement audit	6
4. Economy, efficiency and effectiveness	9
5. Control themes and observations	12
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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#). This document serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive Summary

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement. In this statement the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and any planned changes in the coming period.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ expressing an opinion on:
 - ▶ the 2014/15 financial statements;
 - ▶ the consistency of other information published with the financial statements,
- ▶ reporting by exception where the Annual Governance Statement (AGS) does not comply with relevant guidance;
- ▶ reviewing and reporting on the Council's Whole of Government Accounts (WGA) return;
- ▶ forming a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and,
- ▶ discharging the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

This report also contains our findings on the areas of audit emphasis and any significant deficiencies in internal control or views on the Council's accounting policies and judgements.

Summarised below are the conclusions from all elements of our work:

Financial statements

We have performed the procedures outlined in our Audit Plan and, based on the work performed to date, we anticipate issuing an unqualified opinion on the Council's financial statements.

Our main audit findings relating to the risks set out in our Audit Plan are set out below. Further detail is included in section three of this report.

Significant risks:

Non domestic rate appeals provision

- ▶ We identified a significant risk in this area due to changes in legislation affecting the period to which appeals can be backdated. The change also caused an increase in appeals before 31 March 2015.
 - ▶ We tested the Council's provision and found it to be reasonable although, consistent with previous years, the Council's provision remains high in comparison to other benchmarked authorities, and our own estimate.
-

Risk of management override of internal controls

- ▶ We identify this risk on all audits we undertake as management is in a unique position to override controls. Our testing has found no evidence of management override in the work completed to date.
-

Other financial statement risks:

Schools non-current asset accounting

- ▶ We compared the Council’s accounting for schools to a wider population of our audits, identifying that it was potentially an outlier for its treatment of voluntary controlled schools.
- ▶ We observe that the judgements being made for schools accounting are not well explained in Note 3 to the financial statements. In our judgement the narrative does not consistently explain how the description of the different access and governance arrangements leads to the accounting treatment adopted.
- ▶ There are only 3 schools within this category, and in the context of £1.1 billion total property, plant & equipment assets, we do not consider any possible mis-categorisation would materially distort the reader’s understanding of the financial statements.

Schools Direct

- ▶ The payroll provider to a number of the Council’s schools unexpectedly ceased trading during 2014/15.
- ▶ The Council’s internal control arrangements mitigated against any risk of financial loss.

Change of bank account

- ▶ The Council changed its main bank account provider during 2014/15.
- ▶ When implementing the change in bank accounts, we found that the Council had put appropriate controls in place to prevent material error.

Until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise. We anticipate having completed these by the time of the Committee meeting on 14 September, and will provide an update to you at the meeting.

Control themes and observations

Our audit identified the following control issues.

- | | |
|--|---|
| <ul style="list-style-type: none"> • Early closedown | <ul style="list-style-type: none"> ▶ The Council achieved its planned early closedown of the financial statements. |
| <ul style="list-style-type: none"> ▶ Current year observations | <ul style="list-style-type: none"> ▶ There are no control failures to bring to your attention. ▶ During the year we reported opportunities for efficiencies in the operation of your financial systems to management. |
| <ul style="list-style-type: none"> ▶ Update on previous recommendations | <ul style="list-style-type: none"> ▶ Last year we highlighted the complexity of the Council’s ledger structure and process for producing its financial statements. ▶ Some progress has been made, but it is still complex and time consuming, and in our judgement a contributory factor to some of the errors identified by our audit. |
| <ul style="list-style-type: none"> ▶ Challenges for the coming year | <ul style="list-style-type: none"> ▶ CIPFA is introducing Highways Network Assets. In common with other authorities, the Council is significantly behind CIPFA’s suggested implementation programme, and has a substantial amount of preparatory work still to undertake. |

Summary of audit differences

Our audit identified a number of misstatements in the accounts presented for audit, as summarised below.

-
- ▶ Uncorrected judgemental uncertainties would increase useable reserves by £0.9 million.
 - ▶ Management have corrected misstatements amounting to £20 million overstatement of income and expenditure within Net Cost of Services. These adjustments have had no impact on useable reserves, or the reported outturn for 2014/15.
-

Economy, efficiency and effectiveness

We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified value for money conclusion.

Our main audit findings are set out below.

Significant risks:

Financial Pressures

The Council has a significant savings programme over the next three years to address the gaps identified in its medium term financial forecast.

Arrangements are in place to monitor and manage its 2015/16 budget, and to develop savings proposals to achieve a balanced budget for the medium term (to 2019/20). The Council's historic track record is good in both these areas.

At this point in time we judge the Council still to be financially resilient for the foreseeable future. We emphasise, however, that the scale of the challenge being faced is significant. It could potentially increase dependent on national pressures and the next central government spending review. It is important that the Council continues its track record of delivering its planned budget and savings. In particular, progressing the overall transformation programme and identifying clearly supported savings plans is critical to the Council's finances and the balance it has to strike against the level of services it can provide. It cannot manage this gap through one-off solutions or accounting adjustments.

We expect to continue to review the Council's arrangements for financial resilience in our 2015/16 audit.

Whole of Government Accounts

We are still to complete the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We have no issues to report at this stage of our work.

Audit certificate

The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

2. Scope update

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan issued on 14 April 2015, the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the Audit Commission.

Our work comprises a number of elements. Our Audit Plan provided you with an overview of our audit scope and approach for:

- ▶ expressing an opinion on:
 - ▶ the 2014/15 financial statements;
 - ▶ the consistency of other information published with the financial statements,
- ▶ reporting by exception where the Annual Governance Statement does not comply with relevant guidance;
- ▶ reviewing and reporting on the Council's Whole of Government Accounts (WGA) return;
- ▶ forming a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and,
- ▶ discharging the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

We carried out our work in accordance with our Audit Plan.

3. Significant findings from the financial statement audit

In this section of our report we outline the main findings from our audit of your financial statements, including our conclusions on the areas of risk/ audit emphasis outlined in our Audit Plan.

Significant risks

Non domestic rate appeals provision

Description	Findings and conclusions
<p>In 2013/14 there were significant changes in the accounting arrangements for business rates, including the requirement for councils to provide for rating appeals. The Council established a methodology that included known appeals, and an estimate for those as yet unlogged.</p> <p>Due to the extension of the business rate valuation cycle to 2017, Government made changes to legislation affecting the period appeals can be backdated. After 31 March 2015, appeals made cannot be backdated to the start of the valuation period in 2010. The change may also create an increase of appeals before 31 March 2015.</p> <p>The Council will need to reassess its methodology to estimating the provision for appeals.</p> <p>Our approach focused on:</p> <ul style="list-style-type: none"> ▶ understanding and evaluating the Council's review of its estimation methodology for the appeals provision; and ▶ reviewing the calculation made. 	<p>We found that that Council has continued its previous methodology, having considered it still to be appropriate as it wasn't based directly on appeals lodged. We have discussed the method with officers, and have concluded this was not unreasonable.</p> <p>We undertook our own assessment of the calculated provision.</p> <p>In benchmarking the value of the appeal provision, the Council continues to compare on the higher side in our comparator groups.</p> <p>We have considered whether there is any indication of management bias from this comparative exercise. We concluded there is no clear benefit to the Council to overstate the provision as a top-up authority not in receipt of a safety net payment.</p> <p>We have also raised again the same question raised in the prior year; why does the calculation use an assumption of 7.26% of the total rateable value, when the underlying calculations of historic trends show 6.99%. In our judgement management has still not clearly explained a rationale for this element other than a general inclination towards prudence which is not a specifically recognised accounting concept, a point we made in the preceding year.</p> <p>The impact of using 6.99% as opposed to 7.3% would not be material, and therefore, we accept the calculation as materially reasonable.</p> <p>Our overall judgement is that although benchmarking and our own estimate show the Council's provision remains on the high side, based on the information provided, the Council has not taken an unreasonable approach to this estimate.</p>

Risk of management override of controls

Description	Findings and conclusions
<p>As identified in ISA (UK and 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:</p> <ul style="list-style-type: none"> • tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • reviewed accounting estimates for evidence of management bias; and • evaluated the business rationale for any significant unusual transactions. 	<p>At the point of drafting this report we have not found any indications of management override.</p> <p>Our work on journals remains in progress, but those tested to date have been supported by appropriate evidence.</p> <p>We have reviewed the material accounting estimates, including the business rates provision referred to above. We have made observations on accounting practices for other estimates including the application of the accounting standard IAS37 to other provisions below.</p> <p>We have not identified any transactions we would consider to be outside of the Council's normal course of business.</p>

Other financial statement risks

Schools non-current asset accounting

Description	Findings and conclusions
<p>CIPFA has issued LAAP bulletin 101, Accounting for non-current assets used by local authority maintained schools. This does not represent a change to the Code of Local Authority Accounting Practice, but additional guidance to its application.</p> <p>One of the key aspects in accounting for schools is that councils should not take a blanket approach to each category of school, but assess the individual arrangements in place.</p>	<p>We reviewed the process the Council has taken to ensuring that it has reviewed individual schools' admission arrangements against the criteria it has set whether to recognise a school on its balance sheet, or not. The Council had considered its accounting, and made no changes compared to prior years.</p> <p>We compared the Council's accounting for schools to a wider population of our audits, identifying that it was potentially an outlier for its treatment of voluntary controlled schools.</p> <p>We observe that the judgement being made is not well explained in Note 3 to the financial statements. For example, the disclosure note makes comparison to the arrangements for voluntary aided schools, but there is no clear explanation why the same off balance sheet judgement is made despite the differing arrangements between the two categories.</p> <p>There are only three schools within this category, and Property, Plant & Equipment (PPE) overall has a net book value of £1.1 billion. Therefore, even if we disagreed with the Council's judgement, the impact would not materially distort the understanding of the financial statements.</p> <p>We also considered the treatment of voluntary aided school playing fields. Note 3</p>

Schools non-current asset accounting

to the statements sets out that the Council is responsible for these, distinct from the school buildings and other associated property. But they are still not included in the value of the Council's assets.

Again, we consider the potential impact to be immaterial compared to the total value of PPE assets recognised in the balance sheet.

Schools Direct

Description	Findings and conclusions
<p>The Council's financial statements include expenditure relating to many of the schools in the authority's area, excluding Academies. The payroll provider to a number of these schools, Schools Direct, unexpectedly ceased trading during the year.</p>	<p>We focused on assessing the arrangements the Council, and schools, made to ensure that schools' payrolls continued to be accurately paid and recorded in the financial statements.</p> <p>We identified a key mitigating control: the payroll provider was only transferred funds on completion of the payroll, therefore, there was no loss of money to the Council.</p> <p>The schools' payrolls were transferred to other providers.</p>

Change of bank account

Description	Findings and conclusions
<p>The Council changed its main bank account during the year as a result of the Co-Operative bank withdrawing from the local government sector.</p>	<p>We reviewed the arrangements management implemented for the transfer. We found them to be sufficient to mitigate the risk of material error.</p>

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to report on other issues by exception. During our audit we identified the issues that are set out in the following table:

Policy/practice/finding	EY comments
<p>Explanatory foreword: Few of the numbers quoted within the foreword are provided on the same basis, or are reconciled to, the financial statements.</p>	<p>The Explanatory Foreword includes information on the Council's budget and spending, but does not link this to the information in the financial statements.</p> <p>Local government statutory financial statements are difficult to interpret, and more use could be made of the explanatory foreword to explain the statements.</p>

4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining corporate performance management and financial management arrangements we consider the following criteria 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 operating 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 or improving efficiency and productivity.

The table below presents the findings of our work in response to the risk areas in our Audit Plan.

Significant risks:

Financial Pressures: Reductions in central government funding, coupled with demand led pressures on its significant services, mean the Council is continuing to experience financial pressures

Key findings

In undertaking our work to address the identified risk, we:

- ▶ reviewed the assumptions made within the 2015/16 annual budget, and within the medium term financial forecast;
- ▶ assessed the impact of the 2014/15 revenue budget outturn, and the extent the Council achieved its planned savings, on the 2015/16 budget assumptions; and
- ▶ assessed the arrangements made in progressing the savings for the 2016/17 budget, and the progress of the Transformation Programme.

We also took into account factors such as the Council's track record of delivering its budget, and our assessment of its current financial standing and the adequacy of its reserves.

Setting the 2015/16 budget

The first step in our work was to assess the assumptions the Council made in setting its 2015/16 annual budget, and updating its medium term financial forecast.

We concluded the Council had set a reasonable and achievable 2015/16 budget. We similarly assessed the assumptions made within the medium term financial forecast to be reasonable.

The Council had identified planned savings of £16.7 million to address the budget gap for the year, which were reported in two tranches in September 2014 (£6.751 million) and February 2015 (£9.980 million). These were identified in advance of approving its budget, and it therefore set a balanced budget.

Our initial assessment of the planned savings at that time was that they were achievable.

We note that, in our view, it would have been better practice for the annual budget to include a full summary of the £16.7 million savings for the year.

Assessing the 2014/15 outturn

The Council's financial year ends on 31 March 2015, after it had set the budget for the 2015/16 year. The timing means that there could potentially be significant impacts from the outturn report that affect the assumptions made in preparing the 2015/16 budget.

The 2014/15 financial outturn was reported to Full Council in July 2015. The Council

Significant risks:

delivered an underspend against its budget, with investments into reserves to mitigate future risks and fund the transformation programme.

We noted two aspects to bring to your attention.

1. The Council did not achieve its planned savings targets. There was a shortfall of £1.573 million against the planned schemes of £14.451 million. The underperformance was predominantly within the Health & Adult Social Care portfolio, which accounted for £1.427 million of the shortfall.
2. Health & Adult Social Care and Children's services portfolios both overspent their budgets, despite the use of the risk reserve and one-off sources of funding.

We assessed whether these factors presented a significant risk to the achievement to the 2015/16 budget and the planned savings for 2015/16. We identified that:

- ▶ investments have been made into both portfolios for demographic and other external factors, as set out in the 2015/16 budget paper and the medium term financial strategy; and
- ▶ for savings in Health & Adult Social Care, the level of savings in 2015/16 is smaller than originally planned for 20/14/15; £4.098 million compared to £6.8 million respectively. This gives us a degree of assurance that the portfolio is not facing an unachievable target, although it is still challenging.

Taking into account both these factors we did not judge that the 2014/15 outturn demonstrated a significantly increased risk that the Council will not deliver its 2015/16 budget. But we agreed with the Chief Financial Officer's risk assessment that the pressures in these areas continue to present a financial risk.

Updating our assessment; how the Council is performing against its 2015/16 budget:

The next stage in our review was to reassess the initial conclusions made as the financial year 2015/16 progressed. The Council reported its performance as at the end of the first quarter, to the Cabinet in August 2015.

The headlines from the first quarter (ending 30 June 2015) were that:

- ▶ the Council projected an overspend of £9.43 million against its revenue budget; and
- ▶ savings were expected to be less than initially planned, by £3 million.

However, taking into account the Council's performance in previous years, we assess the 2015/16 budget is not unachievable and that sufficient arrangements are in place. The Council's arrangements have identified this gap in performance, implemented mitigating actions, and furthermore identified additional savings options for the year. However, it does illustrate:

1. the challenges to the Council's position and its ability to achieve the planned budget and savings, especially in services of high demand pressure such as adult and children's social care; and
2. that a large proportion of the savings are based on one-off accounting adjustments, rather than clear efficiencies in the delivery of services in their current form, or through the changes in the model of service delivery.

Assessing progress with identifying 2016/17 savings, and the transformation programme.

In undertaking our work on value for money, we look not only at the budget and performance for the year of our audit (2014/15), and the following year, but also towards the arrangements being progressed to address the budget gaps identified over the medium term.

The Council's medium term forecast demonstrates a cumulative budget gap of around £90 million up to the end of 2019/20. The significant peaks are the next two financial years 2016/17 and 2017/18, with annual savings requirements of £39 million and £21 million respectively.

In August 2015 initial savings plans for 2016/17 were presented to the Cabinet for consultation, totalling £9.4 million. The decision paper does note, consistent with our

Significant risks:

observation above, that only £3.9 million savings are recurrent, and therefore the remaining £5.5 million increase the gap for 2017/18.

The Council is also progressing its Transformation Programme. Updates have been provided to Members, and key milestones have been achieved of resourcing the internal programme management team and Director, and appointing the Council's strategic partner.

In the medium term financial forecast presented with the 2015/16 budget, estimates based on the initial work were that annual savings could be achieved of £9 million for 2016/17 as the programme is implemented, with a full year impact of £15 million from 2017/18. This was not included in the forecast, due to ongoing reviews. Savings proposals have still not been published for the 2016/17 budget, until the CFO is confident that they are achievable.

Taken in combination with the service savings identified to date, this indicates that the 2016/17 budget gap is still significant, with around £30 million still to be identified. This remaining gap is larger than the annual savings target in both the preceding financial years.

The report to the Cabinet identified the ongoing uncertainties and risks, for example from central government policy regarding funding.

Overall conclusion.

In the stages of our work described above, reviewing the preparation of the 2015/16 budget, the effect of the 2014/15 outturn and the progress against the 2015/16 budget, we concluded that the Council had arrangements to address the challenges to its financial resilience.

However, the savings still to be identified for future years are significant, and we have carefully assessed our overall conclusion in light of the magnitude of the numbers involved.

We have taken into account:

- ▶ the arrangements in place,
- ▶ the size of the reserves available to the Council to cover any budget gap; and
- ▶ its track record of delivering its budget and a high proportion of its annual savings plans.

At this point in time we judge the Council to be financially resilient for the foreseeable future. However, that the scale of the challenge faced remains significant. It could potentially increase dependent on national pressures and the next central government spending review. It is also important that the Council continues its track record of delivering its planned budget and savings. In particular, progressing the overall transformation programme and identifying clearly supported savings plans is critical to the Council's finances and the balance it has to strike against the level of services it can provide. The gap will not be able to be managed solely through one-off solutions or accounting adjustments.

We expect to continue to review the Council's arrangements for financial resilience in our 2015/16 audit.

5. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

5.1 Current year observations

From the work undertaken, we have no findings or observations regarding control failures.

We did observe from our work on the Council's systems that there are a number of opportunities for efficiencies to be made in how the organisation processes financial transactions. These included examples such as:

- ▶ reviewing the need for 7 different formats of sales invoices;
- ▶ rationalising the 6 different payrolls; and
- ▶ evaluating the impact of establishing a different tolerance for accounts payable three-way matching, and whether this could facilitate a decrease in manual processes and interventions.

We reported these suggestions to management earlier in the audit, and we understand they have been incorporated into the transformation processes.

5.2 Status of previous year's recommendations

Description	Impact
We observed last year that the Council undertook a complex method for producing its financial statements from its ledger.	<p>The Council has taken steps to review the financial statements production process. It achieved its plan to deliver the statements by 1 June 2015.</p> <p>However, the process remains complex and time consuming. In our judgement it also contributes to the identified material error from the audit where income and expenditure were overstated due to the inclusion of internal recharges.</p> <p>The Council plans further changes to the structure of its ledger in the next two accounting periods, which may reduce the complexity and the scope for error.</p>

5.3 Challenges for the coming year

Description	Impact
<p>Transport Infrastructure Assets: The Code of Accounting Practice for 2016/17 implements the requirement to account for Transport Infrastructure Assets. This will be a material change of accounting policy for the Council from 1 April 2016.</p>	<p>CIPFA has produced LAAP bulletin 100, which provides a suggested timetable for actions to prepare for this change. In common with other councils, Southampton City Council is significantly behind the proposed timetable.</p>
<p>Working papers: We worked closely with the Council earlier in the year to provide a comprehensive client assistance schedule (working paper requirements), specifically highlighting changes from previous years, or more complex areas. There were instances where we requested working papers that were not prepared as part of the closedown or provided to us at the outset of the audit.</p>	<p>Client staff had to prepare these working papers during the audit. This reduces their capacity to turnaround other audit requests especially when also balancing their normal workload. We will arrange a meeting with officers in autumn 2015 to debrief on the 2014/15 accounts production and audit process. Our aim will be to identify areas for improvement to assist the Council achieve earlier completion of the audit.</p>

6. Status of our work

6.1 Financial statement audit

Our audit work for our opinion on the Council's financial statements is substantially complete. The following items were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Letter of representation	To be discussed at the Governance Committee on 14 September 2015.	Management and Governance Committee
Financial statements	<ul style="list-style-type: none"> ▶ Incorporation of EY review comments on disclosure notes ▶ Accounts re-certified by CFO ▶ Approval of accounts by Governance Committee. ▶ Copy of signed Annual Governance Statement 	Management, Governance Committee and EY
Outstanding requested evidence of individual transactions or supporting evidence for: <ul style="list-style-type: none"> • Annual Governance Statement • Equal pay provision • Payables • Receivables • Income • Assessment of partnership arrangements • Senior officers' remuneration • Payroll • Pension Contributions 	▶ Management to provide the requested evidence.	Management
To be completed between the date of the drafting this report and the committee: <ul style="list-style-type: none"> • Housing Revenue Account • Capital Grants received in advance 	▶ EY to complete testing	EY

On the basis of our audit work to date, we anticipate issuing an unqualified auditor's report on the Council's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6.2 Objections

We have received no objections to the 2014/15 accounts from members of the public.

7. Fees update

A breakdown of our fee is shown below.

	Draft final fee 2014/15 £'000	Planned fee 2014/15 £'000	Scale fee 2014/15 £'000
Total Audit Fee – Code work	190,286 ^a	190,286	190,286
Certification of claims and return ^b	25,340	25,340	25,340

Notes:

a. We are unable to confirm the final fee for the audit until all work is complete. Any proposed changes to the fee will be discussed in the first instance with the Chief Financial Officer.

b. Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to those charged with governance within the Annual Certification Report for 2014/15.

8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'factual' or 'judgemental'. Factual differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances which are uncertain or open to interpretation.

We determined planning materiality to be £7.3 million (2014: £7.4 million), which is 1% of gross expenditure for services reported in the accounts of £651.7 million, plus the gross expenditure amounts from the items above 'Financing, and Investment income and Expenditure' which are reported only in the Comprehensive Income and Expenditure Statement. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.

We set our tolerable error for the audit at the upper end of the available range. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion. We set the level of tolerable error at this figure as a result of a low instance of errors, other than reclassifications, identified in previous audit years.

We agreed with the Governance Committee that we would report to the Committee all uncorrected audit differences in excess of £0.373 million (2014: £0.373 million) and these are included in our summary of misstatements below.

8.1 Uncorrected misstatements

We highlight the following judgemental uncertainty which has not been corrected by management. We ask the Governance Committee to consider approving management's rationale as to why these corrections have not been made and, if approved, include this in the Letter of Representation.

	Current assets	Current liabilities	Income	Expenditure	Useable Reserves	Unusable reserves
	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit) Current period	Debit/ (Credit) Current period
Uncorrected uncertainty						
▶ Incorrect accounting for investment reserves, included as a bad debt provision.	956,000				(956,000)	
Balance sheet totals	956,000				(956,000)	

8.2 Corrected misstatements

We highlight in particular the following misstatements identified during the course of our audit which have been corrected by management.

- ▶ Income and expenditure in the Cost of Services was overstated by approximately £18 million for the current year. This was due to the inclusion of internal recharges.

- ▶ Income and expenditure in the Cost of Services was overstated by £1.7 million. This related to incorrect accounting for the 'Residual, Domiciliary Care and Continuing Care Services' pooled budget, where the Council recognised the contributions of other partners to the pool as income, and also the other parties' share of expenditure.
- ▶ There were errors in the lease disclosure note of approximately £49 million in the current year disclosure and £55 million in the prior period comparator.
- ▶ The notes to the cash flow contained an £18 million understatement in the disclosure of depreciation, which was included in the line for 'Impairment and downward valuations.'

Correction of these errors did not impact the Council's reported financial position.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 14 April 2015. We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Standing Guidance: in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the Governance Committee on 14 September 2015.

Appendix A Required communications with the Governance Committee

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

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Any significant difficulties encountered during the audit ▶ Any significant matters, arising from the audit that were discussed with management ▶ Written representations we are seeking ▶ Expected modifications to the audit report ▶ Any other matters significant to the oversight of the financial reporting process 	Audit results report
Misstatements <ul style="list-style-type: none"> ▶ 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 	Audit results report
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud we have identified or information we have obtained t indicating that a fraud may exist ▶ A discussion of any other matters related to fraud 	Enquiry made of the Committee chair and response received 26/5/2015 No other issues to report
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ 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 	No issues to report
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	No issues to report

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ 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 ▶ 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. 	<p>Enquiry made of the Committee chair and response received 26/5/2015 No other issues to report</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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 	<p>Audit Plan and update in section 9 of this report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ 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 	<p>No issues to report</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit results report</p>
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	<p>Audit Plan and Audit results report</p>
<p>Summary of certification work undertaken</p> <ul style="list-style-type: none"> ▶ Annual report to those charged with governance summarising the certification work undertaken 	<p>Annual Certification Report – planned to be issued in December 2015.</p>

Appendix B Letter of representation

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
Wessex House,
19 Threefield Lane,
Southampton,
SO14 3QB

This representation letter is provided in connection with your audit of the financial statements of Southampton City Council ("the Council") for the year ended 31 March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Southampton City Council as of 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
2. We acknowledge, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 that are free from material misstatement, whether due to fraud or error.
5. We do not agree that items *[specify items in question]* constitute differences because *[specify reasons for disagreement]*.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of

non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. For accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Comparative information – corresponding financial information

1. prior year adjustments have been included in the financial statements to correct a prior year error where internal recharges were included in the Cost of Services.
2. The comparative amounts have been correctly restated to reflect the above matter and

appropriate note disclosure of this restatement has also been included in the current year's financial statements.

J. Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate the valuation of property, plant and equipment, and the pension fund liability and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours Faithfully,

Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Audit Committee on 14 September 2015

Chairman of Governance Committee

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DECISION-MAKER: GOVERNANCE COMMITTEE
SUBJECT: INTERNAL AUDIT PROGRESS REPORT : AUGUST 2015
DATE OF DECISION: 14 September 2015
REPORT OF: CHIEF INTERNAL AUDITOR

CONTACT DETAILS

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STATEMENT OF CONFIDENTIALITY

N/A

BRIEF SUMMARY

In accordance with the Accounts and Audit (England) Regulations 2015 a relevant body must:

'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

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 August 2015.

RECOMMENDATIONS:

- (i) That the Governance Committee notes the Internal Audit Progress report to the period August 2015 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 internal progress report has been approved by 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 2015 state 'a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

Other Legal Implications:

7. None

POLICY FRAMEWORK IMPLICATIONS

8. None

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:

SUPPORTING DOCUMENTATION

Appendices

1. Internal Audit Progress Report - August 2015

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 Progress Report

August 2015

Southampton City Council



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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

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

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’.

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.

2. Purpose of report

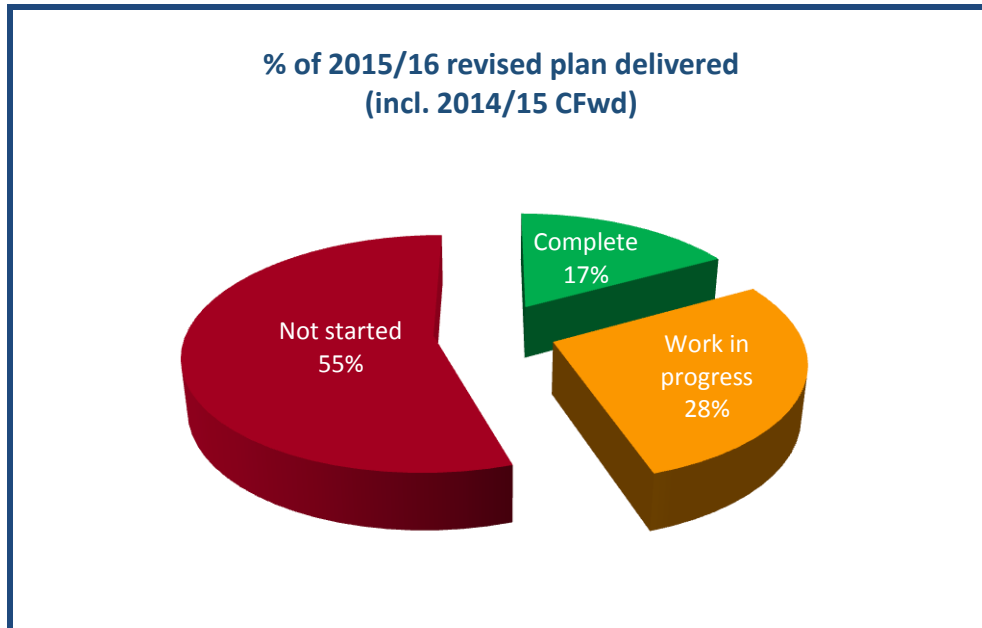
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary a significant issues that impact on the Chief Internal Auditor’s annual opinion.


Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	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	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	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives

3. Performance dashboard



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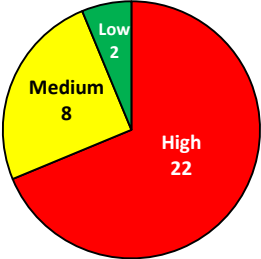
Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>During 2015 – 16 The Head of the Southern Internal Audit Partnership undertook a self-assessment concluding overall compliance against the Standards and the LGAN.</p> <p>An external assessment is to be undertaken by the Institute of Internal Auditors (IIA) in September 2015. In accordance with the Internal Audit Charter, outcomes of the external assessment will be reported to Governance Committee (December 2015).</p>

4. Status of 'Live' Reports

Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Quality Assurance	18/07/13	People	Adequate	Adequate	15 (9)	2 (2)	13 (7)	0 (0)
Payroll	04/04/14	Corporate Services	Adequate	Adequate	11 (4)	0 (0)	6 (3)	5 (1)
Income Collection and Transactions	09/05/14	Corporate Services	Adequate	Adequate	6 (0)	0 (0)	4 (0)	2 (0)
Business Continuity & Emergency Planning	09/07/14	Place	Limited	Limited	11 (5)	0 (0)	10 (5)	1 (0)
Data Centre Security	16/07/14	Corporate Services	Limited	Limited	2 (0)	0 (0)	0 (0)	2 (0)
Information Governance	17/07/14	Corporate Services	Limited	Limited	21 (15)	0 (0)	15 (11)	6 (4)
Integrated Assessment–Data Performance	30/07/14	People	Adequate	Adequate	3 (3)	0 (0)	2 (2)	1 (1)
Itchen Bridge	31/07/14	Place	Adequate	Adequate	10 (5)	0 (0)	9 (5)	1 (0)
Partnership arrangements	01/08/14	Corporate Services	Adequate	Adequate	6 (0)	0 (0)	3 (0)	3 (0)
Health and Safety	22/09/14	Corporate Services	Limited	Limited	16 (14)	0 (0)	10 (8)	6 (6)
Across Schools Thematic Review (Payroll)	12/11/14	People	Limited	Adequate	9 (0)	0 (0)	8 (0)	1 (0)
Maytree Infant and Nursery School	12/11/14	People	Limited	Adequate	23 (23)	0 (0)	22 (22)	1 (1)
Public Health Contracts	20/11/14	People	Adequate	Adequate	2 (0)	0 (0)	0 (0)	2 (0)
Capacity Planning and Management	26/01/15	Corporate Services	Adequate	Adequate	2 (0)	0 (0)	1 (0)	1 (0)
Delivery of statutory functions - LADO – Local Authority Duty Officer	04/03/15	People	Adequate	Adequate	4 (3)	0 (0)	2 (2)	2 (1)

Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Client Monies Service	09/03/15	People	Limited	Adequate	30 (16)	0 (0)	27 (16)	3 (0)
Transport	15/06/15	People	Adequate	Adequate	8 (1)	0 (0)	2 (0)	4 (1)
Delivery of statutory functions - EDT – Emergency Duty team	30/06/15	People	Adequate	Adequate	8(3)	0(0)	1(0)	7 (3)
Housing allocation policy	03/07/15	People	Adequate	Adequate	6(0)	6(0)	0(0)	0 (0)
City Deal	09/07/15	Corporate Services	Adequate	Adequate	5(3)	1 (0)	3 (3)	1 (0)
Financial Assessment Process	13/07/15	People	Limited	Limited	32(22)	15(9)	17(13)	1(1)
Contribution and charging policies	13/07/15	People	Limited	Limited	11 (8)	4 (1)	7(7)	0 (0)
Treasury Management	21/07/15	Corporate Services	Substantial	Substantial	1 (0)	1 (0)	0 (0)	0 (0)
Housing - stock control	30/07/15	People	No Assurance	No Assurance	44(11)	24(0)	20 (11)	0 (0)

5. Executive Summaries of new reports published concluding a ‘Limited’ or ‘No’ assurance opinion

Financial Assessment Process		
<p>Directorate Sponsor: People</p> <p>Key Contacts: Mark Howell (Head of Adult Services), Andrew Armour (Benefits Service Manager), Prisca Mascerenhas (Business Manager), Ricky Rossiter (Service Manager)</p> <p>Final Report Issued: 13 July 2015</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>The Financial and Benefits Team (FAB) is part of Benefits Services and is subject to a contract between SCC and Capita. Little detail exists in the contract outcome specification for FAB. A draft SLA is in existence but this does not form part of the change control process for inclusion in the contract. The proposed SLA specifies timescales for both SCC and Capita however the timescales are consistently exceeded by both parties.</p> <p>The Care Act will introduce major changes from April 2016 and the Council will have greater discretion over charging policies from April 2015, however, at the time of the review policies had not been determined therefore FAB did not know what changes would be introduced and the impact upon the team. There remains a lack of clarity & ownership for identifying, actioning and communicating legislative changes to charging policies</p> <p>Information required for the FAB assessments is not always readily available when care assessments are requested and the FAB team often need to search clients records and request further information from the care manager which causes delays in the process which can result in a cost to the Council as clients cannot be charged until an assessment has been completed.</p>		

Contribution and Charging Policies

Directorate Sponsor: People

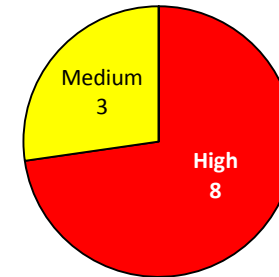
Key Contacts: Mark Howell (Head of Adult Services), Andrew Armour (Benefits Service Manager), Prisca Mascerenhas (Business Manager), Jeanette Clarke (Policy Development Manager) Stephanie Ramsey (Director of Quality and Integration))

Final Report Issued: 13 July 2015

Assurance opinion:



Management Actions:



Summary of key observations:

This was a follow-up review of a ‘no-assurance’ report issued in July 2013. The review found positive improvements in the way changes to billing files (outside of PARIS) were recorded and the clarity of information on invoices leading to an improved customer experience.

A procedure for raising care interventions exists but has not been reviewed for some time and contains no timeframes. A draft service level agreement (SLA) between Adult Health and Social Care (AHSC) and Capita has been created to cover financial assessments. This document contains timeframes for the raising of care interventions and recording of financial assessments, however, has yet to be formally agreed

Testing highlighted that care interventions are not consistently raised or closed in a timely manner. This impacts on payments to providers and invoicing of clients for contributions, creating late/ over payments. There are also delays in requesting and carrying out financial assessments. Various factors contribute to this, including:

- lack of information from care managers;
- delays by families needed to be present at visits; and
- delays by the FAB team in recording the assessment in Paris.

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2014 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2014	01.04.15 – 21.08.15
Part 2 Requirements - Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	2 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	4 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	33 days*
Total number of new fraud cases investigated	0 **

*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers, housing benefits etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'*

7. Planning & Resourcing

The internal audit plan for 2015/16 was approved by the Council’s Management Team and the Governance Committee in April 2015.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8

8. Rolling Work Programme

Audit title	Audit Progress					Final report issued	Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
2014-15 Carry Forward Reviews							
Council Tax (including council tax support)	✓	✓	✓	✓	26.05.2015	Adequate	
Income Collection and Transactions	✓	✓	✓	✓			
Accounts Receivable	✓	✓	✓	✓			
Treasury Management	✓	✓	✓	✓	21.07.2015	Substantial	
Bank account change/control	✓	✓	✓	✓			
Capita development days / Capita Contract Management	✓	✓	✓	✓			

Audit title	Audit Progress					Final report issued	Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
Across Schools Thematic Review – Governance 14/15	✓	✓	✓	✓			
Transport	✓	✓	✓	✓	15.06.2015	Adequate	
Integrated Commissioning Unit	✓	✓	✓				
MARP - Multi Agency Resource Panel	✓	✓	✓	✓			
School Capital programme	✓	✓	✓	✓			
Housing - stock control	✓	✓	✓	✓	30.07.2015	No	
Housing allocation policy	✓	✓	✓	✓	03.07.2015	Adequate	
City Deal	✓	✓	✓	✓	21.07.2015	Adequate	
Better Care Fund	✓	✓	✓	✓	13.07.2015	n/a	
Financial Assessment Process	✓	✓	✓	✓	13.07.2015	Limited	
Contribution and charging policies	✓	✓	✓	✓	13.07.2015	Limited	
Direct payments	✓	✓	✓	✓			
Delivery of statutory functions - EDT – Emergency Duty team	✓	✓	✓	✓	30.06.2015	Adequate	
Public Health	✓	✓					

Audit title	Audit Progress						Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
2015-16 Reviews							
Corporate Cross Cutting							
Transformation							
Business Continuity and Emergency Planning							
Health and Safety							
Human Resources - recruitment							
Procurement							
Contract Management							
Repairs and maintenance							
Strategic Service Partnership							
Fleet Management	✓						
Human resources - Pay and allowances	✓	✓					
Human resources - policies and procedures							
Corporate Governance							

Audit title	Audit Progress					Final report issued	Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
Annual Governance Statement (Assurance Statement)	-	✓	✓	✓	08.05.2015	Adequate	
Proactive Fraud Review(s)	-	✓					
National Fraud Initiative	-	✓					
Financial management							
Housing rents and Debt Management							
Income Collection and Transactions							
Accounts Payable							
Financial Management (budget monitoring)	✓	✓	✓				
Main Accounting System							
Payroll							
IT							
Internet/e-mail							
IT governance	✓						
IT disaster recovery	✓	✓					

Audit title	Audit Progress					Final report issued	Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
Telecommunications							
Strategic Objectives							
Arts and Heritage							
Across Schools Thematic Review 1 – Compliance with Procurement Rules	✓	✓					
Across school thematic review 2 - Payroll							
Establishment reviews – Holecroft							
Establishment reviews – Glenlee							
General school reviews							
Safeguarding - Protection and Court Teams (PACT)							
Respite schemes - children and adults							
Integrated Commissioning Unit							
SFVS - School Financial Value Standard	✓	✓	✓	✓	✓	✓	N/A
Safeguarding (Children) Assurance mapping							
Highways							

Audit title	Audit Progress						Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
Housing Depot Reviews							
Leisure - contract management							
HMO Licensing	✓	✓					
Adoption							
Better Care Fund							
Care Act							
Families Matters governance review							
Think Local, Act Personal - (Personalisation - support planning)							
Safeguarding - Adults	✓						
Contribution and charging policies							
Health and Wellbeing Board							
Direct payments							
Quality assurance							
Families Matters grant claims							

Audit title	Audit Progress					Final report issued	Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
Continuing Healthcare							
DOLS							
PUSH	✓	✓	✓	✓	01.06.2015	Substantial	
Bitterne Sixth Form – Capital Project	✓	✓	✓				

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