

AGENDA

Meeting: Audit
Place: Council Chamber - Council Offices, Monkton Park, Chippenham,
SN15 1ER
Date: Wednesday 20 March 2013
Time: 2.00 pm

Please direct any enquiries on this Agenda to Stuart Figini of Democratic Services, County Hall, Trowbridge, direct line (01225) 718376 or email stuart.figini@wiltshire.gov.uk

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Membership:

Cllr Richard Britton
Cllr Nigel Carter
Cllr Peggy Dow
Cllr Peter Doyle
Cllr Mark Griffiths
Cllr George Jeans
Cllr David Jenkins

Cllr Julian Johnson
Cllr Helen Osborn
Cllr Mark Packard
Cllr Sheila Parker (Vice Chairman)
Cllr Pip Ridout
Cllr Roy While (Chairman)

Non-Voting Members
Cllr John Brady

Cllr Jane Scott OBE

Substitutes
Cllr Chris Caswill
Cllr Ernie Clark
Cllr Michael Cuthbert-Murray
Cllr Rod Eaton
Cllr Mollie Groom

Cllr Francis Morland
Cllr Jeff Osborn
Cllr Paul Sample
Cllr Bridget Wayman

Part I

Items to be considered while the meeting is open to the public

1 Apologies and Membership Changes

2 Chairman's Announcements

3 Minutes of the Previous Meeting (*Pages 1 - 6*)

To confirm and sign the minutes of the Audit Committee meeting held on 19 December 2012. (copy attached)

4 Members' Interests

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

5 Public Participation and Committee Members' Questions

The Council welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of the agenda (acting on behalf of the Director of Resources) no later than 5pm on 13 March 2013. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

6 Certification of Grants and Returns - 2011/12 (*Pages 7 - 14*)

To receive the Certification of Grants and returns for 2011/12.

7 Internal Audit - Quarterly Update (Pages 15 - 48)

A report by the Service Director of Finance is attached along with an appendix from the South West Audit Partnership.

8 SWAP Internal Audit Governance Update (Pages 49 - 138)

A report by the Service Director, Finance and Section 151 Officer is circulated.

9 Internal Audit Plan 2013/14 (Pages 139 - 148)

To receive the Internal Audit Plan for 2013/14.

10 External Audit Plan 2012/13 (Pages 149 - 172)

To receive the External Audit Plan for 2012/13.

11 Risk Management Update (Pages 173 - 176)

A report by the Head of Risk and Assurance is attached.

12 Date of next meeting

To note that the next regular meeting of the Committee will be held on 18 June 2013.

13 Urgent Items

Any other items of business, which the Chairman agrees to consider as a matter of urgency.

Part II

Items during whose consideration it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

NONE

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AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 19 DECEMBER 2012 AT COUNCIL CHAMBER - COUNCIL OFFICES, MONKTON PARK, CHIPPENHAM, SN15 1ER.

Present:

Cllr Richard Britton, Cllr Nigel Carter, Cllr Peter Doyle, Cllr George Jeans, Cllr David Jenkins, Cllr Julian Johnson, Cllr Alan MacRae, Cllr Mark Packard, Cllr Sheila Parker (Vice Chairman), Cllr Pip Ridout, Cllr Jane Scott OBE and Cllr Roy While (Chairman)

13 Apologies and Membership Changes

Apologies were received from Cllrs John Brady, Mark Griffiths and Helen Osborn.

14 Chairman's Announcements

There were no Chairman's announcements.

15 Minutes of the Previous Meeting

The minutes of the meetings held on 7 September 2012 and 19 September 2012 were presented, and it was,

Resolved:

To approve the minutes as a true and correct record.

16 Members' Interests

There were no declarations of interest.

17 Public Participation and Committee Members' Questions

The Committee noted the rules on public participation. There were no submitted questions or statements.

18 **Annual Audit Letter**

The Committee considered the Annual Audit Letter issued by the Council's external auditor – KPMG, for 2011/12.

Darren Gilbert, Senior Manager KPMG, explained that the report summarised the key findings from the 2011/12 audit of the Council and that all the findings had been discussed in previous Audit Committee meetings. He added that the reports reflected another significant improvement in the Council's control environment.

Michael Hudson, Service Director of Finance explained that officers were in the process of actioning recommendations and the Committee would receive an update on progress in the final quarter of 2011/12.

Headlines from the report were;

- VFM conclusion – Unqualified value for money (VFM) conclusion was issued in September 2012.
- Audit opinion – Unqualified opinion on financial statements issued in September 2012.
- Financial statements audit – The Council has sound financial reporting arrangements and the financial statements audit progressed smoothly. The Council has implemented all of the recommendations in the KPMG ISA 260 Report 2010/11 relating to financial statements
- Annual Governance Statement – Consistent with KPMG's understanding.
- Pension fund audit – No significant issues and an unqualified opinion was issued.
- Certificate – Issued on 7 September 2012.
- Audit Fee – £402,760 excluding VAT.

The Chairman thanked Darren for his report.

Resolved

To note the content of the report.

19 **Internal Audit Quarterly Update**

The Committee considered the report of Michael Hudson, Service Director of Finance, and Internal Audit (IA) on the most recent quarterly update for 2011/12.

The report summarised (i) the outcomes of audits completed during the period, (ii) the results and outcomes of follow-up reviews carried out during the period, and (iii) an update on the delivery of the 2012/13 Internal Audit Plan.

Dave Hill, Group Audit Manager led the committee through the main points of the report. The Service has started 96 audits – 63 had been completed, 8 were in draft and 35 were in progress. Of the 35 audits 17 related to audits carried forward from 2011/12 of which 14 were complete, 2 deferred and 1 at draft stage. He also explained that based on the work completed to date in the current financial year, that risks were generally well managed and the systems on internal control were working effectively. Management responded positively to IA suggestions for improvements and corrective action was often taken quickly wherever it was possible or practical.

Dave explained that IA were working on improving the number of final reports being issued within 10 working days of a discussion of the draft report. It was noted that final reports were produced on average within 17 days. Members were also informed that only 82% of customer satisfaction questionnaires were returned and David highlighted the importance to IA of the comments and feedback received from clients. Members suggested that in future all questionnaires must be returned to IA.

Barrie Pirie, Service Director, HR and Organisational Development welcomed the report from IA on Sickness Absence. He explained that it was encouraging to be engaged with the audit process to identify current and future risks. The outcomes of the IA report did not raise any unknown issues and the information contained in the report would be used to improve processes of reporting and that the action plan would deliver improvements to the service.

Paul Loach, Head of Service, HR Operations highlighted how HR provided help for Managers including practical guides, up-to-date policies, training- including training on the SAP system, running manual handling and stress management courses and case reviews. He explained that appropriate resources were to be reallocated with HR to tackle sickness absence.

Members in considering the report in detail raised the following points:

- the need for table column headers for each page of Appendix B of the report
- Questions about Contract Management and Category Management and assurances that the recommendations and controls suggested by IA had been accepted and integrated within a long term plan for the service. It was suggested that Category Management could be linked with System's Thinking, Property Management and Campus provision
- A Partial opinion received for the audit on IT Infrastructure. Additional work was currently being undertaken and a further update on this issue would be available at the Committee's next meeting in March 2013
- Officers confirmed that the proposed start dates for audits due to be undertaken in January-March 2013 were agreed with clients as part of

the initial meeting process with IA. However, it was noted that the information contained in Appendix B was a 'snap shot in time' and it was subject to change depending on when meetings were held.

Members were assured that even where a start date had not been agreed between IA and a client a lot of work had already taken place. The Service Director of Finance referred to examples of this in Appendix B. Members suggested that, for future reports, the Appendix should include information on the reasons why a start date had not been agreed

- There was some concern about the negotiation with clients with regard to the start date of an audit, as it was felt that slippages could start to enter into the process. Officers explained that experience indicated that the best audits were undertaken when IA were working with the client rather than dictating when certain parts would be carried out. However, audits were imposed on clients when IA were concerned about a certain situation
- Members noted that IA were very busy undertaking many audits throughout the year and suggested that a Task Group be established to look in detail at the processes for undertaking an audit and the level of detail required in Committee reports, reporting back to the Audit Committee with assurances of how the process works, and feeding into specific training for Members of the Committee. The suggestion was welcomed by the Service Director of Finance
- The Service Director of Finance explained that the Corporate Procurement Unit was being restructured and that issues were being looked at. He confirmed that procedures were in place for the Contract Register. Spot checks and verification work would be a part of the restructured Unit, and that the emphasis of the team was changing to accommodate service need.
- Members spoke about the importance of receiving information in reports to Committee on the outcomes of IA reports and felt that the Management responses contained in reports were too general. The Service Director of Finance explained that the recommendations and actions proposed by IA were paraphrased in the reports to Committee and that there was a lot of additional detail contained in the IA report.
- The Service Director of HR and Organisational Development explained that managers monitored the theme's of sickness absence in many ways, including through quarterly workforce reports which highlighted key information and themes, reporting information to Cabinet, Staffing Policy Committee, Scrutiny and officer meetings to target issues raised in the reports.

- Allison Bucknell, Portfolio Holder - Customer Care, Staffing and Equality & Diversity, reported that the Staffing Policy Committee considered reports on sickness absence and that the main issues raised in reports related to stress and skeletal/back problems
- It was noted that the language used for partnerships was too general and it needed to accurately reflect the work of the Council. The Leader of the Council was concerned that any work did not adversely affect partnership working that developed in a non contractual way
- Members spoke about the way the Council works with partners including the Police and Crime Commissioner and the Health and Wellbeing Board. It was suggested that where relationships exist protocols needed to be reviewed and there was a role for the Overview and Scrutiny Management Committee, and it was noted that the future success of the partnerships depended on how they were nurtured and developed
- It was suggested that a briefing note on the general nature of strategic partnerships across the Council would be of benefit to Members

The Chairman summed up the issues that the Committee wished to see included in the work of the Task Group and included in the proposed training session. The issues were:

- The appreciation of how audits were undertaken by looking at one or two final audit reports
- Questionnaires being returned by clients
- The scheduling of start dates for audits
- The Committee being assured of action taken by outcomes being included in future reports and the type of information required by Members to be assured
- Extracting information from sickness absence reports

The Committee thanked Service Director of Finance and IA for the vast amount of information provided to Members which allowed for a full debate and targeted questioning of officers.

Resolved:

- a) That the findings from the Internal Audit's audits to date be noted
- b) That the changes to the audit plan, set out in Appendix B of the report relating to the deferral of certain audits be confirmed.

20 **Forward Work Programme**

Resolved:

That the Committee's Forward Work Programme for December 2012 to March 2013 be noted.

21 **Date of next meeting**

The next meeting will take place on 20 March 2013, in the Council Chamber, Monkton, Chippenham starting at 10:30am.

22 **Urgent Items**

(Duration of meeting: 10.30 am - 12.45 pm)

The Officer who has produced these minutes is Stuart Figini, of Democratic Services, direct line (01225) 718376, e-mail stuart.figini@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115



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Certification of grants and returns 2011/12

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Wiltshire Council

January 2013

Agenda Item 6



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in connection with this
report are:**

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Chris Wilson, who is the engagement leader to the Authority (telephone 0118 964 2269, e-mail christopher.wilson@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.



Certification of grants and returns 2011/12 Headlines

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Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2011/12 grant claims and returns.</p> <ul style="list-style-type: none">■ For 2011/12 we certified:<ul style="list-style-type: none">– two grants with a total value of £133m; and– three returns with a total value of £156m.	-
Certification results	<p>We issued unqualified certificates for most grants and returns but qualification was necessary in one case.</p> <ul style="list-style-type: none">■ This means that we were generally happy that the Council complied in all significant respects with the terms and conditions of the schemes that we reviewed and prepared claims that were fairly stated (following amendment in some cases). However, we identified issues to report to central government on the Housing & Council Tax Benefit grant claim.	Pages 3 – 4
Audit adjustments	<p>Adjustments were necessary to two of the Council's grants and returns as a result of our certification work this year.</p> <ul style="list-style-type: none">■ All adjustments were insignificant in nature. This is consistent with our findings in the previous year.	Pages 3 – 4
The Council's arrangements	<p>The Council has generally good arrangements for preparing its grants and returns and supporting our certification work.</p> <ul style="list-style-type: none">■ No specific improvement points have been noted as a result of our certification work in 2011/12 and all recommendations made in 2010/11 have been implemented.	
Fees	<p>Our overall fee for the certification of grants and returns has been contained within the original estimate.</p> <ul style="list-style-type: none">■ For each grant claim certified in 2011/12, the fee charged is lower than for 2010/11.	Page 5

Certification of grants and returns 2011/12

Summary of certification work outcomes

Overall, we certified five grants and returns:

- three were unqualified with no amendment;
- one was unqualified but required some amendment to the final figures; and
- one required a qualification to our audit certificate and minor amendment.

Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2011/12 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

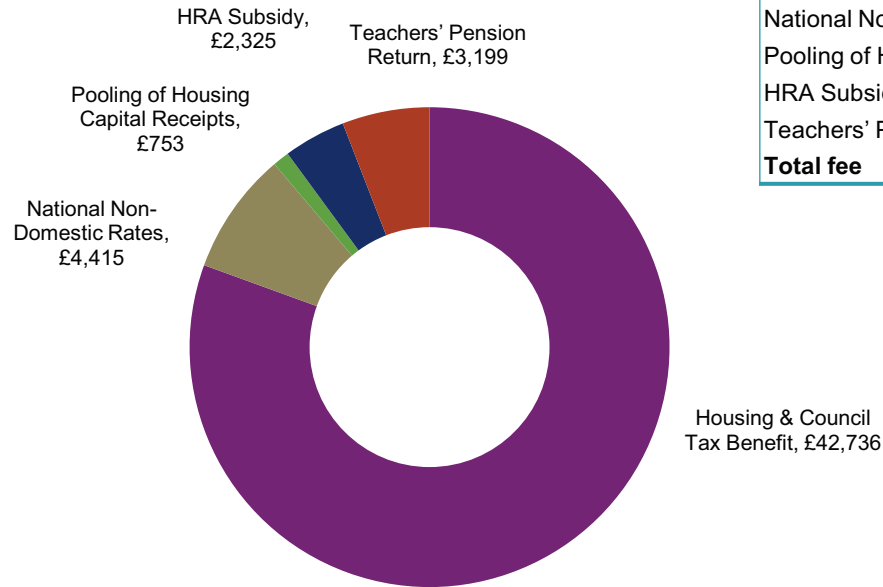
	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing & Council Tax Benefits	1	1	0	1	0
National Non-Domestic Rates		0	0	0	1
Pooling of Housing Capital Receipts		0	0	0	1
HRA Subsidy		0	0	0	1
Teachers' Pension Return	2	0	0	1	1
		1	0	2	4

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Financial impact
1	<p>Housing & Council Tax Benefits</p> <ul style="list-style-type: none"> A small number of amendments were made to the Housing Benefit claim, resulting in an overall reduction to the total subsidy claimed of £42,788 (for a claim with a total value of £133 million). The majority of amendments related to the misclassification of overpayments. The claim was qualified due to the following: <ul style="list-style-type: none"> Our sample testing identified one case of under paid rent rebates. The total underpayment only amounted to £6 but the Audit Commission requires that any underpayments (regardless of value) are highlighted through a qualification letter to the Department for Work and Pensions. However, no amendment is required to the grant claim. Our sample testing of rent allowance and council tax benefit overpayments identified errors which, when extrapolated, were not considered to be representative of the likely error in the population as a whole. We are required to report this to the Department of Work and Pensions, which has contacted the Council with details of further work it requires in order to quantify the error. Our certificate was otherwise unqualified for the remainder of this particular grant claim, which covered approximately £133 million of grant income claimed by the Council through the subsidy system. 	- £42,788
2	<p>Teachers' Pension Return</p> <ul style="list-style-type: none"> An amendment was made by management to the original form as it was identified that a digit had been missed off an entry in Part A section 4. 	-

Our overall fee for the certification of grants and returns is slightly above the original estimate but 11% lower than 2010/11.

Breakdown of certification fees 2011/12



Breakdown of fee by grant/return		
	2011/12 (£)	2010/11 (£)
Housing & Council Tax Benefits	42,736	46,673
National Non-Domestic rates	4,415	4,763
Pooling of Housing Capital Receipts	753	2,415
HRA Subsidy	2,325	2,803
Teachers' Pension Return	3,199	3,687
Total fee	53,428	60,341

Our initial estimated fees for certifying 2011/12 grants and returns was £52,775. The actual fee charged was slightly above that estimate. For each grant claim certified in 2011/12 the fee charged is lower than for 2010/11, with the total fee being 11% lower than the previous year. This has been mainly achieved through fewer issues being identified from our testing in 2011/12 and key officers being available to answer queries in a more timely manner.



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WILTSHIRE COUNCIL AUDIT COMMITTEE

20th March 2013

INTERNAL AUDIT 2012/13 THIRD UPDATE REPORT

Purpose of the Report

1. This progress report presents the Committee with an update on the performance of the Internal Audit (IA) Section. In particular, it provides a summary of:
 - the outcomes of audits completed during the period,
 - the results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to audit reports from the previous year
 - an update on the delivery of the 2012/13 IA Plan, including audits in-progress which should be finalised and reported to the next Committee meeting and any deferred audits.

Executive Summary

2. The attached quarterly update (Appendix A) summarises the main findings by IA. In summary, the Service has started 118 audits, 17 carried forward from 2011/12 (15 now complete and 2 deferred), and a further 66 completed or at final report stage of the audits started in 2012/13.
3. Overall IA concluded as per its assurance definitions at page 8 of the SWAP report at Appendix A of this report, that the majority of its findings were that there is reasonable or substantial assurance.

Assurance (per definitions at Appendix A)	Percentage – Update 1	Percentage – Update 2	Percentage – Update 3
Substantial	6%	5%	8%
Reasonable	57%	62%	60%
Partial	14%	18%	17%
None	0%	1%	1%
Advice/Follow Up Audits	23%	14%	14%

4. From this work 2 potential significant 'corporate' risks have been identified (reported to the Audit Committee on the 19th December 2012), with reviews resulting in a partial assurance (definition at page 8/9 of SWAP summary report at Appendix A of this report). Only 1 of the 14 partial/no assurance reviews relate to audits completed this quarter and are reported on in this report (the other 13 have previously been reported to this Committee). Further to this there was 1 audit area that received "No Assurance" (previously reported to this Committee).
5. The 1 partial assurance finding to update members on this quarter is related to the review of Fees and Charges, the details are shown in Appendix D.
6. Overall therefore the 395 recommendations have been made by IA to date (86 this quarter, 165 in the second quarter and 137 in the first quarter), broken down as follows:

Year	Priority 5	Priority 4	Priority 3	Priority 2	Priority 1	Total reported Update 2	Total reported Update 1
2011/12 carry forward audits – Accumulative Update 1	7	0	19	0	40	/	66
2011/12 carry forward audits – Accumulative Update 2	7	2	24	2	41		76
2012/13 audits – Accumulative Update 1	0	1	42	8	20	/	71
2012/13 audits – Accumulative Update 2	3	56	124	26	24		233
2012/13 audits – Accumulative Update 3	3	73	165	49	30		319
Total year to date	10	75	189	51	71		395
Percentage	3%	19%	48%	13%	21%		

7. Appendix B identifies the 2012/13 audits, included in that are those that have been deferred to later in the financial year or until 2013/14. Below are a list of audits that have been deferred since the last report to this committee, and the reasons for the deferral.
8. These have been agreed with the business and S151 Officer. Corporate Directors, Service Directors and Service Managers have provided summaries of reasons for deferrals and these are shown below:

- Adoption

Progress relating to Adoption and Child Protection is being overseen by an Improvement Board, independently chaired, and there is also a safeguarding scrutiny task group in place. The Service is also planning a follow up adoption diagnostic by an external agency around July 2013. The audit work will need to be after this to assess potential improvement following the implementation of the improvement plan.

- Child Protection Plans

Children's services are currently being very closely monitored and audited, so questionable how much value internal audit could add at this stage, possible internal audit early 2014.

- Troubled Families

The troubled families work is overseen by a high level steering board attended by senior representatives of partner agencies. An audit in Autumn 2013 will allow for further implementation of the programme.

- Communications

This work was planned for Spring 2013 but due to a service restructure this will be deferred by a few months.

- Assessment and Reviews

The Internal Audit Plan 2012/13 outlined the intention to audit Adult Care's Assessment and Review Process. However, this did not take place as a request was made to delay this audit as a new service, Helped to Live At Home (HTL@H), was in the process of being introduced and it radically changed both the assessment and review processes.

- Helped to Live at Home (HTL@H)

HTL@H services have now been operating for 9 months and the processes are currently being reviewed. It is anticipated that the review will be completed and any changes to the process made by June 2013. It is therefore appropriate that an internal audit be carried out in the last quarter of the financial year 2013/14. This will allow for the revised processes to embed and give a truer picture of the robustness of the processes.

- Child/Adult Transition

The disabled children and adults review has continued to progress over the past two years. The vision for a more integrated service for young people with Special Educational Needs and Disabilities (SEND) is beginning to come together and phase 1 will be delivered in April 2013.

Phase 1 will create an extended children's social care service for SEND that will bring together a range of DCE colleagues and resources transferred from adult social care services into a new service that will provide continuity for young people from birth to stability. (0 – 25 years). The necessary HR work and staff consultations are underway at this time. The new service is actively recruiting staff.

Phase 2 will consider how best to ensure that schools and learning and health will contribute to the new 0-25 single Education, Health and Care (EHC) assessment, that will become a statutory requirement from April 2014 onwards. As a DfE pathfinder, Wiltshire is already piloting the EHC single assessment.

Deferring the audit at a time of substantial change creates the opportunity for a far more effective audit later in 2013 that will be able to report on the proof of concept stage and the initial impact of phase 1.

- Continuing Health Care (CHC)

This audit has been delayed for several reasons:

CHC was the subject of a joint Health & Social Care scrutiny task group in 2012. The action plan from this task group was agreed in May 2012 and progress will be reported back to Health Select Committee in March 2013. Audit of delivery will be more helpful after the action plan is fully implemented.

The Council and the new Clinical Commissioning Group (CCG) are developing a protocol for meeting and funding health needs to simplify arrangements for people who are not eligible for CHC but who have health needs that can be safely delivered by social care providers. It would be helpful for audit to consider the implementation of this protocol.

More recently (February 2013) it has been decided that CHC delivery will be one work stream within the Community Services Transformation Review, which is a joint programme of work between the CCG and Great Western Hospital community health services.

- Orders of St John Care Homes

It was agreed to delay as the previous audit had only just been completed. The audit identified areas which needed improvement. A new finance monitoring system has been implemented and it is felt that an audit would need to wait until after implementation.

9. Internal Audit have undertaken other additional work and this is detailed below:

- Registration

Service Requested by client to include a review of the processes within the service.

- Migration of Benefits

The Benefits system was replaced in 2011. This additional work was required by the external auditor to provide assurance that data migrated to the new system was accurate and complete.

- Express Payroll

Software identified during the audit of Electoral Services. It was considered appropriate to carry out a review to ensure appropriate and controlled access to personal and sensitive information.

- Grant Certification

Some grants awarded to the Council from external organisations require a level of audit and checks by Internal Audit. As these grants were not known at the time of planning the work was not part of the agreed audit plan.

- External Audit High Risks Assurance

This work was required to provide additional assurance that the actions proposed in the action plan had taken place or was in progress.

- Adult Services Contracts

Internal audit were asked to deliver training to the contracts team so that they could carry out visits to care homes as part of their contract monitoring and as agreed following an audit review the previous year.

- Access Passes

Due to the unprecedented levels of change taking place across Wiltshire it was felt appropriate to include a piece of work to assess the level of control regarding access passes to Council sites.

- SAP Access Controls

Similar to the Access Passes above, but directly relating to access to SAP. The audit commenced but was agreed to defer further work to allow the SAP Support Team to conclude a piece of work relating to roles and access.

- SCL Project

A project is underway to review Staff Changes and Leavers. Audit have been involved in this review and providing independent input to the project team.

- Traffic and Network Management

This work was initially agreed as part of the audit plan but on discussion with the business, it was agreed that two separate audits would be required, one for co-ordination and one for inspection.

10. Overall the performance of SWAP is on track with the partnership performance measures. Members will note that 75% of reports have been issued (a slight drop from the previously reported 76%) within the agreed timescales, however, as identified at Appendix B a review of the dates requested by Audit Committee and now included shows that in some cases there have continued to be delays between the dates reports (draft and final) were expected to be issued and when they were. Discussions with IA have identified this is due to.

- Delays in clearing reports by Wiltshire in certain cases due to;
 - Absences
 - Wide circulation for clearance
 - Differing Opinions as to the Final Content

11. By removing the schools audit work there has been an improvement in this figure from 24% to 70% (with schools, 29%) but clearly there is still work to be done. This item will continue to be reported to Committee until we are satisfied that the improvement required is sought and sustained. This will include being informed by the Audit Committee's Task Group.

12. These issues are not due to internal audit and in relation to the first issue a new protocol has been agreed with IA for improving the timeliness and resolution of reports. As such no issues are raised regarding performance to date.

Proposal

13. Members are asked to note the findings from IA audits to date and confirm the changes to the audit plan set out at paragraph 6 of this report relating to deferral of certain audits.

Reasons for Proposals

14. To ensure an effective IA function and strong control environment.

Michael Hudson
Director of Finance, S.151 Officer

Report author: **Michael Hudson**
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Unpublished documents relied upon in the preparation of this Report: None.

Appendices: A – IA Second Progress Report 2012/13
 B – IA detailed Audit Plan and monitoring statement 2012/13
 C – Significant Corporate Risks
 D – Summary of audits deemed 'Partial / No' assurance

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Wiltshire Council

Report of Internal Audit Activity 2012/13

March 2013

Contents

The contacts at SWAP in connection with this report are:

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The Head of the Internal Audit Partnership is required to provide an opinion to support the Annual Governance Statement.

Audit Opinion

Overall, based on the work completed to date this financial year, I can report that risks are generally well managed and the systems of internal control are working effectively. Management respond positively to internal audit suggestions for improvements and corrective action is often taken quickly, wherever this is possible or practical.

Our audit activity is split between:

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

Role of Internal Audit and Audit Work

The Internal Audit service for Wiltshire Council is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit Committee at its meeting on 14th December 2012.

Internal Audit provides an independent and objective opinion on the Authority's governance, risk and control environment by evaluating its effectiveness.

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Chief Financial Officer (Section 151 Officer), following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to this Committee at its meeting on 21st March 2012.

Key Control Audits are undertaken in quarter three of each year and these are planned in conjunction with the Council's External Auditor to assist in their assessment of the Council's financial control environment. This reduces the overall cost of audit to the Council.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, risk and control. This audit assignment activity is broken down into various categories of work as outlined in the bullet points shown in the column on the left of this page.

Outturn to Date:

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

Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2012/13 and also records the status of any outstanding work carried forward from the 2011/12 plan. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on pages 8 and 9 of this document.

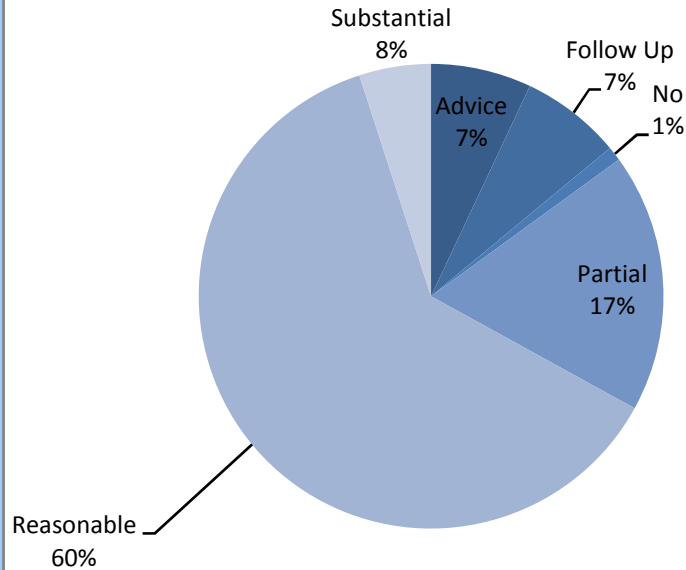
To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a ‘Partial Assurance Opinion’ have been summarised in Appendix D.

However, in circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised in Appendix C. These items will remain on this schedule for monitoring by the Committee until the necessary management action is taken and appropriate assurance has been provided that the risks have been mitigated / addressed.

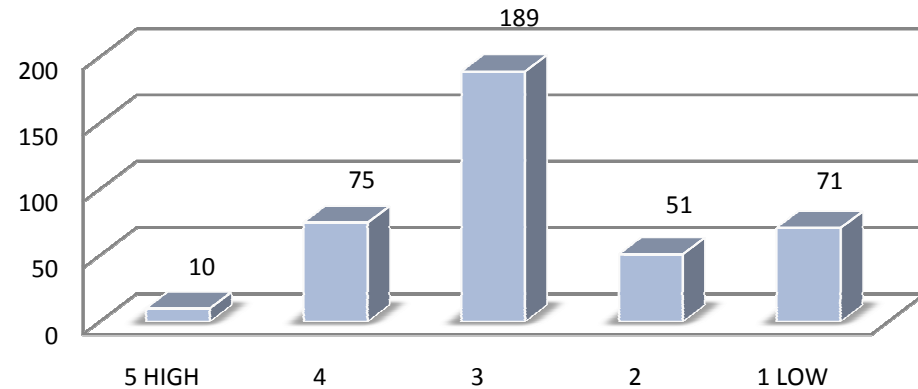
Summary of Control Assurance and Recommendations

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Control Assurance Outcomes



Audit Recommendations by Priority



Summary of Internal Audit Work

A total of 119 audit assignments were progressed during the period. Of these 87 reached completed or final report stage; 14 draft reports; and 18 are currently in progress. The diagrams above summarise the outcomes of final reports.

Audit Follow Up Work

Follow-up Audits are carried out to confirm that any recommendations from the original audit, where a “partial” or “none” opinion has been given. It is pleasing to note that all high priority actions (priority 4 and/or 5’s) have been reviewed and management action to address these confirmed.

Performance:

The Head of Internal Audit Partnership reports performance on a regular basis to the SWAP Management and Partnership Boards.

SWAP Performance

SWAP now provides the Internal Audit service for 12 Councils and also many subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Management and Partnership Boards. The respective outturn performance results for Wiltshire Council for the 2012/13 (as at the end of February 2013) year are as follows;

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u>	
2011/12 Work C/Fwd	100%
Final, Draft and Discussion	73%
Fieldwork Completed awaiting report	5%
In progress	10%
Yet to commence	12%
<u>Draft Report</u>	
Issued within 5 working days	75%
Average Days to Issue Draft	3 Days
<u>Final Reports</u>	
Issued within 10 working days of discussion of draft report.	70%
<u>Quality of Audit Work</u>	
Customer Satisfaction Questionnaire	79%
<u>Audit Fee</u>	
Increase/Decrease in approved Internal Audit Budget	£nil

Performance:

The Head of Internal Audit Partnership reports performance on a regular basis to the SWAP Management and Partnership Boards.

SWAP Performance

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the service manager or nominated officer. The aim of the questionnaire is to gauge satisfaction against timeliness; quality; and professionalism. As part of the Balanced Scorecard presented to the SWAP Management Board, a target of 85% is set where 75% would represent a score of good. Whilst the number of questionnaires returned remains low the average satisfaction rate is 79%.

The draft to final report percentage is still too low but has significantly improved by taking the schools performance figures out of the calculation. As reported at the last committee, this skewed the figures in a downward manner and was not truly reflective of the response to draft reports by Management.

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

Approved Amendments to Annual Audit Plan 2012-13

Planned audit work is as detailed in Appendix B. Audit work remains under constant review to ensure that, if necessary, internal audit resources can also be targeted at emerging issues in a timely manner. Any changes that are required are agreed with the Chief Financial Officer and are reported to the Committee.

During quarter 3 specific requests for Internal Audit support has resulted in a requirement to complete additional audit work. At present these additions are covered from the agreed contingency allowance or from deferred or removed audits.

The additional work covers review activity in the following areas:

- Adult Services Contracts
- Access Passes
- SAP Access Controls
- SCL Project
- Traffic and Network Management

Assurance Definitions:

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None

Audit Framework Definitions

Control Assurance Definitions

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

Categorisation of Recommendations

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

Quarter 1 Outturn:

Recommendations that are made as a result of audit assignments are ranked on a scale of 1 to 5 to indicate their relative priority/potential impact.

Audit Framework Definitions

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

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

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

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

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

Definitions of Risk

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

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CARRY FORWARD WORK 2011-12 AUDIT PLAN																
Audit No.	Directorate/Service	Audit Area	Audit Type	Quarter	Status	Opinion	No. of recs	Recommendations					Proposed Start Date	Actual Start Date	Draft Issued	Final Issued
								5	4	3	2	1				
1	Children & Education	Child Placements Out of County	Operational	2011-12	Final	Partial	7	1	0	3	0	3	30/01/2012	30/01/2012	08/05/2012	10/08/2012
2	Children & Education	Safeguarding (Child Protection)	Operational	2011-12	Final	Partial	18	1	0	7	0	10	01/04/2012	01/04/2012	11/07/2012	02/08/2012
3	ICT	Core Financial Systems - Benefit Systems	ICT	2011-12	Completed	Non Opinion - additional External Audit Testing	0	0	0	0	0	0	01/01/2012	01/01/2012	N/A	N/A
4	ICT	Core Financial Systems - Cash Receipting (Civica)	ICT	2011-12	Final	Reasonable	13	0	0	0	0	13	01/01/2012	01/01/2012	06/07/2012	29/08/2012
5	ICT	Core Financial Systems - Housing Rents (Simdell)	ICT	2011-12	Final	Reasonable	2	0	0	0	0	2	01/01/2012	01/01/2012	15/05/2012	21/06/2012
6	ICT	IT Infrastructure	ICT	2011-12	Final	Partial	7	2	0	1	0	4	01/01/2012	01/01/2012	05/04/2012	02/07/2012
7	ICT	New Revenues & Benefits System (Northgate)	ICT	2011-12	Final	Reasonable	7	0	0	6	0	1	01/01/2012	01/01/2012	08/06/2012	24/08/2012
8	Neighbourhood & Planning	Leisure Services Management	Operational	2011-12	Final	Reasonable	6	0	0	0	0	6	21/03/2012	02/05/2012	30/04/2012	14/06/2012
9	Children & Education	Child Placements Foster Carers	Operational	2011-12	Final	Reasonable	0	0	0	0	0	0	17/07/2012	17/07/2012	13/08/2012	13/08/2012
10	Community Services	DCS Systems Thinking Review Programme	Operational	2011-12	Completed	Advice	0	0	0	0	0	0	18/05/2012	18/05/2012	14/06/2012	14/06/2012
11	Corporate	Income	Operational	2011-12	Completed	Advice	0	0	0	0	0	0	N/A	N/A	N/A	N/A
12	Finance	Procurement & Contract Management	Operational	2011-12	Completed	Advice	0	0	0	0	0	0	N/A	N/A	N/A	N/A
13	Neighbourhood	Car Parking Services	Operational	2011-12	Final	Reasonable	10	0	2	5	2	1	20/06/2012	20/06/2012	12/09/2012	N/A
14	Neighbourhood	StreetScene	Operational	2011-12	Deferred	Deferred Q1 2012-13 Plan	0	0	0	0	0	0	N/A	N/A	N/A	N/A
15	Neighbourhood	Traffic and Network Management	Operational	2011-12	Final	Partial	6	3	0	2	0	1	26/04/2012	26/04/2012	02/07/2012	02/08/2012
16	Neighbourhood & Planning	Section 106 Agreements	Operational	2011-12	Final	Advice	0	0	0	0	0	0	15/06/2012	15/06/2012	26/06/2012	26/06/2012
17	Transformation & Resources	Temporary Staff / Consultants	Operational	2011-12	Deferred	Deferred to Q4 2012-13 Plan	0	0	0	0	0	0	N/A	N/A	N/A	N/A
Total Number of Recommendations							76	7	2	24	2	41				

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2012-13 AUDIT PLAN																
Directorate/Service	Audit Area	Audit Type	Quarter	Status	Opinion	No. of recs	Recommendations					Proposed Start Date	Actual Start Date	Draft Issued	Final Issued	
							5	4	3	2	1					
FINAL REPORTS ISSUED																
18	Adult Care & Housing Strategy	Care Homes	Operational	July - September 2012	Final	Reasonable	3	0	0	2	0	1	01/09/2012	03/09/2012	22/11/2012	03/01/2013
19	Business Services	Capital Projects	Operational	April - June 2012	Final	Reasonable	3	0	1	2	0	0	01/05/2012	01/05/2012	25/09/2012	29/11/2012
20	Communities	Housing Repairs	Operational	April - June 2012	Final	Reasonable	17	0	5	8	2	2	02/05/2012	02/05/2012	23/07/2012	06/09/2012
21	Communities	Libraries	Operational	April - June 2012	Final	Reasonable	1	0	1	0	0	0	26/04/2012	26/04/2012	10/08/2012	10/10/2012
22	Core Cross-Cutting	Creditor Fraud	Governance, Fraud & Corruption	April - June 2012	Final	Reasonable	14	0	0	13	1	0	11/05/2012	16/05/2012	28/08/2012	30/09/2012
23	Core Cross-Cutting	Financial Procedure Rules & Contract Standing Orders	Operational	July - September 2012	Final	Partial	7	0	2	4	1	0	01/08/2012	02/08/2012	12/10/2012	06/12/2012
24	Core Cross-Cutting	Partnerships	Operational	April - June 2012	Final	Partial	6	0	4	1	1	0	18/06/2012	18/06/2012	31/07/2012	26/11/2012
25	Finance	Housing & Council Tax Benefits	Operational	April - June 2012	Final	Reasonable	4	0	1	3	0	0	09/07/2012	09/07/2012	18/09/2012	12/11/2012
26	Finance	Imprests	Operational	July - September 2012	Final	Partial	11	0	8	3	0	0	20/08/2012	20/08/2012	23/10/2012	01/11/2012
27	Finance	Cash Investments & Borrowing	Key Control	October - December 2012	Final	Substantial	0	0	0	0	0	0	11/12/2012	11/12/2012	05/02/2013	25/02/2013
28	Finance	Council Tax	Key Control	October - December 2012	Final	Reasonable	10	0	1	3	5	1	29/10/2012	30/10/2012	25/01/2013	19/02/2013
29	Finance	NDR	Key Control	October - December 2012	Final	Reasonable	8	0	1	3	3	1	29/10/2012	30/10/2012	25/01/2013	19/02/2013
30	Finance	Fees & Charges	Operational	October - December 2012	Final	Partial	8	0	2	4	2	0	15/10/2012	22/10/2012	23/11/2012	15/01/2013
31	HR & Organisational Development	Restructuring & Redundancies	Operational	April - June 2012	Final	Substantial	4	0	0	2	1	1	21/05/2012	18/06/2012	17/08/2012	29/08/2012
32	HR & Organisational Development	Sickness Absence	Operational	July - September 2012	Final	Partial	14	0	7	7	0	0	17/05/2012	17/05/2012	11/09/2012	19/10/2012
33	Information Services	Altair Pensions	Follow Up	July - September 2012	Final	Non Opinion	0	0	0	0	0	0	All high priority actions have been reviewed and management action to address these confirmed.			
34	Information Services	SAP Access Controls	ICT	October - December 2012	Final	Advice	0	0	0	0	0	0	12/10/2012	18/09/2012	12/11/2012	14/11/2012
35	Legal & Democratic	Complaints	Operational	July - September 2012	Final	Reasonable	3	0	0	2	1	0	11/10/2012	11/10/2012	10/12/2012	21/12/2012

2012-13 AUDIT PLAN																
Directorate/Service	Audit Area	Audit Type	Quarter	Status	Opinion	No. of recs	Recommendations					Proposed Start Date	Actual Start Date	Draft Issued	Final Issued	
							5	4	3	2	1					
FINAL REPORTS ISSUED																
36	Legal & Democratic	Coroners	Operational	April - June 2012	Final	Reasonable	3	0	1	1	1	0	13/06/2012	13/06/2012	17/08/2012	01/11/2012
37	Legal & Democratic	Electoral Services	Operational	April - June 2012	Final	Reasonable	6	0	2	0	2	2	17/07/2012	23/07/2012	29/08/2012	15/01/2013
38	Neighbourhood	StreetScene	Operational	April - June 2012	Final	Reasonable	3	0	0	2	1	0	18/05/2012	18/05/2012	31/07/2012	28/08/2012
39	Procurement	Contract Management	Operational	April - June 2012	Final	Partial	5	0	2	3	0	0	01/06/2012	08/06/2012	28/09/2012	14/11/2012
40	Public Health & Public Protection	Business Continuity	Governance, Fraud & Corruption	April - June 2012	Final	Partial	10	0	5	5	0	0	30/04/2012	30/04/2012	10/08/2012	02/10/2012
41	Risk Management	Risk Management	Operational	January - March 2013	Final	Reasonable	7	0	3	4	0	0	22/10/2012	22/10/2012	21/01/2013	25/01/2013
42	Schools - Primary (incl First, Infant & Junior)	Amesbury Archer Primary School	School	July - September 2012	Final	Reasonable	2	0	0	0	2	0	12/07/2012	12/07/2012	06/09/2012	24/10/2012
43	Schools - Primary (incl First, Infant & Junior)	Ashton Keynes Primary School	School	October - December 2012	Final	Reasonable	4	0	0	2	2	0	14/11/2012	05/12/2012	18/01/2013	27/02/2013
44	Schools - Primary (incl First, Infant & Junior)	Baydon St Nicholas CE School	School	July - September 2012	Final	Reasonable	4	0	1	3	0	0	13/09/2012	13/09/2012	16/10/2012	15/11/2012
45	Schools - Primary (incl First, Infant & Junior)	Bellefield Primary & Nursery School	School	April - June 2012	Final	Reasonable	2	0	0	1	0	1	18/04/2012	18/04/2012	11/05/2012	25/06/2012
46	Schools - Primary (incl First, Infant & Junior)	Bratton Primary School	School	April - June 2012	Final	Reasonable	3	0	0	3	0	0	30/05/2012	30/05/2012	17/07/2012	11/10/2012
47	Schools - Primary (incl First, Infant & Junior)	Broad Hinton CE Primary School	School	July - September 2012	Final	Reasonable	3	0	0	3	0	0	19/09/2012	19/09/2012	24/10/2012	12/11/2012
48	Schools - Primary (incl First, Infant & Junior)	Broad Town Primary School	School	October - December 2012	Final	Substantial	2	0	0	2	0	0	21/11/2012	21/11/2012	14/12/2012	10/01/2013
49	Schools - Primary (incl First, Infant & Junior)	Burbage Primary School	School	April - June 2012	Final	Reasonable	5	0	0	3	0	3	09/05/2012	09/05/2012	21/06/2012	25/09/2012
50	Schools - Primary (incl First, Infant & Junior)	Chapmanslade CE VC Aided Primary School	School	April - June 2012	Final	Partial	10	0	0	7	0	3	16/05/2012	16/05/2012	07/06/2012	27/06/2012
51	Schools - Primary (incl First, Infant & Junior)	Cherhill CE Primary School	School	April - June 2012	Final	Reasonable	4	0	0	2	0	2	25/04/2012	25/04/2012	21/05/2012	18/06/2012
52	Schools - Primary (incl First, Infant & Junior)	Chilton Foliat CE VA Primary School	School	July - September 2012	Final	Reasonable	2	0	0	1	1	0	04/07/2012	04/07/2012	13/09/2012	24/10/2012

2012-13 AUDIT PLAN																
Directorate/Service	Audit Area	Audit Type	Quarter	Status	Opinion	No. of recs	Recommendations					Proposed Start Date	Actual Start Date	Draft Issued	Final Issued	
							5	4	3	2	1					
FINAL REPORTS ISSUED																
53	Schools - Primary (incl First, Infant & Junior)	Crockerton CE VA Primary School	School	April - June 2012	Final	Reasonable	6	0	0	3	0	3	18/05/2012	18/05/2012	14/06/2012	15/08/2012
54	Schools - Primary (incl First, Infant & Junior)	Dilton Marsh CE Primary School	School	July - September 2012	Final	Reasonable	5	0	1	3	1	0	06/07/2012	06/07/2012	06/09/2012	01/10/2012
55	Schools - Primary (incl First, Infant & Junior)	Figheledean St Michael's CE Primary School	School	April - June 2012	Final	Reasonable	5	0	0	4	0	1	22/05/2012	22/05/2012	26/06/2012	19/07/2012
56	Schools - Primary (incl First, Infant & Junior)	Five Lanes Primary	School	April - June 2012	Final	Reasonable	4	0	0	4	0	0	11/05/2012	11/05/2012	14/06/2012	19/09/2012
57	Schools - Primary (incl First, Infant & Junior)	Great Bedwyn CE Primary School	School	April - June 2012	Final	Reasonable	3	0	1	2	0	0	27/06/2012	27/06/2012	06/09/2012	26/09/2012
58	Schools - Primary (incl First, Infant & Junior)	Great Wishford CE Aided Primary School	School	July - September 2012	Final	Partial	14	0	6	3	5	0	02/07/2012	02/07/2012	06/09/2012	20/09/2012
59	Schools - Primary (incl First, Infant & Junior)	Greentrees Primary School	School	July - September 2012	Final	Reasonable	7	0	0	7	0	0	24/09/2012	24/09/2012	16/10/2012	06/11/2012
60	Schools - Primary (incl First, Infant & Junior)	Holbrook Primary School	School	April - June 2012	Final	Reasonable	2	0	0	1	0	1	01/05/2012	01/05/2012	07/06/2012	24/07/2012
61	Schools - Primary (incl First, Infant & Junior)	King's Lodge Primary School	School	October - December 2012	Final	Substantial	1	0	0	1	0	0	04/10/2012	04/10/2012	20/11/2012	30/11/2012
62	Schools - Primary (incl First, Infant & Junior)	Kington St Michael CE Primary School	School	April - June 2012	Final	Reasonable	2	0	0	2	0	0	03/05/2012	03/05/2012	21/05/2012	10/07/2012
63	Schools - Primary (incl First, Infant & Junior)	Larkhill Primary School	School	October - December 2012	Final	Reasonable	5	0	0	1	4	0	17/10/2012	17/10/2012	14/12/2012	22/02/2013
64	Schools - Primary (incl First, Infant & Junior)	Larkrise School	School	April - June 2012	Final	Substantial	0	0	0	0	0	0	16/05/2012	16/05/2012	21/06/2012	21/06/2012
65	Schools - Primary (incl First, Infant & Junior)	Lyneham Primary	School	July - September 2012	Final	Reasonable	3	0	1	1	1	0	19/09/2012	19/09/2012	10/10/2012	05/11/2012
66	Schools - Primary (incl First, Infant & Junior)	Oaksey Primary School	School	October - December 2012	Final	Reasonable	3	0	1	2	0	0	27/11/2012	27/11/2012	16/01/2013	26/02/2013
67	Schools - Primary (incl First, Infant & Junior)	Ogbourne St George & St Andrew VC CE Primary School	School	April - June 2012	Final	Reasonable	3	0	1	2	0	0	20/06/2012	20/06/2012	06/09/2012	19/09/2012
68	Schools - Primary (incl First, Infant & Junior)	Old Sarum Primary School	School	July - September 2012	Final	Partial	12	0	2	8	2	0	26/09/2012	15/10/2012	12/11/2012	29/11/2012
69	Schools - Primary (incl First, Infant & Junior)	Pembroke Park Primary School	School	April - June 2012	Final	Reasonable	3	0	0	2	0	1	20/04/2012	20/04/2012	04/05/2012	24/09/2012
70	Schools - Primary (incl First, Infant & Junior)	Princecroft Primary School	School	April - June 2012	Final	Reasonable	5	0	0	2	0	3	23/05/2012	23/05/2012	14/06/2012	11/07/2012
71	Schools - Primary (incl First, Infant & Junior)	St George's CE Primary School	School	April - June 2012	Final	Reasonable	2	0	0	0	2	0	20/06/2012	20/06/2012	06/09/2012	03/10/2012
72	Schools - Primary (incl First, Infant & Junior)	St Michael's CE (Aided) Primary School, Aldbourne	School	July - September 2012	Final	Reasonable	3	0	1	1	1	0	10/07/2012	10/07/2012	06/09/2012	20/09/2012
73	Schools - Primary (incl First, Infant & Junior)	Stratford-sub-Castle CE VC Primary School	School	April - June 2012	Final	Reasonable	11	0	3	0	6	2	15/06/2012	15/06/2012	12/07/2012	28/09/2012

2012-13 AUDIT PLAN																
Directorate/Service	Audit Area	Audit Type	Quarter	Status	Opinion	No. of recs	Recommendations					Proposed Start Date	Actual Start Date	Draft Issued	Final Issued	
							5	4	3	2	1					
FINAL REPORTS ISSUED																
74	Schools - Secondary (incl Upper)	The Clarendon College	School	April - June 2012	Final	No	19	3	8	8	0	0	11/06/2012	11/06/2012	13/09/2012	26/09/2012
75	Schools - Primary (incl First, Infant & Junior)	Walwayne Primary School	School	October - December 2012	Final	Reasonable	5	0	1	3	1	0	10/10/2012	10/10/2012	09/11/2012	23/11/2012
76	Schools - Primary (incl First, Infant & Junior)	West Ashton CE VA Primary School	School	April - June 2012	Final	Reasonable	4	0	0	2	0	2	18/05/2012	18/05/2012	09/07/2012	23/07/2012
77	Schools - Primary (incl First, Infant & Junior)	Wilton & Barford CE Primary School	School	April - June 2012	Final	Reasonable	2	0	0	2	0	0	24/05/2012	24/05/2012	10/07/2012	16/10/2012
78	Schools & Learning	Bank Reconciliations	School	October - December 2012	Final	Non Opinion	0	0	0	0	0	0	22/10/2012	23/10/2012	04/12/2012	07/01/2013
79	Transformation	Closure of Offices	Operational	July - September 2012	Final	Substantial	2	0	0	2	0	0	29/06/2012	09/08/2012	11/10/2012	23/10/2012
80	Communities	Traveller Services	Follow Up	October - December 2012	Final	Non Opinion	0	0	0	0	0	0	All high priority actions have been reviewed and management action to address these confirmed.			
81	Development	Planning Applications	Follow Up	July - September 2012	Final	Non Opinion	0	0	0	0	0	0	All high priority actions have been reviewed and management action to address these confirmed.			
82	Finance	Impress/Cash Remote Offices	Follow Up	April - June 2012	Final	Non Opinion	0	0	0	0	0	0	All high priority actions have been reviewed and management action to address these confirmed.			
83	Finance	Procurement Cards	Follow Up	April - June 2012	Final	Non Opinion	0	0	0	0	0	0	All high priority actions have been reviewed and management action to address these confirmed.			
	Total Number of Recommendations						319	18	85	174	55	33				
	Total Number of Recommendations in 2012-13						395	25	87	198	57	74				

2012-13 AUDIT PLAN																
Directorate/Service	Audit Area	Audit Type	Quarter	Status	Opinion	No. of recs	Recommendations					Proposed Start Date	Actual Start Date	Draft Issued	Final Issued	
							5	4	3	2	1					
DRAFT REPORTS/DISCUSSION DOCUMENT OR UNDER REVIEW (THIS MEANS THAT THE AUDIT IS AT THE STAGE OF UNDERTAKING THE INTERNAL QUALITY REVIEW PROCESS, READY TO TURN TO A DISCUSSION DOCUMENT)																
84	Core Cross-Cutting	Managing With Reduced Resources	Governance, Fraud & Corruption	July - September 2012	Discussion Document		0	0	0	0	0	0	20/08/2012	20/08/2012		
85	Information Services	CareFirst - Adults	ICT	July - September 2012	Discussion Document		0	0	0	0	0	0	01/11/2012	01/11/2012		
86	Information Services	CareFirst - Children	ICT	August 2012	Discussion Document		0	0	0	0	0	0	01/10/2012	01/11/2012		
87	Information Services	Simdell Housing Rents	ICT	October - December 2012	Discussion Document		0	0	0	0	0	0	07/01/2013	21/01/2013		
88	Communities	Housing Rents	Key Control	October - December 2012	Draft		0	0	0	0	0	0	02/01/2013	02/01/2013	18/02/2013	
89	Core Cross-Cutting	Committee Reporting - Member Decisions	Governance, Fraud & Corruption	July - September 2012	Draft		0	0	0	0	0	0	08/10/2012	04/10/2012	21/01/2013	
90	Core Cross-Cutting	SAP Administration	Operational	April - June 2012	Draft		0	0	0	0	0	0	03/07/2012	09/07/2012	14/11/2012	
91	Finance	Accounts Payable	Key Control	October - December 2012	Draft		0	0	0	0	0	0	12/12/2012	12/12/2012	27/02/2013	
92	Finance	Accounts Receivable	Key Control	October - December 2012	Draft		0	0	0	0	0	0	18/12/2012	18/12/2012	18/02/2013	
93	Finance	Pensions	Key Control	October - December 2012	Draft		0	0	0	0	0	0	14/01/2013	11/01/2013	25/02/2013	
94	Legal & Democratic	Litigation Management	Operational	January - March 2013	Draft		0	0	0	0	0	0	07/01/2013	07/01/2013	20/02/2013	
95	Schools & Learning	Register of Business Interests	School	January - March 2013	Draft		0	0	0	0	0	0	08/01/2013	08/01/2013	22/02/2013	
96	Strategic, Highways & Transport	Traffic & Network Management	Operational	October - December 2012	Draft		0	0	0	0	0	0	10/09/2012	26/09/2012	02/01/2013	
97	Adult Care & Housing Strategy	Community Budgets	Governance, Fraud & Corruption	January - March 2013	Draft		0	0	0	0	0	0	29/11/2012	29/11/2012	18/02/2013	
98	Finance	Payroll	Key Control	October - December 2012	Review		0	0	0	0	0	0	18/12/2012	18/12/2012		
99	Information Services	Civica Cash Receipting	ICT	October - December 2012	Review		0	0	0	0	0	0	21/01/2013	01/02/2013		
100	Information Services	IT Infrastructure	ICT	October - December 2012	Review		0	0	0	0	0	0	19/11/2012	19/11/2012		
101	Information Services	Northgate Benefit System	ICT	October - December 2012	Review		0	0	0	0	0	0	15/01/2013	15/01/2013		
102	Information Services	SAP IT Key Control	ICT	October - December 2012	Review		0	0	0	0	0	0	19/11/2012	19/11/2012		

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2012-13 AUDIT PLAN																
Directorate/Service	Audit Area	Audit Type	Quarter	Status	Opinion	No. of recs	Recommendations					Proposed Start Date	Actual Start Date	Draft Issued	Final Issued	
							5	4	3	2	1					
ADDITIONAL UNPLANNED WORK																
103	Children & Families	Youth Service	Special Investigation	July - September 2012	Final	Non Opinion	0	0	0	0	0	0	23/07/2012	23/07/2012	16/08/2012	16/08/2012
104	Communities	Area Boards, Communities	Special Investigation	November 2012	Final	Non Opinion	0	0	0	0	0	0	21/11/2012	21/11/2012	10/12/2012	14/12/2012
105	Finance	Migration of Benefits	Operational	April - June 2012	Final	Non Opinion	0	0	0	0	0	0	No report issued but KPMG placed additional reliance on the review of key controls in place and operating.			
106	Information Services	Express Payroll (Election Services)	ICT	January - March 2013	Created		0	0	0	0	0	0				
107	Business Services	Registration Service	Operational	December 2012	In Progress		0	0	0	0	0	0	20/02/2013	20/02/2013		
108	External Work	Police	Special Investigation	Sep-12	Final	Non Opinion	0	0	0	0	0	0	28/06/2012	28/06/2012	20/09/2012	25/09/2012

2012-13 AUDIT PLAN																
Directorate/Service	Audit Area	Audit Type	Quarter	Status	Opinion	No. of recs	Recommendations					Proposed Start Date	Actual Start Date	Draft Issued	Final Issued	
							5	4	3	2	1					
CURRENT WORK IN PROGRESS																
109	Adult Care & Housing Operations	Vulnerable Adults	Operational	July - September 2012	In Progress		0	0	0	0	0	0	19/09/2012	21/09/2012		
110	Children & Families	Care Placements	Operational	January - March 2013	In Progress		0	0	0	0	0	0	04/03/2013	04/03/2013		
111	Core Cross-Cutting	Project Management	Operational	January - March 2013	In Progress		0	0	0	0	0	0	07/01/2013	07/01/2013		
112	Core Cross-Cutting	Contract Fraud		July - September 2012	In Progress		0	0	0	0	0	0	15/08/2012	21/11/2012		
113	Economy & Regeneration	Economic Development	Operational	July - September 2012	In Progress		0	0	0	0	0	0	21/02/2013	18/02/2013		
114	Finance	General Ledger & Financial Accounting	Key Control	October - December 2012	In Progress		0	0	0	0	0	0	11/02/2013	08/02/2013		
115	Finance	Housing & Council Tax Benefits	Key Control	October - December 2012	In Progress		0	0	0	0	0	0	21/01/2013	21/01/2013		
116	HR & Organisational Development	Staff leavers	Operational	October - December 2012	In Progress		0	0	0	0	0	0	13/02/2013	18/02/2013		
117	Information Services	Cloud Computing	ICT	July - September 2012	In Progress	Attendance at Project Board	0	0	0	0	0	0	01/04/2012	01/04/2012		
118	Information Services	Simdell Housing Rents Migration Project	ICT	December 2012	In Progress		0	0	0	0	0	0	21/01/2013	21/01/2013		
119	Schools & Learning	Purchase Orders	School	February 2013	In Progress		0	0	0	0	0	0	08/01/2013	08/01/2013		
120	Transformation	Campus Programmes	Operational	October - December 2012	In Progress		0	0	0	0	0	0	11/02/2013	11/02/2013		

2012-13 AUDIT PLAN																
Directorate/Service	Audit Area	Audit Type	Quarter	Status	Opinion	No. of recs	Recommendations					Proposed Start Date	Actual Start Date	Draft Issued	Final Issued	
							5	4	3	2	1					
FUTURE PLANNED WORK																
121	Adult Care & Housing Strategy	Care Transfers	Operational	January - March 2013	Created		0	0	0	0	0	0				
122	Adult Care & Housing Strategy	Housing Strategy	Operational	January - March 2013	Created		0	0	0	0	0	0				
123	Core Cross-Cutting	Change Management	Operational	January - March 2013	Created		0	0	0	0	0	0				
124	Core Cross-Cutting	Corporate Governance	Operational	January - March 2013	Created		0	0	0	0	0	0				
125	Core Cross-Cutting	Direct Payments Fraud		October - December 2012	Created		0	0	0	0	0	0				
126	Core Cross-Cutting	Expenses Fraud		January - March 2013	Created		0	0	0	0	0	0				
127	Finance	Grants	Grant Certification	July - September 2012	Created		0	0	0	0	0	0				
128	Information Services	Disaster Recovery	ICT	January - March 2013	Created		0	0	0	0	0	0				
129	Information Services	QL Housing Management System	ICT	January - March 2013	Created		0	0	0	0	0	0				
130	Legal & Democratic	Assets & Property	Operational	October - December 2012	Created		0	0	0	0	0	0				
131	Legal & Democratic	Data Quality	Operational	January - March 2013	Created		0	0	0	0	0	0				
132	Neighbourhood	Car Parking Services	Operational	January - March 2013	Created		0	0	0	0	0	0				
133	Public Health & Public Protection	Business Continuity	Operational	January - March 2013	Created		0	0	0	0	0	0				
134	Risk Management	Performance Management	Operational	January - March 2013	Created		0	0	0	0	0	0				
135	Strategic, Highways & Transport	Street Lighting	Operational	January - March 2013	Created		0	0	0	0	0	0				

2012-13 AUDIT PLAN												
Directorate/Service	Audit Area	Audit Type	Quarter	Status	Opinion	No. of recs	Recommendations					Deferrals/Removed Audits have been agreed with Management and the S151 Officer. The reasons and explanations are listed below.
							5	4	3	2	1	
DEFERRED OR REMOVED WORK (REMOVED IS TAKEN OUT OF 2012-13 PLAN, DEFERRED MEANS THAT THE QUARTER THE WORK IS TO BE UNDERTAKEN HAS CHANGED)												
136	Adult Care & Housing Strategy	Affordable Housing	Operational	July - September 2012	Removed							
137	Finance	Imprests	Key Control	October - December 2012	Removed							
138	HR & Organisational Development	Behaviours Framework	Operational	July - September 2012	Removed							
139	Procurement	Procurement & Contract Management	Key Control	July - September 2012	Removed							
140	Adult Care & Housing Operations	Assessments & Reviews (Care & Financial)	Operational	TO BE AGREED	Deferred							
141	Adult Care & Housing Operations	Help to Live at Home	Operational	TO BE AGREED	Deferred							
142	Adult Care & Housing Strategy	Child/Adult Transition	Operational	TO BE AGREED	Deferred							
143	Adult Care & Housing Strategy	Continuing Health Care	Operational	TO BE AGREED	Deferred							
144	Adult Care & Housing Strategy	Housing Benchmarking	Operational	TO BE AGREED	Deferred							
145	Adult Care & Housing Strategy	Orders of St John (OSJ) Care Homes Contract	Operational	TO BE AGREED	Deferred							
146	Children & Families	Adoption & Fostering	Operational	TO BE AGREED	Deferred							
147	Children & Families	Troubled Families	Operational	TO BE AGREED	Deferred							
148	Commissioning & Performance	Child Protection	Operational	TO BE AGREED	Deferred							
149	Communications	Communications	Operational	TO BE AGREED	Deferred							
150	Communities	Area Boards, Communities	Operational	TO BE AGREED	Deferred							
151	Public Health & Public Protection	Emergency Planning	Operational	TO BE AGREED	Deferred							
152	Public Health & Public Protection	Licensing	Operational	TO BE AGREED	Deferred							

Schedule of Potential Significant Risks Identified from Internal Audit Work during the period 1 November 2012 to 31st January 2012

NEW RISKS IDENTIFIED DURING THE PERIOD 1 AUGUST 2012 TO 31 OCTOBER 2012								
Ref	No	Name of Audit	Weaknesses Found	Risk Identified	Recommended Action	Managers Agreed Action	Agreed Date of Action	Managers Update
NO POTENTIAL SIGNIFICANT RISKS WERE IDENTIFIED DURING THIS PERIOD.								

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Summary of Key Points Relating to "Partial Assurance" Reviews

AUDIT TITLE	ISSUES RAISED BY INTERNAL AUDIT	MANAGEMENT UPDATE
1. Fees and Charges	<p>The Council has not yet developed a corporate Fees and Charges Policy to define its approach to recovering the costs of the services it provides and to reconcile this to its corporate objectives.</p> <p>Currently, Fees and Charges not set by statute are largely determined by Service Directors and are driven by service and budgetary considerations rather than the full costs actually incurred in providing the service.</p> <p>However, this has been reported to Members when the 2012/13 budget was being set and there is an intention to develop policy underpinned by appropriate procedures.</p>	<p>A Policy is being drafted and will be developed in conjunction with Scrutiny members in early 2013.</p>

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WILTSHIRE COUNCIL

AUDIT COMMITTEE

20th March 2013

SWAP Governance Arrangements

1. Purpose of the report

- 1.1 To request the Council to become a member of the South West Audit Partnership Ltd. (SWAP Ltd.) and to dissolve the current South West Audit Partnership Joint Committee (SWAP).

2. Background

- 2.1 Wiltshire Council entered into partnership with SWAP in November 2011. On joining SWAP the Council adopted and became part of the organisations governance of the partnership. This has been managed through its existing model of a management committee and Board. Wiltshire Council has been represented at these meetings by the Section 151 Officer and the Cabinet Member with responsibility for Finance and Performance.
- 2.2 The current governance arrangements, introduced on the formation of the partnership in 2005, are based on Section 101 of the Local Government Act, 1972. Under this model each partner is bound by a legal agreement between it, the other partners and the Host which is South Somerset District Council.
- 2.3 The Joint Committee model was designed and intended for relatively small partnerships, where a single or limited service could best be delivered by two or three local authorities combining their resources. Within such limitations the model works well and is relatively simple to direct and manage. In 2005 there were only two partners and, at the time, it was only envisaged that two other councils would join. Since 2005, however, the partnership has gradually expanded to the current twelve members. The increased membership has

benefited all partners with greater economies of scale, a wider expertise base and quality and productivity improvements that would not have been possible with a smaller partnership.

2.4 As noted to Councillors on consideration of joining SWAP, the Partnership Board were and have been exploring a number of ways in which the current model might be adapted to meet the current and future needs of the partnership.

2.5 Whilst some progress was made, there remained some fundamental issues that could not be resolved via the current governance model or issues where we were unable to definitively provide a resolution. The principle areas that needed addressing can be summarised as:

- **Partnership Board voting arrangements.** Under the current rules, each partner must be physically present at Board meetings in order for the budget to be set and the accounts to be approved. This involves two meetings a year and if one Councillor fails to turn up then either the budget cannot be approved or the accounts cannot be approved, depending on which meeting it is. With twelve partners the potential for the Board not being quorate is significant. There is no provision for alternate voting arrangements, for example proxy voting, email voting, tele-voting etc.
- **Financial Control.** Whilst the Partnership has overall control of finances, in so far as it decides the annual budget and approves the accounts, the financial operations of the Partnership are conducted under the rules of the Host, South Somerset District Council. This has caused some operational issues for SWAP and I would anticipate further issues arising in the future. It may be possible for the Host to grant total control to the Partnership, which would provide a resolution, but it could rescind that at any time. In fairness to the Host, because under the current governance arrangements the Partnership's accounts are ultimately their responsibility, it is not unreasonable that their rules should apply.
- **Staff Pay, Terms and Conditions.** These remain almost entirely with the Host, particularly with regard to pay, and whilst we may be able to have a

number of variations, tailored to SWAP's needs, we cannot be granted complete control in this area. With SWAP costs being 95% salary based, whilst the Partnership Board can set the budget, it can do nothing with regard to pay. SWAP is intrinsically linked with the Host's pay scheme, removing control from the Partnership of the vast majority of the budget.

2.5 There are a number of other, operational, issues of a minor nature that can be resolved by moving to a limited company model. As such the partnership have explored alternative models of delivery. This has included full engagement of each partner organisation. Through consideration a new model is proposed and discussed in this report.

3. The Proposed Governance Model

3.1 Having considered a range of alternate possible corporate structures, the conclusion of the Partnership Board is that the most appropriate governance model for SWAP is a company limited by guarantee.

3.2 To assist the Partnership Board in ensuring that the future company limited by guarantee has a sustainable structure, taking on board all partners views, a workshop for councillors from all SWAP partners was held on 10th October, 2012.

3.3 More than sixty people attended the workshop, representing all the partners, plus representatives from Browne Jacobson (SWAP legal advisors) and Local Partnerships (project advisors) who facilitated the event. The main purpose of the workshop was to gain Councillors' views on what sort of governance arrangements should be employed for the new company.

3.4 The main areas of discussion were:

- The different roles of the Members' Group and the Board of Directors.
- The decision making functions of the Members' Group and the Board of Directors.
- Who should be appointed to the Board?
- Voting rights and voting options, including quorum levels for both the Members' Group and the Board.
- Roles and responsibilities of SWAP management.
- Frequency of meetings for both the Members' Group and the Board.
- Substitute representation options for both the Members' Group and the Board.
- Conflict resolution.
- The strategic future of the partnership.

3.5 The conclusion of the Councillors' workshop, subsequently endorsed by the Partnership Board, was that the following governance structure should be adopted:

Appointees to the Members' Board will be Councillors representing their respective authorities. Appointees to the Board of Directors can be anyone each individual authority chooses, either officer or Councillor.

The Members' Board

3.6 This is, in effect, the equivalent of the current Partnership Board. Each partner would nominate a Councillor to represent them on this Board. It is the supreme authority of the company and would make all decisions relating to strategy, policy, appointment and dismissal of senior management and the admission of new partners.

The Board of Directors

3.7 The Board oversees the implementation of the strategy and policy, as well as ensuring the operational activities of the partnership are achieving the objectives set by the Members’ Board. The Board will be much more ‘hands on’, functioning very much like the current Management Board. Most Board members, in order to be effective, will need a good working understanding of internal audit and risk management. Provision has been made in the articles for other directors to be appointed, including some SWAP management.

3.8 The Partnership Board endorsed the following membership arrangements for the board of directors:

- Two Councillors who would normally be the Chairman and Vice Chairmen of the Members’ Board.
- Twelve officers representing each of the current partners.
- A maximum of three executive officers from SWAP, with at least the Chief Executive being included.

Respective Roles of the two Boards

3.9 Summarised below is an abbreviated list of the responsibilities and powers of the two governing bodies of the new company.

Members’ Board	Board of Directors
<ul style="list-style-type: none"> • Admission of new partners • Approval of the Annual Business Plan • Any changes to the approved Annual Business Plan • Setting of the annual budget • Approval of annual accounts 	<ul style="list-style-type: none"> • Agrees the preliminary budget, for submission to the Member’s Board for approval • Approves all changes to the budget, except in relation to any proposals which would lead to an increase in Member contributions

Members' Board	Board of Directors
<ul style="list-style-type: none"> • Extending or reducing the scope of operations • Appointment or removal of Directors, in accordance with the Articles and the legal agreement • Setting and approving the form and content of the financial regulations • Appoint or remove the Chief Executive or any member of the management team • Change the name of the Company or its registered office • Change the bankers of the Company or open or close any bank accounts • License, assign or otherwise dispose of intellectual property rights owned by the Company • Approves and reviews the annual risk register 	<ul style="list-style-type: none"> • Reviews and approves the annual statement of accounts, prior to submission to the Members' Board • On-going Budget monitoring • Agrees combined audit plan and ensures equity of resource distribution amongst the Members • Agrees any changes to audit plans that impact on the partnership • Approves and reviews annual themed audits to ensure best practice is shared with relevant service heads at each Member • Monitors overall performance against the combined audit plan • Reviews and monitors the risk register to ensure risks are managed in accordance with the requirements of the Members' Board • Approves and monitors terms and conditions of staff

3.10 The new agreement introduces no other changes to the operation of the Internal Audit Service and the latest draft Trading Agreement, Management Agreement and Articles of Association are attached at Appendix 1 and 2 to reflect this. Other than the change to an agreement and board membership noted above at paragraphs 3.6 to 3.9, the only change is the agreement with a limited company there are no other changes proposed.

4. Financial Implications

- 4.1 None. Annual contributions to SWAP will not increase from 2012/13 and no other charges will fall on the Council as a result of the changed governance arrangements.

5. Legal Implications

- 5.1 Council appointees to the positions of Company Directors should observe the appropriate protocol of Wiltshire Council's Constitution that relate to external body appointments.
- 5.2 The company will be a separate legal entity to the councils that currently manage SWAP and that will act to create it. Usually the provision of services by a company to a council will be governed by the European procurement regulations. However, because the company is strategically controlled by, and only by, the SWAP Councils, with the private sector having no share of its ownership then the so-called "Teckal" exemption applies. This means the Councils who own and manage the company can buy its services directly without the need for any tendering activity.

6. Human Resources Implications

- 6.1 Staff were transferred to the Partnership in November 2011. Under these proposals the South West Audit Partnership will change from being a Joint Board to a limited company by guarantee, on 1st April 2013. All existing staff will transfer to the new company under TUPE regulations. Key terms and conditions are protected on transfer and there are no envisaged changes to the terms and conditions of staff as a result of the transfer. Periods of continuous service in local government will count as continuous employment, so any statutory employment rights depending on length of service will be maintained. It is currently envisaged that the all staff will continue to be based in their current location. We are aware the new body has gained admitted body status and as such there is no impact on staff pensions.

6.2 Apart from a change of employer, no other changes that affect staff will take place at the time of transfer. This change affects all staff in the same way. As such there is no implications for the Council.

7. Equalities Implications

7.1 None

8. Environmental and climate change considerations

8.1 None

9. Risk Assessment

9.1 The key risks for the Council relate to additional costs, Director liabilities, partnership viability and procurement. As noted in the Legal comments the procurement risk is deemed low due to the nature of the proposals. There is also reference to this being at nil additional cost in the financial comments. The Directors liability is also limited by the company structure. One of the reasons for the model change is to secure the future viability of the partnership so it is considered that all risks are being mitigated.

10. Recommendations

10.2 That the Cabinet Member with responsibility for Finance and Performance, in consultation with the Audit Committee:

1. Approves the formation of a company limited by guarantee, to replace the existing SWAP Joint Committee.
2. Elects to be a Member¹ of SWAP Ltd. from 1st April, 2013, on the terms and basis set out in the articles of association, deed and service agreement.

¹ In the context of a company, a 'Member' is a local authority. Therefore to avoid confusion, for the purposes of this report, the use of the word 'Member' (with a capital 'M') will refer to a council, whereas a council member will be referred to as 'Councillor'.

3. Agrees to the dissolving of the SWAP Joint Committee at a date to be determined, but not later than 30th June, 2013.
4. Note the separation of responsibilities and the membership profiles of the Members' Board and the Board of Directors, and recommend that the Cabinet Member with responsibility for Finance and Performance (with the Chair of Audit Committee as Deputy), and Section 151 Officer represent the Council on the proposed Members Board and Board of Directors respectively as discussed at paragraphs 3.6 to 3.8 of this report.
5. Notes that the fees for the provision of internal audit services by SWAP Ltd., for the financial year 2013/14, will not increase on the fees paid to SWAP by the council for 2012/13.

11. Conclusions

11.1 This proposal is aimed at assisting the efficient working of the partnership and there are only limited changes to the agreement between the Council and the new limited company.

Michael Hudson
Service Director, Finance and S.151 Officer

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Unpublished documents relied upon in the preparation of this Report: None.

Appendices:

- 1 – Agreement for the Provision of Audit Services
- 2 – Draft Members Agreement and Articles of Association



DATED _____ **2013**

WILTSHIRE COUNCIL (1)

and

SOUTH WEST AUDIT PARTNERSHIP LIMITED (2)

**AGREEMENT FOR
THE PROVISION OF AUDIT SERVICES**

BETWEEN

(1) **WILTSHIRE COUNCIL** (the “Council”)

and

(2) **SOUTH WEST AUDIT PARTNERSHIP LIMITED** (registered number 8215338) whose registered office is at Council Offices, Brympton Way, Yeovil, Somerset, BA20 2HT (“**SWAP**”).

(together the ‘Parties’)

BACKGROUND

- (A) SWAP is a company limited by guarantee and is wholly owned and controlled, as an in-house company, by the Members.
- (B) The Members have established SWAP for the purpose of supplying the services set out in this Agreement to each of them and such other services as they may direct SWAP to carry out from time to time.
- (C) On [x] the Members, being the members of SWAP entered into an agreement (the “Member’s Agreement”) to regulate the conduct, financing, business planning, and governance of SWAP as an in-house company.
- (D) SWAP is considered to be, and acts as internal, dependent and subordinate to the Members, and its primary relationships with them are governed by way of the Members Agreement rather than by way of this Agreement.
- (E) It is intended by all Parties that the funding necessary for SWAP to be able to provide the Services pursuant to this Agreement will be made available by the Members is as set out in the Members Agreement

1 Definitions and Interpretations

1.1 In the Agreement unless the context otherwise requires the following terms shall have the meanings given to them below:

‘Audit Charter’ is a formal written document that defines the *purpose, authority, and responsibility* of the Internal Auditing function. The Charter

	establishes the Internal Audit function's position within the organisation; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of work. It also defines the lines of internal audit reporting and responsibility and describes the responsibilities of management.
'Audit Plan'	means the audit plan as defined in clause 5
'Audit Process'	means the process described in the Terms of Reference and the Audit Plan
'Board'	means the board of directors of SWAP as defined in the Members' Agreement
'Bribery Act'	means the Bribery Act 2010 and any subordinate legislation made under that Act from time to time together with any guidance or codes of practice issued by the relevant government department concerning the legislation
'Client Officer'	means the Council officer from time to time appointed by the Council to act as its representative under this Agreement
'Commencement Date'	means the date of this Agreement
"Confidential Information"	means any information which has been designated as confidential by either Party in writing or that ought to be considered as confidential (however it is conveyed or on whatever media it is stored) including information which relates to the business, affairs, properties, assets, trading practices, Services, developments, trade secrets, Intellectual Property Rights, know-how, personnel, customers and suppliers of either

	Party, all personal data and sensitive personal data within the meaning of the DPA and any subordinate legislation of the DPA
‘DPA’	means the Data Protection Act 1998
‘Exempt Information’	means information which either Party determines to be exempt from disclosure under the FOIA
‘External Auditor’	means the person or body appointed to carry out the statutory audit of the council’s financial affairs
‘FOIA’	means the Freedom of Information Act 2000 and any subordinate legislation made under this Act from time to time together with any guidance, the Environmental Information Regulations 2004 and/or codes of practice issued by the Information Commissioner in relation to such legislation
‘Funding’	means the proportion of the funding to be paid to SWAP in accordance with the Members’ agreement representing the Council’s contribution to the running costs of SWAP
‘Information’	has the meaning given under section 84 of the Freedom of Information Act 2000
‘Information Request’	has the meaning given in the Freedom of Information Act 2000
“Intellectual	
“Property Rights”	means patents, inventions, trade marks, service marks, logos, design rights (whether registrable or otherwise), applications for any of the foregoing, copyright, database rights, domain names, trade or business names,

moral rights and other similar rights or obligations whether registrable or not in any country (including but not limited to the United Kingdom) and the right to sue for passing off.

‘Internal Audit Standards’	means those standards described in the International Professional Practices Framework of the Institute of Internal Auditors and the Public Sector Internal Auditing Standards
‘Licence’	means the licence referred to in clause 8.3
‘Members’	means the members of SWAP
‘Members’ Agreement’	the contract entered into by the Members and SWAP in relation to the governance of SWAP on or around the date of this Agreement
‘Policies’	means the Council’s policies and procedures as notified to SWAP by the Council in writing from time to time
‘Premises’	means any building owned (by whatever means), controlled or otherwise used by the Council for the purpose of its normal activity;
‘Prohibited Act’	the following constitute Prohibited Acts: (a) to directly or indirectly offer, promise or give any person working for or engaged by the Council a financial or other advantage to: (i) induce that person to perform improperly a relevant function or activity; or

- (ii) reward that person for improper performance of a relevant function or activity.
- (b) to directly or indirectly request, agree to receive or accept any financial or other advantage as an inducement or a reward for improper performance of a relevant function or activity in connection with this Agreement;
- (c) committing any offence:
 - (i) under the Bribery Act;
 - (ii) under legislation creating offences concerning fraudulent acts;
 - (iii) at common law concerning fraudulent acts relating to this Agreement or any other contract with the Council; or
 - (iv) defrauding, attempting to defraud or conspiring to defraud the Council.

‘Services’	means the services being provided by SWAP to the Council in accordance with the requirements of this Agreement as are more particular identified in clause 4
‘SWAP Representative’	means the representative from time to time appointed by SWAP to act as its representative under this Agreement
‘Terms of Reference	means the document prepared pursuant to clause 4.1
‘Working Days’	means a day (other than a Saturday or Sunday) on which banks are open for domestic business in the City of London

2 Overriding Control

SWAP acknowledges that it is a company controlled by the Members jointly and as such the terms of this Agreement (including its Schedules) may, in addition to any other rights to vary the terms of this Agreement, be varied at any time should the Members so determine, provided always that such amendment is jointly and unanimously agreed by the Members in accordance with the terms of the Members Agreement.

3 Council's Obligations

Save as otherwise expressly provided, the obligations of the Council under this Agreement are obligations of the Council in its capacity as a contracting counterparty and nothing in this Agreement shall operate as an obligation upon, or in any other way fetter or constrain the Council in any other capacity, nor shall the exercise by the Council of its duties and powers in any other capacity lead to any liability under this Agreement (howsoever arising) on the part of the Council to SWAP.

4 The Provision of the Services

4.1 SWAP will provide the following services with reasonable care and diligence and in accordance with the Policies:

4.1.1 prepare and agree a Terms of Reference, with the Client Officer or such other Council officer as directed by the Client Officer as appropriate, which will be used to produce the standard working papers.

4.1.2 liaise with the Council's external auditors to:

(a) share plans and work co-operatively to ensure best use of audit resources; and

(b) agree a joint audit protocol;

4.1.3 provide its internal audit work in accordance with:

(a) Internal Audit Standards;

(b) with relevant legislation; and

(c) the Council's specific codes and Policies as may be in force from time to time including, (but not exclusively):

- (i) The Council's Constitution
- (ii) Anti Fraud and Corruption Strategy & Response Plan (or equivalent)
- (iii) Public Interest Disclosure Act 1998
- (iv) Staff and Member Codes of Conduct
- (v) Standing Orders and Financial Regulations
- (vi) Disciplinary Codes and Employment Policies
- (vii) IT Security Policy
- (viii) Data Protection Act 1998 (as amended); and
- (ix) Freedom of Information Act 2000 (as amended)

4.1.4 deliver the agreed requirements of the Audit Plan as agreed pursuant to clause 4.5; and

4.1.5 perform the audit and prepare a draft report in accordance with the Audit Process and the Audit Plan.

4.2 As part of every audit undertaken SWAP will prepare a draft report for the Client Officer which, after consultation, will be finalised and submitted to any relevant council officers as agreed with the Client Officer or deemed appropriate by the named site auditor. In addition, final reports will be sent to the External Auditor.

4.3 SWAP shall as part of the final report detailed at clause 5.1 above conduct a customer satisfaction questionnaire and will provide the client officer with copies of all completed questionnaires.

4.4 SWAP will provide a named auditor who will liaise with the Client Officer. In the event that the named auditor is required to be changed for any reason SWAP shall inform the Client Officer of this change immediately and shall provide alternative details as soon as practicable.

- 4.5 The named auditor(s) will review the files and reports produced by SWAP at any point during the Term and report to the Client Officer as it thinks appropriate.

5 The Audit Plan

- 5.1 The audit plan for the Council (the 'Audit Plan') shall be prepared by SWAP in January in each year in consultation with the Client Officer and such other members of senior management at the Council as the Client Officer acting reasonably shall require and shall take account of the following matters:

5.1.1 Operational Audits;

- (a) Annual key risk review of main financial systems in support of external audit opinion;
 - (b) Governance, Fraud and Corruption reviews;
 - (c) IT Audit;
 - (d) Follow-up reviews;
 - (e) Probity and Investigation Work;
 - (f) Support and Advice;
 - (g) Contract Audit;
 - (h) Value for Money Studies; and
 - (i) Control and Risk Self Assessment facilitated workshops, if required.
- 5.2 The Audit Plan and the Audit Process shall be prepared using a method of risk assessment adopted by SWAP, once agreed or determined in accordance with clauses 5.4 below shall be for the period from 1st April to 31 March.
- 5.3 In preparation of the Audit Plan SWAP shall have due regard to any key financial control audit approach and joint protocol developed with the Council's external auditors.
- 5.4 Following its preparation, the Audit Plan shall be submitted to the Client

Officer for agreement or amendment and final approval by the relevant Council Committee, where appropriate.

- 5.5 Where any amendments are proposed by the Client Officer it shall provide those proposed amendments in writing to the SWAP Representative and a meeting shall be convened to agree amendments to the Audit Plan. In the absence of agreement the matter will be referred to dispute resolution under the provisions of clause 14. Once approved the Audit Plan will be the Audit Plan for the period agreed in it.
- 5.6 The Audit Plan shall be reviewed periodically during the year by the Client Officer and SWAP.

6 Performance Reports

- 6.1 SWAP will prepare reports on performance in accordance with the following:
- 6.1.1 An annual report to be presented to the Council's Audit Committee, or its equivalent, in June of each year, or at any other time as agreed with the Client Officer; and
- 6.1.2 Quarterly monitoring report for the Client Officer and the Council's Audit Committee, or its equivalent, on actual performance against the Audit Plan;
- such reports shall be prepared in accordance with any protocols agreed between the Parties.
- 6.2 These reports will be prepared by the Chief Executive or delegated officer and submitted to the Client Officer who shall present them to members or other officers of the Council as appropriate. Representatives from SWAP shall attend any meetings to discuss the said reports and/or present them on behalf of the client, as required.
- 6.3 SWAP shall further prepare summary reports of the audits carried out under the Audit Plan focusing on the key issues arising out of the audit and, in respect of previous audits, any agreed actions which have not been taken by the Client Officer or Service Managers.

7 **Liaison/Performance/Monitoring**

7.1 SWAP's Chief Executive or delegated Officer shall meet the Client Officer on a quarterly basis, or at such other times as agreed with the Client Officer, to liaise on the following matters:

7.1.1 Progress against the agreed Audit Plan

7.1.2 Agreement of any amendments which may include

- (a) Agreeing extended audit times;
- (b) Rescheduling work; and
- (c) Agreeing the use of the provision for contingencies, and investigation.
- (d) Review of customer satisfaction questionnaire responses

7.1.3 Update on previous audit report recommendations

7.2 Where there are differences that cannot be resolved, or there are grievances by either party in respect of the Audit Plan or any financial arrangements they shall be referred to the Dispute Resolution provisions of Clause 14.

7.3 In addition SWAP's Site Auditor shall formally meet with the Client Officer on a monthly basis or as reasonably required.

7.4 SWAP shall work to achieve the following performance targets

Measure	Target
% Audit Plan achieved	90%
Customer Satisfaction Questionnaire	80% excellent or good responses
Draft report to timetable	85%
Xxx	xxx

8 **Use of premises, equipment, third party products and contracts**

8.1 Premises

8.1.1 The Council will allow to persons duly authorised by SWAP such access to the Premises as is reasonably required for the purpose of providing the Services. Authorisation procedures will be agreed between the Council and SWAP from time to time. SWAP shall use such rights of access for the purpose of providing the Services only. SWAP's right of access will terminate upon termination of this agreement.

8.1.2 SWAP will do nothing which might directly or indirectly cause any breach of the terms of any lease or other terms under which the Council is entitled to occupy the Premises (copies of which terms have been disclosed to SWAP by the Council) and SWAP shall indemnify the Council against all costs, claims, damages and expenses arising from any such breach.

8.1.3 Access to the Premises will be subject to SWAP's compliance with clause 8.1.2 and with any Council's policies notified and the Council reserves the right to exclude any person from the Premises in the event of an actual or threatened breach of clause 8.1.2 or such policies.

8.1.4 To the extent permitted by law, the Council hereby excludes any liability for any injury to persons entering the Premises with SWAP's authorisation or for any loss or damage caused to property brought

onto the Premises by SWAP or such persons.

8.1.5 SWAP hereby indemnifies the Council against all and any damage to the Premises and their contents caused by persons entering the Premises with SWAP's authorisation.

8.2 Equipment

8.2.1 The Council will allow to persons duly authorised by SWAP such use of its equipment as is reasonably required for the purpose of providing the Services. Authorisation procedures will be agreed between the Council and SWAP from time to time. SWAP shall use the equipment for the purpose of providing the Services only.

8.2.2 SWAP shall use any such equipment with all reasonable skill and care and in accordance with best computing practice and hereby indemnifies the Council against all and any damage to the such equipment caused by persons using the same with SWAP's authorisation.

8.3 Licences

8.3.1 The Council hereby grants to SWAP, for the duration of this agreement, a non-exclusive royalty-free licence to use, operate, copy and modify the Council's intellectual property for the purpose only of fulfilling SWAP's obligations under this agreement.

8.3.2 The parties shall co-operate to obtain the consents of third parties to the use by SWAP of any third party software, documentation and other materials ("Third Party Products") (including, without limitation, software and know-how) which:

(a) the Council is permitted to use; and

(b) is required by SWAP for the provision of the Services.

8.3.3 If the Council fails to obtain such consent or if the Council determines that the cost of obtaining such consent is unreasonable, the parties shall co-operate to agree alternative Third Party Products which may replace those in respect of which consent has not been or cannot, except at unreasonable cost, be obtained.

8.3.4 SWAP shall assume all liability to third parties in respect of its use of any Third Party Products in accordance with clause 8.3.2 as from the Commencement Date and shall indemnify the Council against all costs, claims, damages or expenses arising from SWAP's failure to adhere to the terms and conditions of agreements between the Council and such third parties in respect of such Third Party Products.

9 Confidential Information and Freedom of Information

9.1 The Parties shall keep confidential any Confidential Information relating to this Agreement or the Intellectual Property Rights of the Parties and shall use all reasonable endeavours to prevent their employees and agents from making any disclosure to any person of any Confidential Information relating to the Deed or intellectual property rights of the Parties.

9.2 Clause 9.1 shall not apply to:

9.2.1 Any disclosure of information that is reasonably required by persons engaged in the performance of their obligations under this Agreement;

9.2.2 Any matter which a party can demonstrate is already generally available and in the public domain otherwise than as a result of a breach of this clause;

9.2.3 Any disclosure to enable a determination to be made under the Dispute Resolution procedure in clause 14;

9.2.4 Any disclosure which is required by any law (including any order of a court of competent jurisdiction), any Parliamentary obligation or the rules of any stock exchange or governmental or regulatory authority having the force of law, however where a disclosure is to be made pursuant to FOIA the Parties agree that the provisions of clause 9.3 shall apply to any disclosure;

9.2.5 Any disclosure of information which is already lawfully in the possession of the receiving party prior to its disclosure by the disclosing party;

9.2.6 Any disclosure by a party to a department, office or agency of the

Government; or

9.2.7 Any disclosure for the purpose of the examination and certification of a party's accounts.

9.3 Where disclosure is permitted under clause 9.1, the Parties shall endeavour to ensure that recipients of the information shall be placed under the same obligation of confidentiality as that contained in this Agreement by the disclosing Council although the Parties acknowledge that this may not always be possible.

9.4 Freedom of Information:

9.4.1 The Parties recognise that the Parties are subject to the requirements of the FOIA and therefore recognise that information relating to this Agreement may be the subject of an Information Request.

9.4.2 The Parties shall assist each other in complying with their obligations under the FOIA, including but not limited to assistance without charge, in gathering information to respond to an Information Request.

9.4.3 Any Party shall be entitled to disclose any information relating to this Agreement and SWAP in response to an Information Request, save that in respect of any Information Request which is in whole or part a request for Exempt Information in such circumstances the following procedure shall apply:

(a) the Party which receives the Information Request shall circulate the Information Request and shall discuss it with the other Councils;

(b) the Party which receives the Information Request shall in good faith consider any representations raised by the other Councils when deciding whether to disclose Exempt Information; and

9.4.4 The Party which receives the Information Request shall not disclose any Exempt Information beyond the disclosure required by FOIA without the consent of the party to which it relates.

9.4.5 The Parties to this Agreement acknowledge and agree that any decision made by either Party which receives an Information Request as to whether to disclose information relating to this Agreement pursuant to FOIA is solely the decision of that Party. A Party will not be liable to the other Party for any loss, damage, harm or detrimental effect arising from or in connection with the disclosure of information in response to an Information Request.

10 Data Protection

10.1 For the purposes of this clause 10 the following expressions have the following meanings unless inconsistent with the context:

10.1.1 Data Controller: Shall have the same meaning as set out in the Data Protection Act 1998

10.1.2 Data Processor: Shall have the same meaning as set out in the Data Protection Act 1998

10.1.3 Personal Data: Shall have the same meaning as set out in the Data Protection Act 1998

10.1.4 Process: has the meaning given to it under the DPA but, for the purposes of this agreement, it shall include both manual and automatic processing.

10.2 The Parties shall at all times comply with the DPA, including maintaining a valid and up to date registration or notification under the DPA, covering any data processing to be performed in connection with this Agreement and their responsibilities as data processors and/or data controllers.

10.3 Where SWAP is acting as a Data Processor, the Data Processor shall only undertake processing of Personal Data reasonably required in connection with the operation of this Agreement or in accordance with clause 10.4.

10.4 Unless agreed otherwise in writing by the Parties the Data Processor shall process the Personal Data only in accordance with the Data Controller's

instructions from time to time and shall not process the Personal Data for any purpose other than those expressly authorised by the Data Controller.

10.5 Notwithstanding the general obligation in Clause 10.3 the Data Processor shall ensure that it has in place appropriate technical, organisational and contractual measures to ensure the security of the Personal Data (and to guard against unauthorised or unlawful processing of the Personal Data and against accidental loss, disclosure or destruction of, or damage to, the Personal Data), these measures shall be appropriate to the harm which might result from unauthorised or unlawful processing of the Personal Data, accidental loss, disclosure or destruction of, or damage to, the Personal Data having regard to the nature of the personal data which is to be protected; and

10.5.1 take reasonable steps to ensure the reliability of any employees who have access to the personal data

10.5.2 ensure that all employees required to access the Personal Data are informed of the confidential nature of the Personal Data and comply with the obligations set out in this contract

10.5.3 take reasonable steps to ensure that none of the SWAP employees publish, disclose or divulge any of the Personal Data to any third party unless directed in writing to do so by the Council;

10.5.4 provide the Data Controller with such information as the Data Controller may reasonably require to satisfy itself that the Data Processor is complying with its obligations under the Data Protection Act;

10.5.5 promptly notify the Data Controller of any breach of the security measures required to be put in place pursuant to this clause 10.5; and

10.5.6 ensure it does not knowingly or negligently do or omit to do anything which places the Data Controller in breach of the Data Controller's obligations under the Data Protection Act.

10.5.7 notify the Party (within five Working Days), if it receives:

(a) a request from a Data Subject to have access to that person's

Personal Data;

- (b) or a complaint or request relating to the Party's obligations under the DPA;

10.5.8 provide the Party with full co-operation and assistance in relation to any complaint or request made, including by:

- (a) providing the Party with full details of the complaint or request;
- (b) complying with a data access request within the relevant timescales set out in the DPA and in accordance with the Party's instructions;
- (c) providing the Party with any Personal Data it holds in relation to a Data Subject (within the timescales required by the Party); and
- (d) providing the Party with any information requested by the Party;

10.6 The Data Processor shall not transfer any Personal Data to any country or territory outside the European Economic Area unless in accordance with the 8th Data Protection Principle as set out in the DPA.

10.7 The Data Processor may authorise a third party (a "Subcontractor") to process the Personal Data provided that the Subcontractor's contract:

10.7.1 includes terms which are substantially the same as this Clause 10; and

10.7.2 will terminate automatically on termination of this Agreement for any reason.

10.8 The Data Processor shall not disclose Personal Data to any third parties other than:

10.8.1 in response to a data subject access request;

10.8.2 to employees and contractors to whom such disclosure is necessary in order to comply with their obligations under this Agreement;

10.8.3 to the extent required to comply with a legal obligation;

10.8.4 to the extent necessary for the performance of the Services; or

10.8.5 in accordance with written instruction from the data controller

10.9 The Data Processor shall permit the Data Controller or the Data Controller's representative (subject to reasonable and appropriate confidentiality undertakings), to inspect and audit, the Data Processor's data processing activities (and/or those of its agents, subsidiaries and sub-contractors) and comply with all reasonable requests or directions by the Data Controller to enable the Data Controller to verify and/or procure that the Data Processor is in full compliance with its obligations under this agreement and Provide a written description of the technical and organisational methods employed by the Data Processor for processing Personal Data (within the timescales required by the Council).

11 **Financial Arrangements:-**

11.1 The fee for the provision of the Services to the Council shall be the Funding calculated and paid in accordance with the Members' Agreement.

11.2 The Client Officer is responsible for the allocation of and recharge of the internal audit fee within the Council.

12 **The Client Officer:-**

12.1 The Client Officer shall have the following responsibilities:

12.1.1 Approve the annual Audit Plan within a reasonable period of time following its submission and, if considered necessary, to recommend to the Chief Executive as soon as practicable, any significant changes which are required;

12.1.2 Approve any variations to the Audit Plan requested by SWAP;

12.1.3 Monitor the performance of SWAP against the agreed audit plan for the Council;

12.1.4 Receive customer satisfaction questionnaires;

12.1.5 Act as budget holder for the Council;

- 12.1.6 Authorise payments to SWAP;
- 12.1.7 Approve and present reports to the Council;
- 12.1.8 Liaise with the Council's external auditors; and
- 12.1.9 Agree any response to errors/fraud/corruption/ irregularities revealed by audits carried out by SWAP

Provided that any approval required to be given by the Client Officer shall be at the discretion of the Client Officer and where he is minded not to approve any matter he shall report this to the Chief Executive as soon as practicable.

- 12.2 In accordance with the Audit Charter and notwithstanding 12.1.1 and 12.1.2 above, the Chief Executive has the right to audit any part of the Council's operations or activities as he sees fit.
- 12.3 It is envisaged and both Parties will seek to ensure (so far as they are able) with the aim of providing an effective overall audit service that the Council's external auditors will have the following duties and responsibilities:
 - 12.3.1 Review the Audit Plan and liaise with SWAP to minimise any duplication, repetition or overlap and to ensure that the Council receives a comprehensive audit service from both its internal and external providers; and
 - 12.3.2 Provide assurance on the competency of SWAP.

13 **Termination of Agreement**

- 13.1 This agreement shall take effect on the Commencement Date and shall continue until such time as the Council's withdrawal from or termination of the Members' Agreement takes effect.
- 13.2 If the Council elects to exercise its right of withdrawal or termination as set out in the Members' Agreement the Chief Executive will make every effort to ensure that the minimum number of audits are in progress and that any audit in progress can be taken over by its successors.
- 13.3 Termination is without prejudice to any rights or liabilities of either party

which have accrued prior to any termination and the requirements of the Council following any withdrawal under the Members Agreement.

14 **Dispute Resolution**

- 14.1 The Parties shall attempt in good faith to negotiate a settlement to any dispute between them arising out of or in connection with the Agreement within 20 Working Days of either Party notifying the other of the dispute.
- 14.2 If the dispute cannot be resolved by the Parties pursuant to clause 14.1 the dispute shall be referred to the Board.
- 14.3 In the event that any dispute is not resolved by the Board the Parties shall utilise the dispute resolution procedure set out in the Members' Agreement.
- 14.4 Nothing in this dispute resolution procedure shall prevent the Parties from seeking from any court of the competent jurisdiction an interim order restraining the other Party from doing any act or compelling the other Party to do any act.
- 14.5 The performance of the Agreement shall not be suspended, cease or be delayed by the reference of a dispute to mediation and Parties shall comply fully with the requirements of the Agreement at all times.

15 **LIMITATION OF LIABILITY**

- 15.1 Nothing in this Agreement shall limit or exclude either Party's liability for:
- 15.1.1 death or personal injury caused by its negligence, or the negligence of its employees, agents or subcontractors;
 - 15.1.2 fraud or fraudulent misrepresentation; or
 - 15.1.3 breach of the terms implied by section 2 of the Supply of Goods and Services Act 1982 (title and quiet possession).
- 15.2 Subject to clause 15.1:
- 15.2.1 SWAP shall under no circumstances whatever be liable to the Council, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, for any loss of profit, or any indirect or consequential loss arising under or in connection with

this agreement; and

15.2.2 SWAP's total liability to the Council in respect of all other losses arising under or in connection with the Contract, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, shall in no circumstances exceed £500,000.

15.3 The terms implied by sections 3 to 5 of the Supply of Goods and Services Act 1982 are, to the fullest extent permitted by law, excluded from the Contract.

15.4 This clause 15 shall survive termination of this agreement.

16 **Discrimination**

16.1 SWAP shall not unlawfully discriminate within the meaning and scope of any law, enactment, order, or regulation relating to discrimination (whether in age, race, gender, religion, disability, sexual orientation or otherwise) in employment.

16.2 SWAP shall take all reasonable steps to secure the observance of clause 15.1 by all servants, employees or agents of the SWAP and all suppliers and sub-contractors employed in performance of this agreement.

17 **Insurance**

17.1 SWAP shall effect and maintain in respect of its potential liabilities under this Agreement:

17.1.1 public liability insurance to a minimum of £10 million ;

17.1.2 professional indemnity insurance to a minimum of £500,000; and

17.1.3 employer's liability insurance to not less than the statutory minimum level of cover

in each case in respect of any one act or occurrence or a series of acts or occurrences arising from one event but with no aggregate limit during any one period of cover and any other insurances as may be required by Law.

18 **Severance**

If any provision of this Agreement shall be declared invalid, unenforceable or illegal by the courts of any jurisdiction to which it is subject, such provision may be severed and such invalidity, unenforceability or illegality shall not prejudice or affect the validity, enforceability or legality of the remaining provisions of this Agreement.

19 **Waiver**

The failure by either party to enforce at any time or for any period any one or more of the terms or conditions of this agreement shall not be a waiver of them or of the right at any time subsequently to enforce all terms and conditions of this agreement.

20 **Force Majeure**

Neither Party shall be liable for any default due to any act of God, war, strike, lockout, industrial action, fire, flood, drought, tempest or other event beyond the reasonable control of either party.

21 **Assignment**

This agreement and all rights under it may be assigned or transferred by the Council to any successor body at the discretion of the Council who shall give SWAP 21 days notice in writing of any such assignment.

22 **Jurisdiction**

This agreement is made under and shall be governed by English Law.

23 **Third Parties**

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of this Agreement

24 **Notices**

24.1 Except as otherwise expressly provided within the Agreement, no notice or other communication from one Party to the other shall have any validity under the Agreement unless made in writing by or on behalf of the Party concerned.

24.2 Any notice or other communication which is to be given by either Party to the other shall be given by letter (sent by hand, post, registered post or by the recorded delivery service), by facsimile transmission or electronic mail (confirmed in either case by letter). Such letters shall be addressed to the other Party to the addresses set out above or such other address notified to the other party in writing. Provided the relevant communication is not returned as undelivered, the notice or communication shall be deemed to have been given 2 Working Days after the day on which the letter was posted, or four hours, in the case of electronic mail or facsimile transmission or sooner where the other Party acknowledges receipt of such letters, facsimile transmission or item of electronic mail.

25 **Prevention of Bribery**

25.1 SWAP:

25.1.1 shall not, and shall procure that any of SWAP's officers, employees, agents or sub-contractors shall not, in connection with this Agreement commit a Prohibited Act;

25.1.2 warrants, represents and undertakes that it is not aware of any financial or other advantage being given to any person working for or engaged by the Council, or that an agreement has been reached to that effect, in connection with the execution of this Agreement, excluding any arrangement of which full details have been disclosed in writing to the Council before execution of this Agreement.

25.2 The SWAP shall if requested, provide the Council with any reasonable assistance, at the Council's reasonable cost, to enable the Council to perform any activity required by any relevant government or agency in any relevant jurisdiction for the purpose of compliance with the Bribery Act;

26 **Entire Agreement**

26.1 The Agreement together with the Members Agreement and any other constitutes the entire agreement between the Parties relating to the subject matter of the Agreement. The Agreement supersedes all prior negotiations, representations and undertakings, whether written or oral, except that this

clause shall not exclude liability in respect of any fraudulent misrepresentation.

- 26.2 The Agreement may be executed in counterparts, each of which when executed and delivered shall constitute an original but all counterparts together shall constitute one and the same instrument.

This agreement has been entered into on the date stated at the beginning of it.

Signed on behalf of SWAP [NAME OF DIRECTOR],

a director, in the presence of:

.....
[SIGNATURE OF DIRECTOR]
Director

.....
[SIGNATURE OF WITNESS]
[NAME, ADDRESS AND OCCUPATION OF WITNESS]

Authorised signatory of [COUNCIL]

Signature of duly authorised officer

.....

Full name (BLOCK CAPITALS)

DATED 2013

DORSET COUNTY COUNCIL	(1)
and	
EAST DEVON DISTRICT COUNCIL	(2)
and	
FOREST OF DEAN DISTRICT COUNCIL	(3)
and	
MENDIP DISTRICT COUNCIL	(4)
and	
SEDGEMOOR DISTRICT COUNCIL	(5)
and	
SOMERSET COUNTY COUNCIL	(6)
and	
SOUTH SOMERSET DISTRICT COUNCIL	(7)
and	
TAUNTON DEANE BOROUGH COUNCIL	(8)
and	
WEST DORSET DISTRICT COUNCIL	(9)
and	
WEST SOMERSET COUNCIL	(10)
and	
WEYMOUTH AND PORTLAND BOROUGH COUNCIL	(11)
and	
WILTSHIRE COUNCIL	(12)
and	
SOUTH WEST AUDIT PARTNERSHIP LIMITED	(13)

**DRAFT MEMBERS AGREEMENT FOR
SOUTH WEST AUDIT PARTNERSHIP LIMITED**

brownejacobson

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APPENDIX A - FIRST BUSINESS PLAN

APPENDIX B - ARTICLES OF ASSOCIATION

BETWEEN

- (3) **DORSET COUNTY COUNCIL** of County Hall, Colliton Park, Dorchester, DT1 1XJ (“DCC”)
- (4) **EAST DEVON DISTRICT COUNCIL** of Council Offices, Knowle, Sidmouth, Devon, EX10 8HL (“EDDC”)
- (5) **FOREST OF DEAN DISTRICT COUNCIL** of Council Offices, High Street, Coleford, Gloucestershire, GL16 8HG (“FDDC”)
- (6) **MENDIP DISTRICT COUNCIL** of Cannards Grave Road, Shepton Mallet, Somerset, BA4 5BT (“MDC”)
- (7) **SEDGEMOOR DISTRICT COUNCIL** of Bridgewater House, King Square, Bridgewater, Somerset, TA6 3AR (“SDC”)
- (8) **SOMERSET COUNTY COUNCIL** of County Hall, Taunton, Somerset, TA1 4DY (“SCC”)
- (9) **SOUTH SOMERSET DISTRICT COUNCIL** of PO Box 25 The Council Offices Brympton Way Yeovil Somerset BA20 2DS (“SSDC”)
- (10) **TAUNTON DEANE BOROUGH COUNCIL** of The Deane House Belvedere Road Taunton Somerset TA1 1HE (“TDBC”)
- (9) **WEST DORSET DISTRICT COUNCIL** of Stratton House, 58-60 High West Street, Dorchester, Dorset, DT1 1UZ (“WDDC”)
- (10) **WEYMOUTH AND PORTLAND BOROUGH COUNCIL** of Council Offices, North Quay, Weymouth, Dorset, DT4 8TA (“WPBC”)
- (11) **WEST SOMERSET COUNCIL** of West Somerset House, Killick Way, Williton, Taunton TA4 4QA (“WSC”)
- (12) **WILTSHIRE COUNCIL** of County Hall, Bythesea Road, Trowbridge, Wiltshire, BA14 8JN (“WC”)
(together the “Members”); and
- (13) **SOUTH WEST AUDIT PARTNERSHIP LIMITED** (registered number 8215338) whose registered office is at PO Box 25, 1 Council Offices, Brympton Way, Yeovil, Somerset, BA20 2DS (the “Company”).

BACKGROUND

- (F) The Company was incorporated in England and Wales as a private company limited by guarantee on 14 September 2012 under the Companies Act 2006.

- (G) The Members have set up the Company as an in-house Local Authority Controlled company to assist them in the provision of a shared internal audit, counter fraud and governance related service (as more particularly described in **clause 3** (Business of the Company)).
- (H) The South West Audit Partnership (“**SWAP**”) currently exists as a joint committee between the Members under S101 of the Local Government Act 1972, hosted by South Somerset District Council. The Members consider that the future operation of SWAP by the Company will improve efficiency and SWAP’s management, governance and accounting processes. Following the transfer of SWAP to the Company it is intended that the joint committee be dissolved.
- (I) The Members wish to participate as Members in the Company and have agreed to enter into this Deed for the purpose of regulating their relationship with each other and certain aspects of the affairs of, and their dealings with, the Company.
- (J) The Company has agreed with the Members that it will comply with the terms and conditions of this Deed insofar as they relate to the Company.
- (K) Certain management decisions are reserved to the Members and these are set out in the Schedules to this Deed. The Company is considered by the Members to be an in-house company to each and every one of them for the reasons that, inter alia:
- (i) the Company is required by the Members to carry out the tasks as set out in the Services Agreements and is limited to the business and objectives as set by the Members from time to time;
 - (ii) the Company is considered to be, and acts as internal, dependent and subordinate to the Members, and its primary relationships with them are governed by way of this constitutional document rather than by way of contract;
 - (iii) the Company’s revenue derives from financial allocations set and controlled by each Member as referred to in **clause 7** of this Deed;
 - (iv) the Company has been established to operate as an instrument and a technical service of the Members and the essential part of its revenue-deriving activities are carried out with the Members.

OPERATIVE CLAUSES

1. DEFINITIONS AND INTERPRETATION

In this Deed:

1.1 the following expressions have the following meanings unless inconsistent with the context:

“Act”	the Companies Act 2006
“Business Plan”	a business plan in a form to be approved by the Members pursuant to clause 8 and setting out the implementation, over a particular Financial Year, of the strategic objectives of the Company in relation to the Business, to include budgets, expenses (including any administrative expenses) and projected financial results for such Financial Year and the first Business Plan is attached to this Deed as part of Appendix A
“Applicable Requirement”	any statute, statutory provision, statutory instrument, subordinate legislation, regulation, standard, bye-law, law, direction, notice, proclamation, order, resolution, rule of court, directive, mandatory code of practice or conduct, guidance or other instrument of requirement, in all cases having the force of law within any national or local jurisdiction issued, declared, passed or given effect to in any manner by HM Parliament, the legislation making institutions of the European Union, any court or other judicial forum, any Commission of Inquiry, local authority, statutory undertaking or relevant authority or any other person or body having such power and any voluntary code of practice or conduct or other requirement which so relates and which the relevant party has elected to comply with in respect of its business generally (to the extent applicable) (including any rules or codes of conduct or best practice statements) or any other requirements relating to this Deed or otherwise in connection with any of the activities to be undertaken by the Company or any Member in connection with this Deed in all cases in force from time to time
“Articles”	the articles of association of the Company in the form set out in Appendix B to be adopted with effect from Completion and references to an Article shall mean a specific article in the Articles
“Board”	the Directors of the Company, or such of those Directors present at a duly convened meeting of the Directors at which a quorum is present in accordance with the Articles

“Business”	the business of the Company as described in clause 3 and/or such other business as the Members may unanimously agree from time to time in writing should be carried on by the Company
“Business Day”	any day (other than a Saturday or Sunday or a bank or public holiday in England and Wales)
“Business Transfer Agreement”	the agreement entered into by SSDC (1) and the Company (2) at Completion for the transfer of the Existing Business from SSDC (as Host Council for the Joint Committee)
“Chief Executive”	such person who is appointed Chief Executive of the Company pursuant to clause 6.1 of this Deed
“Completion”	the performance by the parties of their respective obligations under clause 4
“Confidential Information”	any financial or other information in whatever form in respect of the Company or the Business or the Members (in the case of the Company) or any other Member (in the case of a Member) or any matter subject to or in connection with this Deed
“Director”	any duly appointed director of the Company from time to time
“Encumbrance”	any mortgage, charge, pledge, lien, assignment by way of security, option, refusal, other preferential arrangement, third party right or interest, security interest of any kind or other arrangement having similar effect
“European Procurement Rules”	Public Contract Regulations 2006 as amended from time to time
“Existing Business”	the existing activity carried on by the Joint Committee up to the date of Completion
“Financial Regulations”	the framework of financial controls and standards necessary to achieve the proper administration of the Company's financial affairs as may be approved by the Members from time to time.
“Financial Year”	means the year commencing 1 April and expiring on the subsequent 31 March
“FOIA”	the Freedom of Information Act 2000 and any guidance and codes of practice issued thereunder from time to time by the

	Information Commissioner
“Funding”	as defined in clause 7.1
“Information”	has the meaning given under section 84 of the FOIA
“Initial Funding”	an amount of £[sterling equivalent of €200,000];
“Joint Committee”	means the Joint Committee of which the Members are members and which was established in April 2005 in accordance with the provisions of the South West Partnership Agreement (as amended from time to time)
“Member Default”	any of the matters listed in clause 16.1
“Request for Information”	shall have the meaning set out in FOIA or any apparent request for information under the FOIA or the Environmental Information Regulations 2004
“Reserved Matter”	any of the individual management decisions reserved to the Members and requiring unanimous consent as listed in Schedule 2
“Services”	the Services provided by the Company to each of the Members pursuant to the Services Agreements (or otherwise)
“Services Agreement”	the agreement between each of the Members and the Company from time to time whereby the Company agrees to provide services to the Members either collectively or separately
“Special Reserved Matter”	any of the individual management decisions reserved to the Members and requiring unanimous consent as listed in Schedule 1
“Subsidiary”	has the meaning given to it by section 1159 of the Act

1.2 references to any statute or statutory provisions will, unless the context otherwise requires, be construed as including references to any earlier statute or the corresponding provisions of any earlier statute, whether repealed or not, directly or indirectly amended, consolidated, extended or replaced by such statute or provisions, or re-enacted in such statute or provisions, and to any subsequent statute or the corresponding provisions of any subsequent statute in force at any time prior to the date of this Deed directly or indirectly amending, consolidating, extending, replacing or re-enacting the same, and will include any orders,

regulations, instruments or other subordinate legislation made under the relevant statute or statutory provisions which are in force prior to the date of this Deed;

- 1.3 references to a person or to a third party will be construed so as to include bodies corporate, individuals, unincorporated associations and partnerships;
- 1.4 references to clauses and the Schedules are to clauses of and the Schedules to this Deed;
- 1.5 the Schedules form part of this Deed and will have the same force and effect as if expressly set out in the body of this Deed;
- 1.6 the headings to the clauses of this Deed and to the paragraphs of the Schedules will not affect its construction;
- 1.7 any phrase in this Deed introduced by the term “include”, “including”, “in particular” or any similar expressions will be construed as illustrative and will not limit the sense of the words preceding that term.

2. **CONSIDERATION**

In consideration of the mutual agreements and undertakings set out in this Deed the parties have granted the rights and accepted the obligations in this Deed.

3. **BUSINESS OF THE COMPANY**

The business of the Company is to be the operation of a shared internal audit, counter fraud and governance related service and such other matters as may be agreed between the Members unanimously.

4. **COMPLETION**

Completion shall take place immediately after the execution of this Deed when the parties shall take, or procure to be taken at Board and Members’ meetings of the Company the following steps, to the extent not already taken:

- 4.1 Execution and completion of the Business Transfer Agreement;
- 4.2 the appointment or designation of the following persons as Directors as appropriate:

Name	Appointment or designation
[REDACTED]	Director
[REDACTED]	Director

[REDACTED]	Director
[REDACTED]	Director
[REDACTED]	Director
[REDACTED]	Director
[REDACTED]	Director
[REDACTED]	Director
[REDACTED]	Director
[REDACTED]	Director
[REDACTED]	Director
[REDACTED]	Director

4.3 Execute and complete the Services Agreements;

4.4 the adoption of new Articles of the Company in the form set out in **Appendix B**.

4.5 a resolution will be passed of each member agreeing to dissolve the Joint Committee and each member shall provide evidence of appropriate consent or approval for them becoming a member of the Company.

5. CONDUCT OF THE COMPANY’S AFFAIRS

5.1 Each Member covenants with the other Member that so long as this Deed remains in force and effect it will:

5.1.1 be just and true to the other Member and act in good faith;

5.1.2 as soon as practicable notify the Company of any matters of which it becomes aware which may affect the Company or the Business;

5.1.3 generally do all things necessary to give effect to the terms of this Deed;

5.1.4 take all steps available to it to ensure that any meeting of the Board or any committee of the Board or any general meeting has the necessary quorum throughout; and

5.1.5 take all reasonable steps to ensure that the Company complies with its contractual obligations in relation to the Business.

5.2 Subject to **clause 11** the Chief Executive and Board shall be responsible for the day to day management of the Company in accordance with the Business Plan (but

not otherwise) and without prejudice to the generality of the foregoing shall procure that:

- 5.2.1 save in respect of the Services Agreements which will be on such terms as the Members shall decide the Company shall transact all its business on arm's length terms;
 - 5.2.2 the Company shall maintain, with a well-established and reputable insurer, adequate insurance against all risks usually insured against by companies carrying on the same or a similar business and (without prejudice to the generality of the foregoing) for the full replacement or reinstatement value of all its assets of an insurable nature;
 - 5.2.3 the Company shall keep proper books of account and therein make true and complete entries of all its dealings and transactions of and in relation to the Business;
 - 5.2.4 the Company shall provide each Member at quarterly Board meetings with unaudited management accounts for the preceding financial quarter in a form reasonably acceptable to the Members together with a budget and cashflow forecast for the remaining period of that Financial Year;
 - 5.2.5 the Company shall prepare its accounts in accordance with the Act and in accordance with historical cost convention and with all applicable accounting standards and principles and practices generally acceptable in the United Kingdom; and
 - 5.2.6 the Company shall prepare such accounts in respect of each accounting reference period as are required by statute and procure that such accounts are audited as soon as practicable and in any event not later than 4 months after the end of the relevant accounting reference period.
- 5.3 Where any Director is appointed by a Member pursuant to **Article 9.1** each and every Member shall be deemed to have consented to the Chief Executive (being independent of the members) to approve any personal conflicts of interest which arise solely as a result of that director's connection with the Member appointing him.
- 5.4 The parties acknowledge that the Company is required by the Members to enter into the Services Agreements which set out each Member's requirements for the delivery of services, furthermore the Company acknowledges that each Member's requirements set out in the relevant Services Agreement may change from time to

time and the Company will agree (and each Member will procure that it so agrees) such changes to the Services Agreements as it considers in its absolute discretion are reasonably required by each Member.

- 5.5 If at any time the Company fails to satisfy the tests required for it to be an in-house company for the purposes of the exemption originally set out in Case C-107/98 Teckal Srl v Comune di Viano (the “Exemption”) then the Members shall promptly consider in good faith any amendments or changes which can be made to the Company or its constitution so that it is regarded as an in-house company for the purposes of the Exemption or to decide that they are satisfied that the Company should proceed outside of the Exemption.

6. CHIEF EXECUTIVE

- 6.1 The Members may appoint a Chief Executive on such terms as they may think fit, the first Chief Executive being Gerald Cox.

- 6.2 The Chief Executive will:

6.2.1 be responsible for the day to day management of the Business of the Company within the terms of the Business Plan approved and adopted by the Members;

6.2.2 perform such other duties as may be delegated to the Chief Executive from time to time by the Board;

6.2.3 report to the Board and the Members with such frequency and in such manner as may be required by the Board and the Members respectively;

6.2.4 be responsible for all matters relating to Health and Safety and safeguarding legislation compliance; and

6.2.5 comply with the provisions of **clause 11** and all decisions and directions of the Board.

6.2.6 The Chief Executive will be authorised to sign Company cheques and authorise other payments by the Company in such manner as may be prescribed from time to time in the Financial Regulations.

- 6.3 The Chief Executive will be registered as an Executive Director (as defined in the Articles).

7. FUNDING

- 7.1 The Members acknowledge that the funding being made available to the Company pursuant to this **clause 7** (the “Funding”) is only that funding which is necessary

to fund the delivery of the Services to the Members. Such Funding is not designed to overly compensate the Company. Where the Company makes any substantive profit in any Financial Year it shall be applied in accordance with the provisions of the Business Plan (as provided for in **clause 8.1**) or, as the Members may by resolution agree, to reduce the annual amount payable by Members pursuant to **clause 7.4** in subsequent Financial Years.

- 7.2 All expenditure, other costs and liabilities incurred by the Company in a Financial Year that are not covered by the Funding, fees and charges and other income received by the Company in delivering the Services shall be shared by the Members pro rata to the amounts of the Funding for that Financial Year payable by them pursuant to **clause 7.5** and **7.6**
- 7.3 The delivery of Services to the Members and the provision of the Services to any other clients shall be on the basis of the Services Agreements entered into between the Company and the Members and/or any other client. The Service Agreements relating to the provision of the functions to each of the Members are annexed to this Deed. Save as provided therein the services to be provided there under can be varied at the request of any of the Members subject to the approval of the Board. Any variation to the amounts to be paid under any Service Agreement also require the approval of the Board and the Members.
- 7.4 Each Member shall pay the Company by an quarterly instalments in advance on or prior to 1st April, 1st July, 1st October and 1st January in each Financial Year that part of the Funding set out in **clause 7.5** and **7.6** below such instalments to be paid within 14 days of receipt of an account for the same.
- 7.5 For the period from the 1st April 2013 until 31st March 2014 the total annual amounts payable to the Company by the Members will be as follows:
- 7.5.1 DCC shall pay to the Company the sum of £343,980 (the “DCC annual sum”) on the date hereof;
- 7.5.2 EDDC shall pay to the Company the sum of £111,880 (the “FDDC annual sum”) on the date hereof;
- 7.5.3 FDDC shall pay to the Company the sum of £99,960 (the “FDDC annual sum”) on the date hereof;
- 7.5.4 MDC shall pay to the Company the sum of £147,170 (the “MDC annual sum”) on the date hereof;
- 7.5.5 SDC shall pay to the Company the sum of £112,770 (the “SDC annual sum”) on the date hereof;

- 7.5.6 SCC shall pay to the Company the sum of £415,160 (the “SCC annual sum”) on the date hereof;
 - 7.5.7 SSDC shall pay the sum of £117,300 (the “SSDC annual sum”) on the date hereof;
 - 7.5.8 TDBC shall pay to the Company the sum of £117,600 (the “TDBC annual sum”) on the date hereof;
 - 7.5.9 WDDC shall pay to the Company the sum £83,850 (the “WDDC annual sum”) on the date hereof;
 - 7.5.10 WSC shall pay to the Company £56,780 (hereinafter called “the WSDC annual sum”) on the date hereof;
 - 7.5.11 WPBC shall pay to the Company £117,400 (the “WPBC annual sum”) on the date hereof; and
 - 7.5.12 WC shall pay to the Company £575,500 (the “WC annual sum”) on the date hereof.
- 7.6 For the financial year commencing on 1st April 2013 and each subsequent financial year thereafter, the DCC annual sum, the EDDC annual sum, the FDDC annual sum, the MDC annual sum, the SDC annual sum, the SCC annual sum, the SSDC annual sum, the TDBC annual sum, the WDDC annual sum, the WSC annual sum, the WPBC annual sum and the WC annual sum may (if the Company, in the reasonable opinion of the Board, is unable to absorb any increased costs within its budgets) be increased by such a percentage as represents the percentage of any increase in the salary costs for any of the staff employed in the discharge of the functions and salary costs shall include any increments paid, annual pay awards, increase in National Insurance contributions and any increased contribution that the Company has to or reasonably decides in its best interests to make to the Somerset County Council Pension Fund.
- 7.7 On the date of this Deed, SSDC shall provide a grant to the Company in the amount of the Initial Funding.
- 7.8 Each Member’s obligations to provide agreed funding are owed to the Company and each other Member on a several basis.
- 8. BUSINESS PLAN**
- 8.1 For each Financial Year the Chief Executive shall, at least 60 days prior to the end of the previous Financial Year prepare a revenue budget and business plan for approval by both the Board and by the Members (the “Business Plan”). The

Business Plan shall be submitted to the Annual General Meeting of the Members for approval and shall be approved by the Members before it becomes effective. The Company shall not incur expenditure in excess of the amounts approved in the Business Plan without the consent of all Members.

8.2 The current Business Plan as agreed between the Members and the Company is attached at **Appendix A** of this Deed.

8.3 The Board only has power to act within the parameters set by the Business Plan and must exercise any discretion given to it to meet objectives laid down for it in the Business Plan unless the Members unanimously agree otherwise.

9. ORGANISATION OF THE BOARD

9.1 Members shall have a right to appoint and remove Directors in accordance with **Article 9**.

9.2 It is intended that any Director appointed by a Member in accordance with **Article 9.1** shall be an officer of that Member, but such intention shall not be binding on the Members who shall have absolute discretion in determining the identity of such appointee.

9.3 If any Member ceases to be a Member then that Member shall:

9.3.1 be deemed to have served notice to remove from office any Directors appointed by it and shall not be entitled to appoint any persons as Directors in their place; and

9.3.2 (if applicable) procure that any Director appointed by it shall resign as an employee of the Company.

9.4 Upon such removal or resignation from the office of Director or termination of employment the said Member will use its best endeavours to procure that any such Director shall deliver to the Company a letter signed as a deed and/or the required statutory form of compromise agreement (at the Company's option) acknowledging that he or she has no claim outstanding for compensation for wrongful dismissal or unfair dismissal or entitlement to any payment for redundancy or in respect of any other moneys or benefits due to him or her from the Company arising out of his or her employment and/or its termination. In any event, the said Member shall be responsible for and shall indemnify the other Members and the Company against any claim (save for unpaid salary and benefits) by such Director for unfair or wrongful dismissal or any other claim whatsoever arising out of such Director's removal from office as a Director and/or the termination of his or her employment.

9.5 Any Member exercising its right under **Article 9.1** to remove a Director shall be responsible for and shall indemnify the other Members and the Company against any claim (save for unpaid salary and benefits due up to the date of their removal) by such Director for unfair or wrongful dismissal or any other claim whatsoever arising out of such removal from office as a Director and/or the termination of his or her employment.

10. **MEETINGS**

10.1 All Board meetings shall be held at a venue reasonably convenient for all the Directors.

10.2 A Board meeting will be held every 3 months unless determined otherwise by the Board.

10.3 The Company shall ensure that:

10.3.1 Members are sent papers for all general meetings of the Company (including but not limited to an agenda and details of any specific resolutions to be put to the meeting) no less than 28 days before the date of such meeting; and

10.3.2 Directors are sent papers for Board meetings (including but not limited to an agenda and details of any specific resolutions to be put to the meeting) not less than 7 days before the date of such meeting.

10.4 Board meetings shall be conducted in accordance with and subject to the provision set out in the Articles.

11. **MATTERS REQUIRING UNANIMOUS AND SPECIAL APPROVAL**

11.1 Notwithstanding any other provisions of this Deed or the Articles, any matter of the Company or the Business which exclusively affects any single Member's ability to attain or fulfil its public-interest objectives in full at all times shall require the consent in writing of such Member.

11.2 Unless:

11.2.1 the Members have been given an opportunity to discuss such matter at a general meeting (being either the annual general meeting of the company or any general meeting called specifically for the purpose of discussing such matter); and

11.2.2 all the Members have agreed to such matter (whether at the general meeting or otherwise in writing (including by email));

the Company will not, and the Members shall exercise their powers in relation to the Company to procure that (save as otherwise provided or contemplated in this Deed) the Company will not undertake those matters set out in **Schedule 1 (“Special Reserved Matters”)**. For the avoidance of doubt it shall not be necessary for each Member to attend such general meeting for such matter to be approved, provided such meeting is quorate and that each Member not in attendance confirms their approval in writing (including by email).

11.3 Unless otherwise agreed by 8 of the Members in general meeting or in writing (including by email) (unless otherwise required by statute), the Company will not, and the Members shall exercise their powers in relation to the Company to procure that (save as otherwise provided or contemplated in this Deed) the Company will not undertake those matters set out in **Schedule 2 (“Reserved Matter”)**.

11.4 Notwithstanding the provisions of **clause 11.2** no new member shall be admitted to the Company without such member entering into a deed of adherence in such form as the Members may reasonably require whereby such new member agrees to be bound by the terms of this Deed.

12. DEADLOCK

12.1 Meaning of Deadlock

For the purposes of this **clause 12** there shall be a Deadlock if:

12.1.1 a matter constituting a Special Reserved Matter or a Reserved Matter has been considered by the Members; and

12.1.2 no resolution has been carried by the Members in relation to the matter because of a failure in the case of a Special Reserved Matter any Member to consent to such resolution or in the case of a Reserved Matter the requisite number of Members consent to such resolution; and

12.1.3 the matter is not resolved within 10 Business Days from the date of the relevant Members meeting or the date of referral to the Members for consent (as appropriate); and

12.1.4 the Members have not unanimously resolved, as a result of the matters referred to above, that the status quo should continue.

12.2 Members’ obligations

In any case of Deadlock each of the Members shall (at the request of any Member) within 15 Business Days of Deadlock having arisen or become apparent, cause its

appointees on the Board to prepare and circulate to the Members and the other Directors a memorandum or other form of statement setting out its position on the matter in respect of which the Deadlock has arisen and its reasons for adopting that position, but on the basis that such memorandum or statement shall always be prepared and delivered on a “without prejudice” basis. Each Member shall then refer the Deadlock to the Chief Executives of each respective Member and such persons shall use all reasonable efforts in the 20 Business Days following such reference to resolve the Deadlock.

12.3 Failure to resolve Deadlock

If a resolution of a Deadlock referred pursuant to **clause 12.2** is not resolved or is not agreed in accordance with that clause (or such longer period as the Members may agree in writing) then:

12.3.1 if the Deadlock relates to a Reserved Matter than the status quo shall prevail; and

12.3.2 if the Deadlock relates to a Special Reserved Matter then the provisions of **clauses 12.4** onwards shall apply.

12.4 In the circumstances referred to in **clause 12.3.2** the Members will attempt to settle it by mediation in accordance with the model mediation procedures (“the Procedures”) published by the Centre for Effective Dispute Resolution, CEDR Solve (“the Service Provider”). To initiate a mediation, a Member must give notice in writing (“the mediation notice”) to the other Member.

12.5 The Members will seek to agree the appointment of a mediator but, failing agreement within 28 days of the service of the mediation notice, any Member may ask the Service Provider to appoint a mediator.

12.6 In the event that there are no Procedures available and/or the Service Provider is unable or unwilling to appoint a mediator, any Member may ask the President of the Law Society of England & Wales (or its successor body) to appoint a mediator and/or to recommend a mediation procedure which the Members shall adopt.

12.7 If the matter in dispute is not resolved within 40 Business Days of the service of the mediation notice then any Member may (but shall not be obliged to) within 15 Business Days after expiry of such period serve notice in writing upon the other Members and the Board that the Board shall, at the earliest practicable date:

12.7.1 convene an extraordinary general meeting of the Company to consider:

12.7.1.1 the matter from which the Deadlock arose;

12.7.1.2 any alternatives available to Members including the resignation of one Member only in order to allow the others to continue as the Members of the Company; and

12.7.2 in the event that at such extraordinary general meeting of the Company all of the Members except one (the "Majority Members") are in agreement on the matter from which the Deadlock arose, they shall be entitled to serve twelve months notice on the Member not in agreement, and on expiry of that notice that Member shall cease to be a member of the Company.

13. **TERMINATION OF THIS DEED**

13.1 This Deed shall continue in full force and effect from the date hereof until:

13.1.1 all the Members or their successors in title agree in writing to its termination and to the date on which such termination shall take effect;

13.1.2 there is only one Member of the Company; or

13.1.3 the Company goes into liquidation whether voluntary or compulsory (other than for the purpose of an amalgamation or reconstruction approved by all the Members); or

13.1.4 the Company is struck off the register under section 1000 or section 1001 of the Act.

13.2 Without prejudice to any accrued rights and liabilities of any of the Members, the ongoing rights and liabilities of any Member pursuant to this Deed shall cease automatically upon the cessation of its membership of the Company.

13.3 Termination of this Deed pursuant to this **clause 13** shall be without prejudice to any accrued rights and liabilities of any of the Members.

14. **RECORDS, REPORTING CONFIDENTIALITY AND DISCLOSURE**

14.1 **Books and records**

The Company shall:

14.1.1 at all times keep true, accurate and up to date books and records of all the affairs of the Company;

14.1.2 subject to **clause 14.3** at all reasonable times make available to the Members and their duly authorised representatives full and complete

access (including copying facilities) to the books, records, accounts, documents and premises of the Company;

14.1.3 subject to **clause 14.3** supply to each Member such information relating to the Company as it may require and without prejudice to the foregoing shall keep the Members fully and promptly informed as to all material developments regarding the Company's financial and business affairs and promptly notify the Members of any significant event (including without limitation any litigation or arbitration) the outcome of which will or is likely to affect the Company or its Business, finances, assets or affairs; and

14.1.4 keep and maintain for 6 years after the expiry or termination of this Deed full and accurate records and accounts in respect of the operation and management of this Deed, the Business and the Services Agreements.

14.2 Reporting arrangements

14.2.1 Without prejudice to **clause 14.1**, the Board shall arrange for regular reports on the activities of the Company to be submitted to the Members for their consideration and decision as appropriate.

14.2.2 The Members shall ensure that the Directors are given reasonable notice of all meetings held by the Members at which decisions affecting the Business are proposed to be considered and that the Directors are invited to such meetings and are provided with copies of all reports and minutes in respect of the consideration of such matters.

14.3 Confidentiality

14.3.1 Subject to the following provisions, no party shall disclose any Confidential Information (whether verbal, in writing or in electronic form).

14.3.2 Such Confidential Information or any part thereof may only be disclosed to or used by persons such as employees, sub-contractors and agents of a party who need to know the same for the purposes of performing its obligations under this agreement. Each party shall keep the Confidential Information secret and confidential and shall procure that such persons shall comply with substantially similar obligations of confidentiality as set out in this Deed.

- 14.3.3 The restriction on disclosure shall not apply to Confidential Information to the extent that it
- 14.3.3.1 is required to be disclosed by law (including under FOIA) or by any governmental or other regulatory authority acting within the scope of its powers;
 - 14.3.3.2 relates to the outcome of any procurement process in accordance with the European Procurement Rules or government policy on the disclosure of information in relation to contracts awarded by local authorities;
 - 14.3.3.3 is or becomes part of the public domain through no fault of the receiving party;
 - 14.3.3.4 is known to the receiving party prior to the disclosure by the disclosing party without an obligation to keep such Confidential Information confidential;
 - 14.3.3.5 is subsequently furnished by the disclosing party to a third party without restriction on disclosure or use;
 - 14.3.3.6 is subsequently obtained by the receiving party from a third party without breach of any obligation of confidentiality owed to any third party or the disclosing party; or
 - 14.3.3.7 is approved for public release by the disclosing party and the disclosing party shall give prior written notification of such disclosure to the other party where practicable.
- 14.3.4 No party shall use any Confidential Information disclosed to it by any other party, its employees, agents or advisers for any purpose other than for the purpose of this Deed
- 14.3.5 Each party shall use a reasonable standard of care in dealing with the other party's Confidential Information so as to maintain confidentiality and security of the Confidential Information.

14.4 Freedom of Information

- 14.4.1 Each party acknowledges that it and the other parties are subject to the requirements of the FOIA and the Environmental Information Regulations 2004 and each party shall assist and cooperate with the others (at their own expense) to enable the other parties to comply with these Information disclosure obligations.

- 14.4.2 Where a party receives a Request for Information in relation to Information which it is holding on behalf of another party, it shall:-
- (a) transfer the Request for Information to the other party as soon as practicable after receipt and in any event within five Business Days of receiving a Request for Information;
 - (b) provide the other party with a copy of all Information in its possession or power in the form that the other party requires within five Business Days (or such other period as the other party may specify) of a request from the other party; and
 - (c) provide all necessary assistance as reasonably requested by the other party to enable that party to respond to the Request for Information within the time for compliance set out in section 10 of the FOIA or regulation 5 of the Environmental Information Regulations 2004.
- 14.4.3 Where a party receives a Request for Information which relates to Confidential Information, it shall inform the other parties of the Request for Information as soon as practicable after receipt and in any event within five Business Days of receiving a Request for Information.
- 14.4.4 If any party determines that Information (including Confidential Information) must be disclosed under the FOIA, it shall notify the other parties of that decision at least five Business Days before disclosure.
- 14.4.5 Each party shall be responsible for determining at its absolute discretion whether the Confidential Information and/or any other Information:-
- (a) is exempt from disclosure under the FOIA or the Environmental Information Regulations 2004;
 - (b) is to be disclosed in response to a Request for Information.
- 14.4.6 Each party acknowledges that any other party may, acting in accordance with the Department for Constitutional Affairs' Code of Practice on the Discharge of Functions of Public Authorities under Part I of the FOIA, be obliged under the FOIA or the Environmental Information Regulations 2004 to disclose Information:-
- (c) without consulting with the other parties, or
 - (d) following consultation with the other parties and having taken their views into account.

14.5 Notwithstanding the provisions of **clause 14.3**, but subject to **clause 14.6** each Director (whilst he or she holds that office) will be entitled to make full disclosure to the Member appointing him or her of any information relating to the Company that Member may reasonably require.

14.6 Each party acknowledges that it and the other parties are subject to the requirements of the Data Protection Act 1998 and each party shall assist and cooperate with the others (at their own expense) to enable the other parties to comply with that act.

14.7 **Audit and Access**

The Company shall co-operate fully and in a timely manner with any request from time to time of any auditor (whether internal or external) of any of the Members to provide documents, or to procure the provision of documents, relating to the Company, and to provide, or to procure the provision of, any oral or written explanation relating to the same. In particular, each Member and/or any auditors shall be permitted access to any and all documentation in the possession, custody or control of the Company (who shall procure that any person acting on its behalf (including any sub-contractor) who has such documents and/or any information shall also provide such access. For the avoidance of doubt, this right will include the power to interview staff, sub-contractors, staff of sub-contractors take copies of any and all documentation and have access to and take copies of any computer data held by the Company.

14.8 **Duration**

The provisions of **clauses 14.1.4, 14.3 and 14.4** shall survive any termination of this Deed.

15. **CONTROLLED COMPANY**

The Members acknowledge that the Company will be a local authority controlled company for the purposes of Part V of the Local Government and Housing Act 1989 and the Company shall comply with the publicity and proprietary rules set out therein.

16. **MEMBER DEFAULT**

16.1 The following acts or omissions shall constitute a Member Default of the relevant Member (the “Defaulting Member”):

16.1.1 failure to attend without good reason any general meetings on three consecutive occasions (including an adjourned meeting);

- 16.1.2 failure on 3 consecutive occasions to ensure that at least one of the Member's appointed directors (or their alternate) attends a board meeting and such failures occur without good reason, provided always that notification is given to the Member concerned on each occasion that none of its appointed directors attend a board meeting;
 - 16.1.3 failure to provide its funding payable pursuant to **clause 7** when due; and
 - 16.1.4 any unreasonable act which prevents or materially hinders or disrupts the Company in providing the Services.
- 16.2 Where a Member has committed a Member Default, the Board shall convene a meeting of Members at which such Defaulting Member shall be invited to explain any reasons for such Member Default.
- 16.3 If the other Members accept such reasons, no further action will be taken.
- 16.4 If the other Members do not accept such reasons they may unanimously elect to expel such Defaulting Member whereupon such Defaulting Member's membership shall terminate.
- 16.5 The consequences of an expulsion are as follows:
- 16.5.1 the provision of **clause 9.3** shall apply; and
 - 16.5.2 the provision of **clauses 13.2 and 13.3** shall apply; and
 - 16.5.3 all rights of a Member to membership interests shall be deemed to have been waived by such Member; and
 - 16.5.4 the provision of **clause 18** shall apply

17. RESIGNATION OF MEMBERS

A Member may only resign its membership of the Company in accordance with the Articles and by at least 12 months notice and subject to the remainder of obligations in this Deed.

18. EXIT ARRANGEMENTS

- 18.1 The parties acknowledge that following:
- 18.1.1 the winding up of the Company;

- 18.1.2 the expiry of a notice served by the Majority Members on one Member in accordance with **clause 12.7**; or
- 18.1.3 the mutual agreement to terminate the Deed pursuant to **clause 13**; or
- 18.1.4 at the expulsion of a Member following a Member Default pursuant to **clause 16**; or
- 18.1.5 at the resignation of a Member pursuant to **clause 17**

(each being an “Exit Event”)

each Member ceasing to be a Member will need to make arrangements for the provision of the Services then carried out by the Company for each Member pursuant to their Services Agreement.

18.2 Following the occurrence of an Exit Event, each party will fully cooperate with one another and will take all reasonable steps so as to facilitate:

- 18.2.1 the orderly transfer of responsibilities for the Services to a successor body or bodies as reasonably directed by each Member so as to ensure, as far as reasonably practicable, the uninterrupted availability of the Services;
- 18.2.2 the identification of staff responsible for the provision of Services to each Member (the “Transferring Staff”);
- 18.2.3 the accurate and timely provision of all information required by the Transfer of Undertakings Protection Employment Regulations 2006 for all of the Transferring Staff;
- 18.2.4 the transfer of Transferring Staff to a successor body or bodies;
- 18.2.5 the transfer of the assets, property and any data of the Company to a successor body or bodies
- 18.2.6 the winding up of the Company where this is necessary.

18.3 Where an Exit Event results in a Member ceasing to be a Member (the “Exiting Member”) where following such cessation there remains at least five Members of the Company, the Exiting Member agrees to pay to the Company, as soon as reasonably practicable following such Exit Event, an amount equal to all costs, expenses, claims, liabilities and losses which the Board, acting reasonably, may

determine arise as a result of such cessation (including, but not limited to and costs associated with the transfer of the Transferring Staff, pension liabilities and costs of redundancies arising as a result of such cessation).

- 18.4 Where an Exit Event results in a Member ceasing to be a Member (the “Exiting Member”) where as a result of such cessation there would be less than five Members of the Company, the provisions of **clause 18.3** shall apply, save that such Member may (but shall not be obliged to) within 15 Business Days of such cessation serve notice in writing upon the other Members and the Board that the Board shall, at the earliest practicable date convene an extraordinary general meeting of the Company to consider any alternatives available to Members including the winding up or other restructuring of the Company (and the Board shall act reasonably in considering such alternatives). In the event that such meeting does not unanimously resolve otherwise, the provisions of **clause 18.3** shall apply.

19. PROPRIETARY/PUBLICITY REQUIREMENTS AND ANNOUNCEMENTS

- 19.1 The Company will comply, and the Members agree to procure that the Company complies, with all Applicable Requirements including those relating to proprietary and publicity requirements.
- 19.2 All announcements, advertisements, circulars or other publications concerning or relating to the subject matter of this Deed or the Company shall be co-ordinated save as expressly stated and/or made by the Company (save as required by law) unless otherwise agreed by the Members or as expressly stated otherwise in this Deed.
- 19.3 The parties consider that the Company is a contracting authority for the purposes of the Public Contracts Regulations 2006 however, should it be held that it is not, the Company will and the Members shall use reasonable endeavours to procure, that the Company will act in accordance with those regulations as if it were a contracting authority.

20. NO PARTNERSHIP OR AGENCY

Nothing in this Deed shall constitute a partnership between the parties hereto or constitute one the agent of another and none of the parties shall do or suffer anything to be done whereby it shall or may be represented that it is the partner or agent of a party hereto (save as aforesaid) unless such party is appointed partner or agent of that other party with the consent in writing of that party.

21. **WAIVER**

The waiver by any party of any default by any other party in the performance of any obligation of such other party under this Deed shall not affect such party's rights in respect of any other default nor any subsequent default of the same or of a different kind nor shall any delay or omission of any party to exercise any right arising from any default, affect or prejudice that party's rights as to the same or any future default.

22. **VARIATION**

Any variation of any term of this Deed shall be in writing duly signed by the Members and the Company.

23. **CONFLICT WITH ARTICLES**

Where the provisions of the Articles conflict with the provisions of this Deed, the Members agree that the provisions of this Deed shall prevail, to the intent that they shall if necessary in any case procure the amendment of the Articles to the extent required to enable the Company and its affairs to be administered as provided herein.

24. **NOTICES**

Subject to the provisions of the Articles regulating certain types of notices:

24.1 Any demand, notice or other communication given or made under or in connection with this Deed will be in writing.

24.2 Any such demand, notice or other communication will, if given or made in accordance with this **clause 24**, be deemed to have been duly given or made as follows:

24.2.1 if sent by prepaid first class post, on the second Business Day after the date of posting; or

24.2.2 if delivered by hand, upon delivery at the address provided for in this **clause 24**; or

24.2.3 if sent by facsimile, on the day of transmission provided that a confirmatory copy is, on the same Business Day that the facsimile is transmitted, sent by pre-paid first class post in the manner provided for in this **clause 24**;

provided however that, if it is delivered by hand or sent by facsimile on a day which is not a Business Day or after 4.00 pm on a Business Day, it will instead be deemed to have been given or made on the next Business Day.

- 24.3 Any such demand, notice or other communication will, in the case of service by post or delivery by hand, be addressed to the recipient at the recipient's address stated in this Deed or at such other address as may from time to time be notified in writing by the recipient to the sender as being the recipient's address for service.
- 24.4 Any such demand, notice or other communication will, in the case of service by facsimile, be sent to the recipient or to any person service on whom (in accordance with the foregoing provisions of this **clause 24**) is deemed to be service on the recipient, using a facsimile number then used by the recipient or (as the case may be) such other person at an address which (in accordance with such provisions) could have been used for service by post.
- 24.5 For the avoidance of doubt, where proceedings have been issued in the Courts of England and Wales, the provisions of the Civil Procedure Rules must be complied with in respect of the service of documents in connections with those proceedings.

25. FAIRNESS CLAUSE

In the event that any circumstance arises during the term of this Deed which is not within the contemplation of the parties at the date hereof and not provided for in this Deed either expressly or impliedly then the parties agree that such matter shall be dealt with and resolved in such manner as shall operate between them for fairness and, so far as is possible, without detriment to the interests of any of them.

26. UNLAWFUL FETTER ON THE COMPANY'S STATUTORY POWERS

- 26.1 Notwithstanding any other provision contained in this Deed no Party (including for the avoidance of doubt the Company) shall be bound by any provision of this Deed to the extent that it would constitute an unlawful fetter on any of their statutory powers, but any such provision shall remain valid and binding as regards all other parties to which it is expressed to apply.
- 26.2 Nothing in this Deed shall be construed:
- 26.2.1 to be a resolution of all the members of the Company in the absence of a properly passed resolution in accordance with the Articles; or

26.2.2 as a fetter on the statutory rights and obligations of a Member (where applicable).

27. COSTS

Each of the parties hereto will pay its own legal costs and expenses incurred in connection with the preparation and any subsequent variation of this Deed.

28. SEVERABILITY

The illegality, invalidity or unenforceability of any clause or part of this Deed will not affect the legality, validity or enforceability of the remainder. If any such clause or part is found by any competent court or authority to be illegal, invalid or unenforceable the parties agree that they will substitute provisions in a form as similar to the offending provisions as is possible without thereby rendering them illegal, invalid or unenforceable.

29. EXERCISE OF POWERS

29.1 Words denoting an obligation on a party to do any act, matter or thing include, except as otherwise specified, an obligation to procure that it be done and words placing a party under a restriction include an obligation not to permit or allow infringement of that restriction.

29.2 Where a Member is required under this Deed to exercise its powers in relation to the Company to procure a particular matter or thing, such obligation shall be deemed to be satisfied by such Member exercising its voting and other rights as a member and ensuring that any Director appointed by it shall procure such matter or thing, subject to the Director acting in accordance with his fiduciary duty to the Company.

30. ENTIRE AGREEMENT

This Deed, the Service Agreements and the Articles constitute the entire contractual relationship between the parties in relation thereto and there are no representations, promises, terms, conditions or obligations between the parties other than those contained or expressly referred to therein. This clause does not restrict liability of either party for representations made fraudulently.

31. ASSIGNMENT

The Members shall not assign nor transfer nor purport to assign nor transfer any of its rights or obligations hereunder (other than to a successor body) without the prior written consent of the other Members.

32. **CONTRACT (RIGHTS OF THIRD PARTIES) ACT**

The parties to this Deed do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

33. **LAW AND JURISDICTION**

This Deed shall be governed by and construed in accordance with the laws of England and Wales and each of the parties hereto submits to the exclusive jurisdiction of the English and Welsh Courts.

THIS DOCUMENT is executed as a deed and delivered on the date stated at the beginning of this Deed.

SCHEDULE 1

Special Reserved Matters

- 1 (Matters which need the consent of all the Members in general meeting or in writing).
- 2 Admit any person as a new member of the Company (save as permitted in this Deed or the Articles).
- 3 Adopt any Business Plan in accordance with **clause 8.2**.
- 4 Alter any of the provisions of the Business Plan, the Articles or any rights attaching to the Membership interests.
- 5 Make any capitalisation, repayment or other distribution of any amount standing to the credit of any reserve of the Company.
- 6 Create any Encumbrance over the whole or any part of the undertaking or assets of the Company.
- 7 Extend its activities outside the scope of the Business or cease to carry on the Business.
- 8 Alter the Company's accounting reference date.
- 9 Approve or sign the annual accounts of the Company.
- 10 Appoint or remove any director of the Company otherwise than in accordance with this Deed or the Articles.
- 11 Agree the form and content of the Financial Regulations or any alteration thereto.
- 12 Enter into any contract to do any of the things referred to in the foregoing paragraphs of this Schedule.
- 13 Save as pursuant to **clause 12**, make any petition or resolution to wind up the Company (or any subsidiary) or any petition for an administration order or any order having similar effect in a different jurisdiction in relation to such company unless, in any case, such Company is at the relevant time insolvent and the Directors reasonably consider (taking into account their fiduciary duties) that it ought to be wound up.

SCHEDULE 2

Reserved Matters

- 1 Otherwise than in accordance with Financial Regulations sell, lease (as lessor), license (as licensor), transfer or otherwise dispose of any of its assets at a total price per transaction exceeding £50,000 otherwise than in the ordinary course of the Business and to the extent provided for in the Business Plan and provided that the aggregate value of such transactions never exceeds £100,000 in any one calendar year.
- 2 Otherwise than in accordance with Financial Regulations purchase, lease (as lessee), license (as licensee) or otherwise acquire any assets at a total cost to the Company per transaction exceeding £50,000 (in the case of a lease, being the total payable over the duration of the lease) otherwise than in the ordinary course of the Business and to the extent provided for in the Business Plan and provided that the aggregate value of such transactions never exceeds £100,000 in any one calendar year.
- 3 Appoint or remove or approve the remuneration of the auditors of the Company.
- 4 Acquire or agree to acquire any freehold or leasehold interest in or licence over land.
- 5 Otherwise than in accordance with Financial Regulations enter into or make any revenue contract with a cost to the Company of more than £50,000 unless provided for in the Business Plan (“a material contract”) and provided that the aggregate value of all Material Contracts (not provided for in the Business Plan) never exceeds £100,000 in any one calendar year.
- 6 Give notice of termination of any material contract or make any material variation or amendment to any such contracts.
- 7 Appoint or remove the Chief Executive or any member of the management team.
- 8 Enter into any contracts or arrangements with any of the Members or Directors or any person with whom any Member or Director is connected, associated or interested (whether as director, consultant, Member or otherwise).
- 9 Provide any services to any person or organisation that is not a Member and/ore enter into any contract in relation to such services.
- 10 Change the name of the Company or its registered office.

- 11 Form any subsidiary of the Company, or acquire any shares in any other company, whether through subscription or transfer, such that the company concerned becomes a subsidiary of the Company.
- 12 Otherwise than in accordance with Financial Regulations enter into any contract which cannot be terminated within a 12 month period and/or under which the liability for such termination could exceed £5,000.
- 13 Give or take any loans, borrowing or credit (other than normal trade credit in the ordinary course of business or any overdraft agreed by the Board of Directors) in excess of £15,000 or cause the aggregate indebtedness of the Company to exceed £20,000, or cause the Company to exceed its overdraft limit as approved by the Directors from time to time.
- 14 Enter into any agreement not in the ordinary course of the Business and/or which is not on an arm's length basis or amend its standard terms of business.
- 15 Give any guarantee, suretyship or indemnity to secure the liabilities of any person or assume the obligations of any person.
- 16 Otherwise than in accordance with Financial Regulations incur any item or series of items of capital expenditure of more than £100,000 unless provided for in the Business Plan.
- 17 Recruit or dismiss any employee (other than Directors to whom paragraph 17 below applies) whose remuneration exceeds £45,000 per annum subject to the aggregate limit set out in paragraph 17 below unless provided for in the Business Plan provided always that any employee who is not a member of the management team may be dismissed for gross misconduct without the prior consent of the Members.
- 18 Pay any fees, remuneration or other emoluments to any Director or vary any such fees, remuneration or emoluments other than salary, benefits and expenses due to any member of the management team in the ordinary course of business. For the avoidance of doubt this paragraph 17 shall not apply to the payment or reimbursement of expenses properly incurred by any Director in the course of carrying out his duties in relation to the Company nor to any indemnity by the Company to which the Director is entitled pursuant to the Articles or under any relevant law.
- 19 Consolidate or amalgamate with any company, association, partnership or legal entity or acquire any business or undertaking of any other person.

- 20 Enter into any joint venture, partnership or profit sharing arrangement with any person.
- 21 Change any of the Company's accounting or reporting practices other than as may be required to comply with applicable accounting standards.
- 22 Enter into any partnership or profit sharing arrangement with any person or create any share option, bonus or other incentive scheme.
- 23 Make any agreement with any revenue authorities or any other taxing authority, or make any claim, disclaimer, election or consent of a material nature for tax purposes in relation to the Company, its business, assets or undertakings.
- 24 Change the bankers of the Company or open or close any bank accounts.
- 25 License, assign or otherwise dispose of intellectual property rights owned by the Company.
- 26 Commence, settle or defend any claim, proceedings or other litigation brought by or against the Company, except in relation to debt collection in the ordinary course of the Business.
- 27 Enter into any contract to do any of the things referred to in the foregoing paragraphs of this Schedule.

THE COMMON SEAL of)
DORSET COUNTY COUNCIL)
was hereunto affixed in the presence of)

THE COMMON SEAL of)
EAST DEVON DISTRICT COUNCIL)
was hereunto affixed in the presence of)

THE COMMON SEAL of)
FOREST OF DEAN DISTRICT COUNCIL)
was hereunto affixed in the presence of)

THE COMMON SEAL of)
MENDIP DISTRICT COUNCIL)
was hereunto affixed in the presence of)

THE COMMON SEAL of)
SEDGEMOOR DISTRICT COUNCIL)
was hereunto affixed in the presence of)

THE COMMON SEAL of)
SOMERSET COUNTY COUNCIL)
was hereunto affixed in the presence of)

THE COMMON SEAL of)
SOUTH SOMERSET DISTRICT COUNCIL)
was hereunto affixed in the presence of)

THE COMMON SEAL of)
TAUNTON SOMERSET DISTRICT COUNCIL)
was hereunto affixed in the presence of)

THE COMMON SEAL of)
WEST DORSET DISTRICT COUNCIL)
was hereunto affixed in the presence of)

THE COMMON SEAL of)
WEST SOMERSET COUNCIL)
was hereunto affixed in the presence of)

THE COMMON SEAL of)
WEYMOUTH AND PORTLAND BOROUGH)
COUNCIL was hereunto affixed in the)
presence of)

THE COMMON SEAL of)
WILTSHIRE COUNCIL)
was hereunto affixed in the presence of)

Executed as a deed by)
SOUTH WEST AUDIT PARTNERSHIP LIMITED)
)
acting by _____, a director)

in the presence of:

Witness signature:

Name:

Address:

Occupation:

APPENDIX A

Business Plan

APPENDIX B

Articles of Associations

THE COMPANIES ACT 2006

PRIVATE COMPANY LIMITED BY GUARANTEE

ARTICLES OF ASSOCIATION

OF

SOUTH WEST AUDIT PARTNERSHIP LIMITED

(Adopted by special resolution passed on 2013)

INTRODUCTION

1 INTERPRETATION

In these Articles, unless the context otherwise requires:

Act: means the Companies Act 2006;

Appointor: has the meaning given in article 15(1);

Articles: means the company's articles of association for the time being in force;

Business Day: means any day (other than a Saturday, Sunday or public holiday in the United Kingdom) on which clearing banks in the City of London are generally open for business;

Chief Executive: any person appointed as the Chief Executive of the Company from time to time;

Conflict: means a situation in which a director has or can have, a direct or indirect interest that conflicts or possibly may conflict, with the interests of the Company;

Eligible Director: means a director who would be entitled to vote on the matter at a meeting of directors (but excluding in relation to the

authorisation of a Conflict pursuant to **Article 7**, any director whose vote is not to be counted in respect of the particular matter);

Executive Director: means a Director appointed in accordance with **Article 9.2.1**;

Initial Directors: means [REDACTED];

Local Authorities Order: means the Local Authorities (Companies) Order 1995;

Local Government Act: means the Local Government Act 1972;

Member: means a member of the Company;

Member Director: means a Director appointed in accordance with **Article 9.2.2** or **9.2.3**;

Model Articles: means the model articles for private companies limited by guarantee contained in Schedule 2 of the Companies (Model Articles) Regulations 2008 (*SI 2008/3229*) as amended prior to the date of adoption of these Articles and reference to a numbered "Model Article" is a reference to that article of the Model Articles; and

Relevant Agreement: any agreement in place between the Members relating to the Company from time to time.

- 1.1 Save as otherwise specifically provided in these Articles, words and expressions which have particular meanings in the Model Articles shall have the same meanings in these Articles, subject to which and unless the context otherwise requires, words and expressions which have particular meanings in the Act shall have the same meanings in these Articles.
- 1.2 Headings in these Articles are used for convenience only and shall not affect the construction or interpretation of these Articles.
- 1.3 A reference in these Articles to an "article" is a reference to the relevant article of these Articles unless expressly provided otherwise.

- 1.4 Unless expressly provided otherwise, a reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time, taking account of:
- 1.4.1 any subordinate legislation from time to time made under it; and
 - 1.4.2 any amendment or re-enactment and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts.
 - 1.4.3 Any phrase introduced by the terms "**including**", "**include**", "**in particular**" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
- 1.5 The Model Articles shall apply to the Company, except in so far as they are modified or excluded by these Articles.
- 1.6 Model Articles 2, 8, 9(1) and (3), 11(2) and (3), 13, 14(1), (2), (3) and (4), 17(2), 22(2), (3), 30(2), 35, 38 and 39 shall not apply to the Company.
- 1.7 Model Article 7 shall be amended by:
- 1.7.1 the insertion of the words "for the time being" at the end of article 7(2)(a); and
 - 1.7.2 the insertion in article 7(2) of the words "(for so long as he remains the sole director)" after the words "and the director may".
- 1.8 Model Article 20 shall be amended by the insertion of the words "(including alternate directors)" before the words "properly incur".

2 GUARANTEE

The liability of each Member is limited to £1, being the amount that each Member undertakes to contribute to the assets of the Company in the event of it being wound up while he is a Member or within one year after he ceases to be a Member, for

- 2.1 payment of the Company's debts and liabilities contracted before he ceases to be a Member,

- 2.2 payment of the costs, charges and expenses of the winding up, and
- 2.3 adjustment of the rights of the contributories among themselves.

DIRECTORS

3 UNANIMOUS DECISIONS

- 3.1 A decision of the directors is taken in accordance with this article when all Eligible Directors indicate to each other by any means that they share a common view on a matter.
- 3.2 Such a decision may take the form of a resolution in writing, where each Eligible Director has signed one or more copies of it, or to which each Eligible Director has otherwise indicated agreement in writing.
- 3.3 A decision may not be taken in accordance with this article if the Eligible Directors would not have formed a quorum at such a meeting.

4 CALLING A DIRECTORS' MEETING

- 4.1 Any director may call a directors' meeting by giving not less than 14 Business Days' notice of the meeting (or such lesser notice as all the directors may agree) to the directors or by authorising the company secretary (if any) to give such notice.
- 4.2 Notice of a directors' meeting shall be given to each director in writing (including email).
- 4.3 A director who is absent from the UK and who has no registered address in the UK shall not be entitled to notice of the directors' meeting.

5 QUORUM FOR DIRECTORS' MEETINGS

- 5.1 Subject to **article 5.2**, the quorum for the transaction of business at a meeting of directors is the greater of:
 - 5.1.1 2 Eligible Directors; or
 - 5.1.2 two thirds of the Eligible Directors then appointed,

provided that where any have been appointed, at least one Member Director must be present in order to constitute a quorum.

5.2 For the purposes of any meeting (or part of a meeting) held pursuant to **article 7** to authorise a Conflict, if there is only one Eligible Director in office other than the Interested Director(s) (defined in **article 7.1**), the quorum for such meeting (or part of a meeting) shall be one Eligible Director.

5.3 If the total number of directors in office for the time being is less than the quorum required, the directors must not take any decision other than a decision to call a general meeting so as to enable the Members to appoint further directors.

6 CASTING VOTE

If the numbers of votes for and against a proposal at a meeting of directors are equal, the chairman or other director chairing the meeting shall not have a casting vote.

7 DIRECTORS' CONFLICTS OF INTEREST

7.1 The directors may, in accordance with the requirements set out in this article, authorise any Conflict proposed to them by any director which would, if not authorised, involve a director (an **Interested Director**) breaching his duty under section 175 of the Act to avoid conflicts of interest.

7.2 Any authorisation under this **article 7** shall be effective only if:

7.2.1 to the extent permitted by the Act, the matter in question shall have been proposed by any director for consideration in the same way that any other matter may be proposed to the directors under the provisions of these Articles or in such other manner as the directors may determine;

7.2.2 any requirement as to the quorum for consideration of the relevant matter is met without counting the Interested Director; and

- 7.2.3 the matter was agreed to without the Interested Director voting or would have been agreed to if the Interested Director's vote had not been counted.
- 7.3 Any authorisation of a Conflict under this **article 7** may (whether at the time of giving the authorisation or subsequently):
- 7.3.1 extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter or situation so authorised;
- 7.3.2 provide that the Interested Director be excluded from the receipt of documents and information and the participation in discussions (whether at meetings of the directors or otherwise) related to the Conflict;
- 7.3.3 provide that the Interested Director shall or shall not be an Eligible Director in respect of any future decision of the directors in relation to any resolution related to the Conflict;
- 7.3.4 impose upon the Interested Director such other terms for the purposes of dealing with the Conflict as the directors think fit;
- 7.3.5 provide that, where the Interested Director obtains, or has obtained (through his involvement in the Conflict and otherwise than through his position as a director of the company) information that is confidential to a third party, he shall not be obliged to disclose that information to the company, or to use it in relation to the company's affairs where to do so would amount to a breach of that confidence; and
- 7.3.6 permit the Interested Director to absent himself from the discussion of matters relating to the Conflict at any meeting of the directors and be excused from reviewing papers prepared by, or for, the directors to the extent they relate to such matters.
- 7.4 Where the directors authorise a Conflict, the Interested Director shall be obliged to conduct himself in accordance with any terms and conditions imposed by the directors in relation to the Conflict.

- 7.5 The directors may revoke or vary such authorisation at any time, but this shall not affect anything done by the Interested Director prior to such revocation or variation in accordance with the terms of such authorisation.
- 7.6 A director is not required, by reason of being a director (or because of the fiduciary relationship established by reason of being a director), to account to the company for any remuneration, profit or other benefit which he derives from or in connection with a relationship involving a Conflict which has been authorised by the directors in accordance with these Articles or by the company in general meeting (subject in each case to any terms, limits or conditions attaching to that authorisation) and no contract shall be liable to be avoided on such grounds.
- 7.7 Subject to sections 177(5) and 177(6) of the Act, a director who is in any way, whether directly or indirectly, interested in a proposed transaction or arrangement with the Company shall declare the nature and extent of his interest to the other directors before the Company enters into the transaction or arrangement in accordance with the Act.
- 7.8 Subject to sections 182(5) and 182(6) of the Act, a director who is in any way, whether directly or indirectly, interested in a transaction or arrangement that has been entered into by the Company shall declare the nature and extent of his interest to the other directors as soon as is reasonably practicable in accordance with the Act, unless the interest has already been declared under **article 7.7**.
- 7.9 Subject, where applicable, to any terms and conditions imposed by the directors in accordance with **article 7.3**, and provided he has declared the nature and extent of his interest in accordance with the requirements of the Act, a director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the company:
- 7.9.1 may be a party to, or otherwise interested in, any transaction or arrangement with the company or in which the company is otherwise (directly or indirectly) interested;
- 7.9.2 shall be an Eligible Director for the purposes of any proposed decision of the directors (or committee of directors) in respect of

such existing or proposed transaction or arrangement in which he is interested;

7.9.3 shall be entitled to vote at a meeting of directors (or of a committee of the directors) or participate in any unanimous decision, in respect of such existing or proposed transaction or arrangement in which he is interested;

7.9.4 may act by himself or his firm in a professional capacity for the company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director;

7.9.5 may be a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the company is otherwise (directly or indirectly) interested; and

7.9.6 shall not, save as he may otherwise agree, be accountable to the company for any benefit which he (or a person connected with him (as defined in section 252 of the Act)) derives from any such transaction or arrangement or from any such office or employment or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such remuneration or other benefit constitute a breach of his duty under section 176 of the Act.

8 RECORDS OF DECISIONS TO BE KEPT

Where decisions of the directors are taken by electronic means, such decisions shall be recorded by the directors in permanent form, so that they may be read with the naked eye.

9 APPOINTMENT AND NUMBER OF DIRECTORS

9.1 Each Member may from time to time by notice in writing appoint one person to be a Director provided that the number of Directors holding office and appointed by any single Member (which for the avoidance of doubt shall

exclude any Member Director) shall not exceed one. Each such Director appointed shall hold office and may at any time be removed from office by notice in writing by the Member which appointed that Director. Any Director appointed pursuant to this Article 9.1 may only be removed from office by the Member which appointed that Director.

9.2 The Directors may, with the consent of 8 of the Members in general meeting or in writing, appoint from time to time as Directors:

9.2.1 the Chief Executive and up to two other employees of the Company involved in the day-to-day management of the business of the Company; and

9.2.2 one additional director being an elected councillor of a Member which is a County Council; and

9.2.3 one additional director being an elected councillor of a Member which is a District Council,

save that such Directors shall not for the purposes of these articles have any right to vote at any Board Meeting although they shall have a right to attend and speak at such Board Meetings.

9.3 Any director appointed pursuant to clause 9.2 shall cease to be a Director upon:

9.3.1 ceasing to be, in the case of an Executive Director, an employee of the Company or, in the case of a Member director, an elected councillor of a Member; or

9.3.2 the direction of at least 8 of the Members of the Company (either in general meeting or in writing) that they should cease to be a Director.

9.4 The first Directors of the Company shall be the Initial Directors.

9.5 Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not be subject to any maximum but shall not be less than 12.

- 9.6 In the event that any Director appointed by a Member is unable to attend any meetings of the Directors, a Member shall be entitled from time to time to appoint any one person to attend such meetings who shall be entitled to attend any and all such meetings and to speak and place items on the agenda for discussion but shall not be entitled in any circumstances to vote.

10 APPOINTMENT AND REMOVAL OF ALTERNATE DIRECTORS

- 10.1 Any director (other than an alternate director) (**Appointor**) may appoint as an alternate any other director, or any other person approved by resolution of the directors, to:

10.1.1 exercise that director's powers; and

10.1.2 carry out that director's responsibilities,

10.1.3 in relation to the taking of decisions by the directors, in the absence of the alternate's Appointor.

- 10.2 Any appointment or removal of an alternate director must be effected by notice in writing to the company signed by the Appointor, or in any other manner approved by the directors.

- 10.3 The notice must:

10.3.1 identify the proposed alternate; and

10.3.2 in the case of a notice of appointment, contain a statement signed by the proposed alternate that he is willing to act as the alternate of the director giving the notice.

11 RIGHTS AND RESPONSIBILITIES OF ALTERNATE DIRECTORS

- 11.1 An alternate director may act as alternate director to more than one director and has the same rights in relation to any decision of the directors as the alternate's Appointor.

- 11.2 Except as the Articles specify otherwise, alternate directors:

11.2.1 are deemed for all purposes to be directors;

11.2.2 are liable for their own acts and omissions;

11.2.3 are subject to the same restrictions as their Appointors; and

11.2.4 are not deemed to be agents of or for their Appointors

11.2.5 and, in particular (without limitation), each alternate director shall be entitled to receive notice of all meetings of directors and of all meetings of committees of directors of which his Appointor is a Member.

11.3 A person who is an alternate director but not a director:

11.3.1 may be counted as participating for the purposes of determining whether a quorum is present (but only if that person's Appointor is not participating);

11.3.2 may participate in a unanimous decision of the directors (but only if his Appointor is an Eligible Director in relation to that decision, but does not participate); and

11.3.3 shall not be counted as more than one director for the purposes of articles 11.3(a) and (b).

11.4 A director who is also an alternate director is entitled, in the absence of his Appointor(s), to a separate vote on behalf of each Appointor, in addition to his own vote on any decision of the directors (provided that an Appointor for whom he exercises a separate vote is an Eligible Director in relation to that decision), but shall not count as more than one director for the purposes of determining whether a quorum is present.

11.5 An alternate director may be paid expenses and may be indemnified by the company to the same extent as if he were a director but shall not be entitled to receive any remuneration from the company for serving as an alternate director except such part (if any) of the remuneration otherwise payable to the alternate's Appointor as the Appointor may by notice in writing to the company from time to time direct.

12 TERMINATION OF ALTERNATE DIRECTORSHIP

An alternate director's appointment as an alternate (in respect of a particular Appointor) terminates:

- 12.1 when the alternate's Appointor revokes the appointment by notice to the company in writing specifying when it is to terminate;
- 12.2 on the occurrence, in relation to the alternate, of any event which, if it occurred in relation to the alternate's Appointor, would result in the termination of the Appointor's appointment as a director;
- 12.3 on the death of the alternate's Appointor; or
- 12.4 when the alternate director's Appointor ceases to be a director for whatever reason.

13 SECRETARY

The directors may appoint any person who is willing to act as the secretary for such term, at such remuneration and upon such conditions as they may think fit and from time to time remove such person and, if the directors so decide, appoint a replacement, in each case by a decision of the directors.

14 APPLICATION FOR MEMBERSHIP

No person shall become a Member unless he has completed an application for membership in a form approved by the directors from time to time and such appointment has been approved unanimously in writing by the existing Members at the relevant time. A letter shall be sent to each successful applicant confirming their membership of the Company and the details of each successful applicant shall be entered into the Register of Members.

15 TRANSFER OF MEMBERSHIP

- 15.1 A Member may not transfer his membership to another person.
- 15.2 Any successor body to any Member shall automatically be admitted as a Member upon such original Member ceasing to carry on its functions relevant to its membership of the Company.

16 EXPULSION OF MEMBER

- 16.1 A Member shall cease to be a Member in the event of:
- 16.1.1 such Member's resignation, by the giving of written notice to the Company; or
 - 16.1.2 such Member's ceasing to be a Local Authority as defined by section 270(1) of Local Government Act (or any statutory re-enactment thereof);
- unless such step would lead to the Company having no Members.
- 16.2 The membership of any Member may be terminated without his consent on the terms of any Relevant Agreement.

DECISION MAKING BY MEMBERS

17 VOTES OF MEMBERS

- 17.1 Subject to the Act, at any general meeting every Member who is present in person (or by proxy) shall on a show of hands have one vote and every Member present in person (or by proxy) shall on a poll have one vote.
- 17.2 The Members shall exercise all voting rights held by them in relation to the Company so as to procure (insofar as they are able by the exercise of such rights) that:
- 17.2.1 the Company fully complies with any obligations which it may from time to time have pursuant to applicable law, including the Local Government Act, Local Authorities Order and the Acts, including but not limited to:
 - (a) the requirement to state in all relevant documents that the Company is controlled by the relevant Member, as required by the Local Authorities Order;
 - (b) the requirement to obtain any consent to the appointment of the Company's auditor as required by the Local Authorities Order; and
 - (c) the requirement to, until the expiry of the period of four years beginning with the date of the meeting, to make

available for inspection by any Member of the public, a copy of the minutes of any General Meeting of the Company as required by the Local Authorities Order. In accordance with the Local Authorities Order, no copies of minutes are to be made available which include any matter the disclosure of which would be in breach of any enactment, or of any obligation owed to any person; and

17.2.2 the activities of the Company are at all times consistent with the functions which may be performed by the Members in their respective capacities as public sector bodies.

18 POLL VOTES

18.1 A poll may be demanded at any general meeting by any qualifying person (as defined in section 318 of the Act) present and entitled to vote at the meeting.

18.2 Article 30(3) of the Model Articles shall be amended by the insertion of the words "A demand so withdrawn shall not invalidate the result of a show of hands declared before the demand was made" as a new paragraph at the end of that article.

19 PROXIES

19.1 Article 31(1)(d) of the Model Articles shall be deleted and replaced with the words "is delivered to the company in accordance with the Articles not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in accordance with any instructions contained in the notice of the general meeting (or adjourned meeting) to which they relate".

19.2 Article 31(1) of the Model Articles shall be amended by the insertion of the words "and a proxy notice which is not delivered in such manner shall be invalid ,unless the directors, in their discretion, accept the notice at any time before the meeting" as a new paragraph at the end of that article.

20 GENERAL MEETINGS

- 20.1 The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notice calling it; and not more than 15 months shall elapse between the date of one annual general meeting and that of the next. Provided that so long as the Company holds its first annual general meeting within 18 months of its incorporation, it need not hold it in the year of its incorporation or in the following year. The annual general meeting shall be held at such time and place as the Directors shall appoint. All general meetings other than annual general meetings shall be called general meetings.
- 20.2 The Directors may call general meetings.
- 20.3 A quorum of a general meeting shall be 8 of Members present in person or by proxy or by duly authorised representative (where appropriate).
- 20.4 If at any time there are not within the United Kingdom sufficient Directors capable of acting to form a quorum, any Director or any two Members may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

ADMINISTRATIVE ARRANGEMENTS

21 MEANS OF COMMUNICATION TO BE USED

- 21.1 Any notice, document or other information shall be deemed served on or delivered to the intended recipient:
- 21.1.1 if properly addressed and sent by prepaid United Kingdom first class post to an address in the United Kingdom, 48 hours after it was posted (or five Business Days after posting either to an address outside the United Kingdom or from outside the United Kingdom to an address within the United Kingdom, if (in each case) sent by reputable international overnight courier addressed to the intended recipient, provided that delivery in at least five Business Days was guaranteed at the time of sending and the sending party receives a confirmation of delivery from the courier service provider);

- 21.1.2 if properly addressed and delivered by hand, when it was given or left at the appropriate address;
- 21.1.3 if properly addressed and sent or supplied by electronic means, one hour after the document or information was sent or supplied; and
- 21.1.4 if sent or supplied by means of a website, when the material is first made available on the website or (if later) when the recipient receives (or is deemed to have received) notice of the fact that the material is available on the website.
- 21.2 For the purposes of this article, no account shall be taken of any part of a day that is not a Business Day.
- 21.3 In proving that any notice, document or other information was properly addressed, it shall suffice to show that the notice, document or other information was addressed to an address permitted for the purpose by the Act.

22 INDEMNITY AND INSURANCE

- 22.1 Subject to **article 22.2**, but without prejudice to any indemnity to which a relevant officer is otherwise entitled:
- 22.1.1 each relevant officer shall be indemnified out of the company's assets against all costs, charges, losses, expenses and liabilities incurred by him as a relevant officer in the actual or purported execution and/or discharge of his duties, or in relation to them, including any liability incurred by him in defending any civil or criminal proceedings, in which judgment is given in his favour or in which he is acquitted or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which the court grants him, in his capacity as a relevant officer, relief from liability for negligence, default, breach of duty or breach of trust in relation to the company's (or any associated company's) affairs; and
- 22.1.2 the company may provide any relevant officer with funds to meet expenditure incurred or to be incurred by him in connection with any

proceedings or application referred to in **article 22(1)(a)** and otherwise may take any action to enable any such relevant officer to avoid incurring such expenditure.

- 22.2 This article does not authorise any indemnity to the extent that such indemnity would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law and any such indemnity is limited accordingly.
- 22.3 The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant officer in respect of any relevant loss.
- 22.4 In this article:
- 22.4.1 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate; and
 - 22.4.2 a "relevant loss" means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the company, any associated company or any pension fund or employees' share scheme of the company or associated company; and
 - 22.4.3 a "relevant officer" means any director or other officer or former director or other officer of the Company or an associated company, but excluding in each case any person engaged by the Company (or associated company) as auditor (whether or not he is also a director or other officer), to the extent he acts in his capacity as auditor).



Wiltshire Council

Internal Audit Plan 2013/14

Contents

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Role of Internal Audit Background Page 1

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Our audit activity is split between:

- **Key Control Audit**
- **Fraud/Governance Audit**
- **IT Audit**
- **Operational Audit**
- **Schools**
- **Follow Up Audit**
- **Urgent Work/Special Projects**

Role of Internal Audit

The Internal Audit service for Wiltshire Council is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and also guided by interpretation provided by the Public Sector Internal Audit Standards. The work of the Partnership is also guided by the 'Internal Audit Charter' which was last reviewed and approved by the Audit Committee at its meeting on 14th December 2011.

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

Background

It is recommended by the Public Sector Internal Audit Standards that organisations nominate a 'Board' to oversee (monitor and scrutinise) the work of Internal Audit. As such, in addition to senior management oversight, this Council has determined that, the Audit Committee will undertake this function. The plan is presented in Appendix B to this report and represents the internal audit activity for the 2013/14 financial year.

It should be noted that plan days are only indicative for planning our resources. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review. Any changes to individual plan items, in terms of days, are managed within the annual payment made by the Council. The plan is pulled together with a view to providing assurance to both officers and Members that current and imminent risks faced by the Authority are adequately controlled and managed. As with previous years the plan will have to remain flexible as new and emerging risks are identified. Any changes to the agreed plan will only be made through a formal process involving the Director of Finance (Section151).

The Annual Plan

The Annual Plan

In order to develop the plan for the year, Audit Managers have engaged with Directors and their Heads of Service to identify and assess areas of potential risk and their key assurance requirements. In addition, SWAP Management facilitated a Control and Risk Self-Assessment (CRSA) session with the SWAP Management Board. This session identified emerging risks facing local authorities in general with a view to co-ordinate, where possible, with the audit plans of the other members of the South West Audit Partnership (SWAP). Joint audits of this kind derive real benefits in both reducing the overall time taken and in the shared lessons that can be learnt by all the partners.

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

Key Control Audit – focus primarily on key risks relating to the Council’s major financial and IT systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. To this end we have liaised with the Council’s External Auditors and included any requirements they have in providing them with necessary assurance, in line with the Auditing Standards, against which they are required to audit.

Fraud/Governance Audit – SWAP operate a specialised Fraud Team who will undertake proactive fraud reviews and also provide a reactive service to Partners should the need arise.

The Annual Plan - Continued

The Annual Plan - Continued

IT Audits – are completed to provide the Authority with assurance with regards to their compliance with industry best practice. Some of these audits have come from previous year assessments and our awareness of current IT risks. As referred to above IT system Key Control work is also undertaken in accordance with the External Auditors requirements.

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

Schools – As with previous years we are focussing on themed audits to provide the Council with assurance on the effectiveness of governance arrangements within Schools. Where possible we will be covering the same themes at other County Partner sites to provide opportunity for sharing best practice.

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

Urgent Work/Special Projects – There is a provision of days to allow for work to commence that is required on a responsive basis

The Annual Plan - Continued

The Annual Plan - Continued

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

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

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

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

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

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

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

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

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

The schedule provided at Appendix B details the Annual Internal Audit Plan for 2013/14.

APPENDIX B

DRAFT INTERNAL AUDIT PLAN 2013-14

Line No	Source/type	Key Contact/Service Area	Potential Risk Area	Theme/Audit Title	Audit Scope	Key Potential Risks	Risk Rating pre audit	Audit Days	Drivers
GRANT AND SUPPORT WORK									
1	Corporate/Service Advice	ALL	Ongoing Advice		To provide flexibility within the plan to react and provide specific corporate advice as and when requested.			360	
2	Corporate Groups and Meetings	ALL			Attendance at various corporate groups to provide advice and/or keep up to date with changes within the Council.				
3	Investigations	ALL	Investigations (reactive work)		Depends upon the nature and scope of the investigation. For example, IT, misuse, fraud, corruption.	Potential risk of fraud, corruption, reputational damage according to the nature of the investigation.			
4	Follow Ups	ALL	Prior year recommendations are not actioned, so follow-up implementation of agreed management actions.		To confirm that all management actions have been implemented in accordance with agreed action plans in previous audit reports.	Improvements in the control environment are not achieved.			
5	Contingency	ALL			To provide a level of contingency to be able to respond to emerging risk areas or requests for additional unexpected work.				
IT AUDITS									
6	IT audits	Corporate	Information Services	Cloud	To review scope of contract. To review exit arrangements. To review progress of rollout across the business.	Reliant on host for security, availability and integrity of data.	M		Audit History; Performance; Impact; Business Change/Improvement
7	IT audits	Information Services	Information Assurance	Quality Assurance Checks	To check frequency and accuracy of assurance checks from the assurance catalogue which provides assurance to the business.	Unauthorised access to systems and information. Non-compliance with statutory/regulatory requirements, eg Public Service Network. Financial and reputational.	H		Audit History; Performance; Impact; Business Change/Improvement
8	IT audits	Information Services	Information Assurance	Protective Marking	To review business awareness of requirements for Protective Marking. To review training across Services and monitoring implementation.	Business unaware of requirements. Data security could be breached. Non-compliance with legislation.	H		Audit History; Performance; Impact; Business Change/Improvement
9	IT audits	Information Services	Information Security	Information Security Breaches	To assess timeliness, appropriateness and recording of investigations on security breaches. To review corrective action taken.	Information security breaches leave the authorities' information assets at risk of falling into the wrong hands. This could lead to reputational and financial impacts (ICO or press).	H		Audit History; Performance; Corporate Priorities
10	IT audits	Information Services	Information Management	File Storage (Manual Files)	To review procedures for the storage and retention of paper files. To assess appropriateness with regard to accessibility, availability and traceability, security and retention.	Inability to retrieve information when required. Wasted resources/effort in tracking down files. Information is lost.	M		Audit History; Performance; Fraud; Corporate Priorities
11	IT audits	Information Services	Core financial systems - IT Civica	IT - Civica	Review of IT application Civica Cash Receiving System. Also contributes to external audit reliance work.	System non-availability could result in inability to allocate payments and monies received. Reputational risk. Inaccurate data could result in fraud.	H		Key Control
12	IT audits	Information Services	Core financial systems - IT Networks	IT - Networks	Review of IT Networks. Also contributes to external audit reliance work.	Insecure network management and security.	H		Key Control
13	IT audits	Information Services	Core financial systems - IT Northgate	IT - Revenues & Benefits (Northgate)	Review of IT application, Northgate. Also contributes to external audit assurance work.	System non-availability could result in non-collection of debts (CT, NDR) and non-payment of invoices, benefits and salaries integrity. Inaccurate data could result in wrong bills, payments etc. Fraud.	M		Key Control; Audit History; Performance; Fraud
14	IT audits	Information Services	Core financial systems - IT QL	IT - QL	Review of new IT system for Housing. Also contributes to external audit reliance work.	System non-availability. Inability to collect rents. Reputational and financial loss.	H		Key Control
15	IT audits	Information Services	Core financial systems - IT SAP	IT - SAP	Review of IT application SAP. Also contributes to external audit reliance work.	System non-availability. Inability to collect rents. Reputational and financial loss.	H		Key Control
OPERATIONAL AUDITS/ADDED VALUE AND LOOKING FOR OVER CONTROLLED AREAS									
16	Operational	Adult Care	Timeliness and coverage of Adult Care Establishment care assessments	DCS Care Home	To review controls operating within this Establishment to manage and carry out assessments of care.	Risk to vulnerable clients. Regular reviews not carried out - clients could be receiving inadequate care to meet their needs, or in unsuitable placements. Reputational risk.	L		Audit History; Performance; Corporate Priorities
17	Operational	Adult Care	Care & Nursing Home Provision delayed	Care & Nursing Home Provision	To review strategic commissioning of care and nursing home provision. To review demand and supply. Impact of Delayed Transfers of Care (DIOC).	Needs may not be met. Ineffective procurement and/or inappropriate placements. Financial cost implications.	H		Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities; Risk Register
18	Operational	Adult Care	Care Management and Quality	Assessments, Reassessments & Reviews	To assess position on the completion of assessments, reassessments and reviews across all groups including CIC, In Care, CTPLD, PI. To review care quality and contract compliance provided by block providers.	Needs may not be met. Incorrect or inappropriate care may be in place. Risk to client's health and wellbeing. Financial cost implications.	H		Audit History; Performance; Fraud
19	Operational	Adult Care	Continuing Health Care (CHC)	Continuing Health Care (CHC)	To review this new initiative funding from CCG (ex PCT). To review approached across other SWAP Partners.	Financial cost implications.	M		Audit History; Business Change/Improvement
20	Operational	Adult Care	Help to Live at Home	Help to Live at Home	New major project. To review processes from referral to delivery. To review outcome based payments.	Programme fails to deliver expected benefits. Strategies at risk. Poor customer experience. Reputational.	H		Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities
21	Operational	Adult Care	Housing	Disabled Facilities Grant	To review procedures in place for monitoring spend is as agreed in funding of grant.	Recipients may not be eligible. Needs may not be met. Fraudulent use of Council funds. Reputation.	L		Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities; Risk Register
22	Operational	Adult Care	OSJ Contract Monitoring	OSJ Contract Monitoring	To carry out visits to a further sample of OSJ homes, focusing on residents cash, careplans and associated documentation. To follow up on review implemented by OSJ as a result of poor findings in Wiltshire homes compared to other OSJ areas. To ensure procedures in operation at a sample of homes. To review contract monitoring in place.	Risk to vulnerable clients. Inadequate monitoring of contracts. Wiltshire Council not safeguarding clients or property. Reputational risk.	M		Audit History; Performance; Corporate Priorities
23	Operational	Children's Services	Adoption	Adoption	To review a sample of cases to assess time taken and compare with other authorities.	Reputational. High profile in national reports on time taken for adoptions to be put into place. Poor customer experience.	H		Risk Register; Audit History
24	Operational	Children's Services	Special Educational Needs	SEN Provision	To review Special Educational Needs provision across the County and where provision is outside County boundaries.	Inconsistency of approach in securing placements. Financial risk.	M		Audit History; Performance; Fraud; Corporate Priorities
25	Operational	Children's Services	CareFirst	CareFirst (Practitioner Level)	To review the take up of CareFirst and identify areas of slow progress.	CareFirst used inconsistently. Up to date information may be missing. Negative impact on service user.	M		Audit History; Corporate Priorities
26	Operational	Children's Services	Child / Adult Transition	Transitions	To review processes in place for transition of children in care to adults. New initiative joint working between adult and children's services.	Poor client experience. Needs may not be met. Costs not controlled.	H		Audit History; Performance; Corporate Priorities
27	Operational	Children's Services	Child Placements	Child Placements	To assess timeliness and frequency of reviews of care. To review records of placements to ensure reasons for placement and the right placements are demonstrated. Costs and budgets are monitored appropriately.	Unable to demonstrate that looked after children/SEN are in the appropriate/most cost effective placement. No evidence/record for rationale of placements or review of placements. Loss of budgetary control.	H		Audit History; Performance; Corporate Priorities
28	Operational	Children's Services	Children's Centres	Contract Monitoring in Children's Centres	To review procedures in place for the monitoring of contracts awarded for Children's Centres.	Centres not meeting standards expected. Non compliance with terms of contracts. Lack of duty of care to users of Centre.	M		Audit History; Corporate Priorities
29	Operational	Children's Services	Foster Carers	Foster Carer reports	To assess quality of reports provided.	Delays due to errors and poor quality reports. Inappropriate placements. Financial.	M		Audit History; Corporate Priorities
30	Operational	Children's Services	Troubled Families programme	Troubled Families	Review journey/experience of a sample of client families through client files and staff involved across the related services. Review system for identifying families for scheme. Completion of grants.	Interaction with Council involves too many individual sections. Not cost effective. Frustrating for families involved. Incorrect recording and reporting to central government.	H		Risk Register; Audit History; Impact; Corporate Priorities; Internal Audit requirement for government initiative
31	Operational	Children's Services	Youth Centres	Unofficial Fund Accounting/Procedures	To gather information on the location of unofficial funds at centres. To review procedures in place for treatment and accounting of non-Council funds.	Incorrect record keeping or fraudulent activity may occur. Reputational as employees of Wiltshire Council responsible for handling funds.	H		Audit History
32	Operational	Communications	Communications	Communications	Review communication methods, effective usage, controls for effective reporting.	Service failures, poor decisions, inappropriate comments, mishandling of the media, lack of resources to cover emergency situations, failure to forewarn the press team.	M		Audit History; Performance; Impact
33	Operational	Corporate	Complaints	Complaints within Services	To follow up on audit work on Corporate Complaints in 2012/13 to address complaints that do not fall within the remit of the corporate team. How do we learn from complaints?	No overview or quantification of all complaints at a corporate level. Inadequate complaints handling and reputational damage.	M		Audit History; Corporate Priorities
34	Operational	Corporate	Consultants	Consultants	To follow up on procedure for engaging consultants and review level of consultants currently employed across the Council. To review business case for the use of consultants and the saving in non commitment to ongoing permanent employment costs.	No corporate information and overview for consultants. Policies not followed.	H		Audit History; Corporate Priorities; Fraud

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35	Operational	Corporate	CRB (now DBA)	CRB (now DBA)	Review to include Leisure Centres, Children's Centres, Volunteers in Schools following change in legislation.	Employment of persons not cleared. Risk to individuals. Reputational risk.	H	Audit History; Corporate Priorities
36	Operational	Corporate	Requests	FOI Requests	Review process in place for the treatment of Freedom of Information requests received by the Council, following latest government initiative to carry out detailed checking.	Failure to comply with legal obligations. Fines levied on the Council. Reputational risk.	H	Risk Register; Corporate Priorities; Audit History; Performance
37	Operational	Corporate	Workplace Transformation	Flexible Working	To review how expected outputs are still delivered and how the flexitime approach is applied across the Council.	Inconsistent approach across and within services. Lack of retention of staff. Low morale. High turnover of staff. Lack of duty of care to employees.	M	Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities
38	Operational	Finance	Revenues and Benefits	Welfare Reform Act	To review latest plans for the implementation of the Welfare Reform Act.	The Council is not adequately prepared to implement changes according to government timescales. Financial and reputational risk.	H	Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities
39	Operational	Finance	Adult Care - Care Packages	Adult Care - Care Packages (Inc Client Contributions)	Review of the processes and lead times between package start dates and payments through SAP. Review the robustness of systems and processes for measuring, recording and collecting client contributions.	Reputational risk. Negative impact on relationships with care providers.	M	Audit History; Performance
40	Operational	Protection	Licensing	Licensing	Review licensing procedures and income levels.	Economic downturn resulting in compromises in public health due to reduced preventative measures, and reduced income from licence fees.	M	Audit History; Fraud
41	Operational	Strategic	Building Control / Planning	Building Control / Planning	Review of new system being implemented at beginning of year. As such this audit will be scheduled later in 2013/14.	System not effective or poor performance. Benefits not realised.	M	Audit History; Performance; Fraud; Corporate Priorities
42	Operational	Strategic	Emergency Planning	Emergency Planning	A review of the arrangements in place.	Risk of delay in response, or poor responses	M	Audit History; Performance; Corporate Priorities
43	Operational	Strategic	Fleet	Fleet	To follow up on implementation of fleet strategy. To review procedure for accident reporting, staff use of corporate vehicles and eligibility of staff driving on Council business.	Ineffective use of resources. Lack of monitoring or challenge leading to poor practices and increase in accidents. Lack of duty of care. Financial and reputational.	M	Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities
44	Operational	Strategic	Highways	Highways	Major contract just been awarded. Review of performance reporting and contract monitoring in place and how this will change with award of new contract. Review transition plans to new provider.	Loss of data. Organisational implications. Negative impact to residents and users of the highways system. Reputational. Poor change management, detrimental effect on employees.	H	Audit History; Performance; Fraud; Corporate Priorities
45	Operational	Strategic	Neighbourhood	Neighbourhood	Review to include Streetscene and award of major contract. Review transition plans to new provider.	Major contract to be awarded to include Streetscene services.	M	Audit History; Performance; Fraud; Corporate Priorities
46	Operational	Strategic	Passenger Transport	Concessionary Fares	To review payments to operators, including cross-boundary implications. Joint review with Dorset County Council. DCC also have a contract with MCL who have responsibility for the calculation of reimbursement costs to operators.	Incorrect payments to providers. Fraudulent claims. Reputational and financial.	M	Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities
47	Operational	Strategic	Safeguarding	Volunteer Drivers/Escorts	Review of contract, training and safeguarding procedures and CRB processes in place following a change in legislation.	Employment of persons not cleared. Risk to individuals. Reputational risk.	H	Audit History; Performance; Fraud; Corporate Priorities
48	INCOME, CASH AND GRANTS							
49	Operational	Finance	Debt management	Debt Management	Review the evidence kept by services and the processes for gathering / retaining key information required to take legal action for debt recovery.	Financial loss resulting from a failure to recover debt.	M	Audit History; Performance
50	Operational	Finance	Grant Certification	Grant Certification	To carry out checks on grant returns in accordance with expectations of grant awarding bodies.	Failure to comply with conditions of grant. Grant monies may not be awarded.	M	Audit History; Performance; Fraud; Corporate Priorities
51	Operational	Finance	Imprest accounts	Imprest Accounts	Review year end returns for Imprest Accounts. Carry out checks for a sample of accounts to reconcile to returns.	Inappropriate use of Council funds. Financial loss or fraud.	M	Audit History; Performance; Fraud; Changes in Staffing
52	Operational	Finance	Income/Banking	Income/Banking	Review processes to assess the robustness of controls over cash / cheque handling and transportation.	Inappropriate use of Council funds. Financial loss or fraud.	M	Audit History; Fraud
53	SCHOOL AUDITS							
53	Operational	Schools	Multiple schools	Schools Audit	Review of financial administration, financial planning, banking arrangements, purchasing, income and budget monitoring. SFVS.	Poor financial administration and management.	M	Audit History; Performance
54	Operational	Schools	Schools Themed reviews x 3	Schools Themed Review	Determined from outcomes of schools audits and key risks arising.	3 suggested themes undertaken at WC, SCC and DCC: Safeguarding, Risk Management in Schools - Health and Safety, Governance of SFVS.	M	Audit History; Performance
55	Operational	Corporate	Schools	Unofficial Fund Accounting/Procedures	To review procedures in place for the treatment and accounting of non-Council funds.	Lack of procedures. Reputational risk relating to non Council monies. Misappropriation of funds.	M	Audit History; Performance; Corporate Priorities
56	CORPORATE & GOVERNANCE RISKS							
56	Corporate Risks	CD 1 Risk Register - Business Services	Failure to implement appropriate levels of H&S inspection procedures at Council properties	Health & Safety Inspections	Review procedure for monitoring Health & Safety inspections at Council properties. Assess data recorded and how it is reported to Management.	Increased accidents. Potential harm to individuals. Reputation. Financial risk due to compensation claims.	H	Risk Register; Audit History
57	Operational	Strategic	Leisure	Legionella and COSHH	A review of the procedures in place to test for the presence of Legionella. Monitoring of contracts where function outsourced. To evaluate if reported actions are progressed by local management.	Risk of harm to individuals. Lack of duty of care. Financial loss if challenged.	H	Audit History; Performance; Fraud; Corporate Priorities
58	Operational	Corporate	Legionella in Council Buildings	Legionella	Review of processes in Council establishments for the checking and prevention of Legionella bacteria.	Risk to health and harm to individuals. Reputational risk.	M	Audit History; Performance; Corporate Priorities
59	Operational	Economic Development	Partnerships Governance	Partnerships Governance	To review governance and partnership arrangements, including exit arrangements, in place for specific grant funding of partnership initiatives. To share good practice with other SWAP Partners.	Non-compliance with conditions of grant. Financial implications. Lack of confidence/engagement from partners.	M	Audit History; Performance; Corporate Priorities
60	Operational	Finance	Accounts Payable	Payments outside SRM.	To identify payments outside SRM -orig 20/80 split, transaction plus cost base. Identify processes in place that deter the use of the SRM system, is this area over controlled/bureaucratic.	Cost savings not realised. Benefits of SRM not realised.	H	Audit History; Performance; Fraud; Corporate Priorities
61	Operational	Procurement	Major Contracts	Contract Clauses	Review of major contracts for required clauses on rights of access, Health & Safety, Data Security.	Providers not aware of obligations. Contracts incomplete. Inappropriate access. No access for audit and monitoring of contracts/business.	M	Audit History; Performance; Fraud; Corporate Priorities
62	Operational	Corporate	Workforce	Employment Tracking	To undertake an end to end review of the system in place for identification of current workforce, including starters and leavers. To include contractors, temporary staff, agency workers and volunteers. To follow up on review of Staff Leavers Process.	Unaware of persons with access to systems, information and premises at any given time.	H	Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities
63	Fraud/Governance	Corporate	Potential risk of error, or fraud and corruption: Allowances/Expenses	Expense Claim	To review a sample of expense claims and allowances paid to officers and members for accuracy and completeness of supporting evidence.	Erroneous, inappropriate or fraudulent creditors payments are made.	M	SWAP Best Practice Review; Fraud
64	Governance	Corporate	Programme Management	Programme Management	To review governance in place for Programme Management.	Risks associated with project not identified or not known at corporate level/escalated to corporate risk register. Risks not managed appropriately.	M	Risk Register; Audit History; Performance; Impact
65	Corporate Risks	CD 1 Risk Register - Children's Families	Capacity of Social Work Teams to Deliver the Service.	Capacity of Social Work Teams	Review controls in place for monitoring workload and whether there is an affect on the service to our customers.	Required actions to support vulnerable clients are not delivered.	H	Risk Register; Audit History
66	Corporate Risks	CD 1 Risk Register - Communities	Loss of and damage to the portable archaeological heritage of the county	Security of Artefacts	To review security arrangements for safekeeping of artefacts. To review records held.	Loss due to poor record keeping. Lack of cataloguing. Reputational. Lack of duty of care. Joint venture with SBC.	H	Risk Register; Fraud; Audit History; Corporate Priorities
67	Corporate Risks	CD 1 Risk Register - Communities	Stakeholder behaviours and role related pressures may impact on consistent implementation of HR policies with associated financial risks and impacts on individual well being.	Behaviours Framework	To review rollout of Behaviours Framework (core behaviours). Assess buy in from across the Council and has the process added value to the organisation.	Inconsistent approach across and within services. Lack of retention of staff. Low morale. High turnover of staff. Lack of duty of care to employees.	H	Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities
68	Corporate Risks	CD 1 Risk Register - Corporate	Failure to ensure that the Primary Data Centre (PDC) in Old County Hall is adequately protected during the refurbishment works	Primary Data Centre			H	Audit History; Performance; Impact; Business Change/Improvement; Fraud; Corporate Priorities
69	Corporate Risks	CD 1 Risk Register - Waste Management	Delivery of a successful Waste management and landfill strategy	Waste Strategy	To review progress of Waste strategy across the County.	Reputational. Financial.	H	Risk Register; Audit History
70	KEY FINANCIAL CONTROL WORK							
70	Operational/Key Controls	Finance	Accounts Payable	Accounts Payable	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Incorrect payments to Providers. Fraudulent creditors. False invoices. Late payment fines. Bypassing procurement controls.	H	Key Control; Fraud

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71	Operational/Key Controls	Finance	Accounts Receivable	Accounts Receivable	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Poor quality of invoicing. Financial loss. Not all income received. Debtors/debt management not managed effectively.	H		Key Control; Fraud
72	Operational/Key Controls	Finance	Council Tax	Council Tax	Core financial system. Review and test controls established to ensure operating adequately and effectively. Also contributes to external audit reliance work.	Charges are incorrectly applied or uncollected. Discounts / allowances are incorrectly applied. Collections are insecure. Income is not posted accurately and promptly. Arrears are not promptly and effectively pursued.	H		Key Control; Fraud
73	Operational/Key Controls	Finance	GL & Financial Accounting	GL & Financial Accounting	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Inaccurate financial reporting.	H		Key Control
74	Operational/Key Controls	Finance	Housing & Council Tax Benefits	Housing & Council Tax Benefits	Core financial system. Review and test controls established to ensure operating adequately and effectively. Also contributes to external audit reliance work.	Applications are not promptly and accurately processed. Information verification is inadequate. Payments are incorrect and untimely. Overpayments are not promptly recovered. Inadequate arrangements exist to prevent fraud.	H		Key Control; Fraud
75	Operational/Key Controls	Finance	NNDR	NNDR	Core financial system. Review and test controls established to ensure operating adequately and effectively. Also contributes to external audit reliance work.	Charges are incorrectly applied or uncollected. Discounts / allowances are incorrectly applied. Collections are insecure. Income is not posted accurately and promptly. Arrears are not promptly and effectively pursued.	H		Key Control; Fraud
76	Operational/Key Controls	Finance	Payroll	Payroll	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work. To include a review of external report for implementation of recommendations.	Incorrect salary payments. High number of transactions. Contractual traded services to approx 20 organisations	H		Key Control; Fraud
77	Operational/Key Controls	Finance	Treasury Management	Treasury Management	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work.	Lack of monitoring and reconciliation. Inadequate cashflow.	H		Key Control
78	Operational/Key Controls	Housing	Core financial systems	Housing Rents	Core financial system. Review and test systems for the administration and management of Housing Rents to ensure operating adequately and effectively. Also contributes to external audit reliance work.	Incorrect standing data changes to annual rent liabilities from failures to effectively management check prior to adjustment - and need for subsequent in year amendments to tenants' accounts, lack of periodic reconciliation of rent refunds, poor customer service through inadequate monitoring and repayment of credit balances, inadequate measures to pursue tenant arrears effectively.	H		Key Control; Fraud
79	Operational/Key Controls	Pensions	Pensions	Pensions	Core financial system. Review and testing of controls to mitigate identified risks. Also contributes to external audit reliance work. Customer facing service.	Incorrect payments. High number of transactions. Service provided to external organisations and pensioners.	H		Key Control; Fraud
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External Audit Plan 2012/13

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Wiltshire Council

March 2013



Agenda Item 10

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Chris Wilson, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

This document describes
how we will deliver our audit
work for Wiltshire Council.

Scope of this report

This document supplements our *Audit Fee Letter 2012/13* presented to you in December 2012. It describes how we will deliver our financial statements audit work for Wiltshire Council ('the Authority'). It also sets out our approach to value for money (VFM) work for 2012/13.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998*, the *Local Government Act 1999* and the Audit Commission's *Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

- *financial statements (including the Annual Governance Statement)*: providing an opinion on your accounts; and
- *use of resources*: concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

Structure of this report

This report is structured as follows:

- **Section 2** includes our headline messages, focusing on the key risks identified this year for the financial statements audit.
- **Section 3** describes the approach we take for the audit of the financial statements.
- **Section 4** provides further detail on the financial statements audit risks.
- **Section 5** explains our approach to VFM work.
- **Section 6** provides information on our proposed deliverables, the timescales and fees for our work.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We have identified a number of key risks that we will focus on during the audit of the 2012/13 financial statements.

These are described in more detail on pages 10 to 11.

The remainder of this document provides information on our:

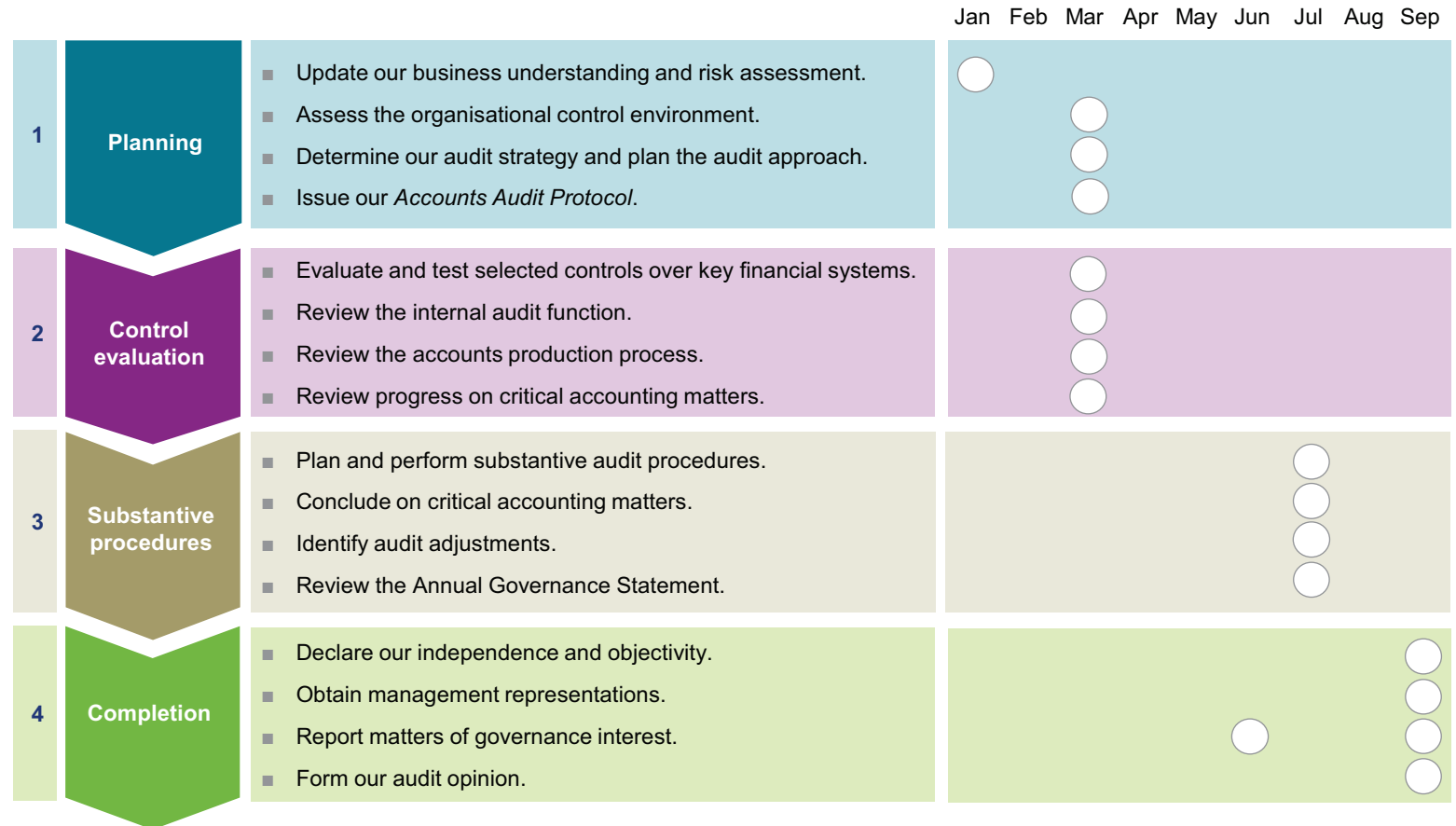
- approach to the audit of the financial statements;
- approach to VFM work; and
- proposed deliverables, timescales and fees for our work.

Area	Risk	Audit work
Savings plans	<p>The Authority is forecasting that it will overspend against its 2012/13 budget by approximately £1.2 million. However, the Authority has plans in place to reduce the over spend in order to meet budget. Savings amounting to £33 million are anticipated for 2012/13. The Authority currently estimates that it will need to deliver £28 million in savings during 2013/14 to address further reductions to local authority funding and continued cost pressures.</p> <p>The Authority will need to establish and manage its savings plans to secure longer term financial and operational sustainability and ensure that any related liabilities are accounted for in its 2012/13 financial statements as appropriate.</p>	<p>In conjunction with our VFM work we will critically assess the controls the Authority has in place to ensure a sound financial standing and review how the Authority is planning and managing its savings plans.</p> <p>We will also review the Authority's assessment of potential liabilities and any provisions in its 2012/13 financial statements.</p>
Rents System Changes	<p>The migration to a new Rents System (QL) requires the management of a complex system implementation and the transfer of a significant amount of data into the new system.</p> <p>Interfaces with the Council's SAP system must also be established and operate effectively.</p> <p>If this process is not undertaken and managed appropriately, the Council will be exposed to an increased risk that rental incomes and charges are reported inaccurately.</p>	<p>As the Rents system is a system change during the year, we will review Internal Audit's work surrounding the implementation and testing of the new system.</p> <p>In addition, we will also complete further testing to ensure we gain sufficient evidence that the new system is producing reliable data, that the control environment is effective and the interfaces to SAP are operating satisfactorily.</p>

We undertake our work on your financial statements in four key stages during 2013:

- **Planning** (January to March).
- **Control Evaluation** (March).
- **Substantive Procedures** (July).
- **Completion** (July to September).

We have summarised the four key stages of our financial statements audit process for you below:



Between January and March 2013 we complete our planning work.

We assess the key risks affecting the Authority's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes, including the Authority's IT systems, that would impact on our audit.

We determine our audit strategy and approach, and agree a protocol for the accounts audit, specifying what evidence we expect from the Authority to support the financial statements.

Our planning work takes place between January and March 2013. This involves the following aspects:

Planning

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

Business understanding and risk assessment

We update our understanding of the Authority's operations and identify any areas that will require particular attention during our audit of the Authority's financial statements.

We identify the key risks affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. The risks identified to date are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority's responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the finance team on a regular basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit. In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the work of your internal auditors also informs our risk assessment.

The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations. Whilst we undertake some general IT controls work, we also focus on testing the specific applications and reports that are pivotal to the production of the financial statements.

Audit strategy and approach

The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities.

We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

Accounts audit protocol

At the end of our planning work we will issue our *Accounts Audit Protocol*. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide during our interim and final accounts visits.

We met with the Director of Finance and other key officers to discuss mutual learning points from the 2011/12 audit. These will be incorporated into our work plan for 2012/13. We revisit progress against areas identified for development as the audit progresses.

During March 2013 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2012/13. We work with your Internal Audit team to avoid duplication.

We work with your finance team to enhance the efficiency of the accounts audit.

We will present our *Interim Report to the Audit Committee* in June.

Our interim visit on site will be completed during March. During this time we will complete work in the following areas:

Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

Controls over key financial systems

We update our understanding of the Authority's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Where our audit approach is to undertake controls work on financial systems, we seek to rely on any relevant work Internal Audit have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work. We have a joint working protocol and have met with SWAP team and the Head of Internal Audit to discuss the principles and timetables for the managed audit process for 2012/13.

Review of internal audit

Where we intend to rely on internal audit's work in respect of the key financial systems identified as part of our risk assessment, auditing standards require us to review aspects of their work. This includes re-performing a sample of tests completed by internal audit. We will provide detailed feedback to the Head of Internal Audit at the end of our interim visit.

We have agreed with officers at the Council to perform an additional piece of work around the internal audit function. The work will be a review of internal audit against the CIPFA Internal Auditing Standards. A separate audit plan and report will be presented to Committee on this project.

Accounts production process

We raised one recommendation in our *Report to Those Charged with Governance (ISA 260 Report) 2011/12*. This related to the posting of journals by individuals who had not been granted the requisite authority.

We understand that the Council has already addressed and resolved this issue.

During our interim visit, we will assess the Council's progress in preparing for the closedown and accounts preparation process.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

If we have identified any significant issues during our interim visit we will issue our *Interim Report* which will set out the findings of our planning and interim work. This will be discussed at the Audit Committee meeting in June 2013.

During July 2013 we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report to the Audit Committee* in September 2013.

Our final accounts visit on site has been scheduled for July 2013. During this time, we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of the key risk areas as identified at the planning stage and any additional issues that may have emerged since. We will discuss our findings of the Authority's approach to address the key risk areas with the Director of Finance in August 2013, prior to reporting to the Audit Committee on 4 September 2013.

Audit adjustments

During our on site work, we will meet with the Council's Chief Accountant on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue to Audit Committee in September 2013.

In addition to the financial statements, we also audit the Authority's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our deliverables are included on page 16.

Use of off-shore audit resources

During our audit work we may make use of our KPMG Global Services (KGS Audit) team in India to undertake certain basic audit tasks and functions. Use of this 'off-shore' team is one of many initiatives we employ to deliver a cost-effective audit service for our clients. Although based in India, the KGS Audit team works closely with our local audit teams to undertake certain audit procedures remotely. We have provided our UK teams with guidance on the types of audit procedures and other tasks that it is suitable and permissible to use KGS Audit for - we do not use KGS Audit for any audit procedures that involve access to personal, confidential or sensitive information. Audit tasks are then allocated by our UK-based engagement teams to dedicated teams in India, allowing local staff to control what work KGS Audit undertakes and what information is accessed. They operate to our same quality standards and all work undertaken by KGS Audit is reviewed by the UK team.

The KGS Audit team operates in a paperless environment and we apply robust processes to control how data is accessed and used:

- all work is conducted electronically;
- all data files are maintained on servers in the UK with restricted access and only viewed on screen in India. These servers are governed by established KPMG IT controls;
- policy and technology restrictions are in place to protect data, for example locked down USB ports, no external emailing, no printing;
- KGS Audit staff are based in an office with restricted access and security; and
- the team members adhere to global KPMG ethics and independence standards, along with requirements governing the non-disclosure of client information.

The above approach has been approved by the Audit Commission.

Our independence and objectivity responsibilities under the Code are summarised in Appendix 2. We confirm our audit team's independence and objectivity is not impaired.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

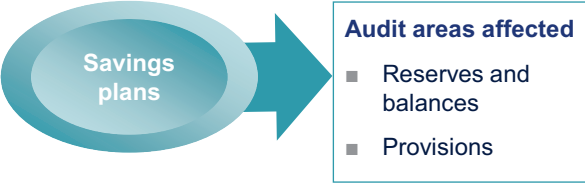
KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Confirmation statement

We confirm that as of 6 March 2013, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

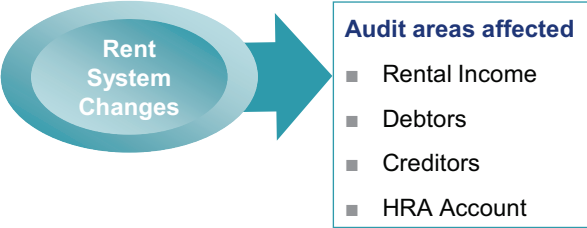
For each key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Authority is managing these risks in our *Interim Audit Report*.

Key audit risks	Impact on audit
 <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Reserves and balances ■ Provisions 	<p>Risk</p> <p>The Authority is forecasting that it deliver an overspend against its 2012/13 budget by approximately £1.2 million. However, the Authority has plans in place to reduce the over spend by the end of the financial year in order to meet budget. The budget includes a savings programme totalling £33 million and a drawdown of £1.7 million from the General Fund Reserve.</p> <p>The Authority currently estimates that another £28 million in savings will need to be achieved during 2013/14, and a further £23 million in 2014/15, to address the ongoing reductions to local authority funding. Against a backdrop of continued demand pressures in Adult Social Care and Children’s Services it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability.</p> <p>If there are any related liabilities at year end, these will need to be accounted for in the 2012/13 financial statements as appropriate</p> <p>Our audit work</p> <p>In conjunction with our VFM work we will critically assess the controls the Authority has in place to ensure a sound financial standing, specifically that its Medium Term Financial Plan has duly taken into consideration the potential funding reductions and that it is sufficiently robust to ensure that the Authority can continue to provide services effectively. We will also review how the Authority is planning and managing its savings plans.</p> <p>As part of our final accounts audit we will review the Authority’s assessment of any potential liabilities arising from its savings plans against the <i>Code</i>. We will review the Authority’s provisions, including the methodology, assumptions and calculations.</p>

For each key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Authority is managing these risks in our *Interim Audit Report*.

Key audit risks	Impact on audit
 <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Rental Income ■ Debtors ■ Creditors ■ HRA Account 	<p>Risk</p> <p>The migration to a new Rents System (QL) requires the management of a complex system implementation and the transfer of a significant amount of data into a new system.</p> <p>Interfaces with the Council’s SAP system must also be established and operate effectively.</p> <p>If this process is not undertaken and managed appropriately, the Council will be exposed to an increased risk that rental incomes and charges are incorrect calculated and reported.</p> <p>Our audit work</p> <p>As the Rents system is a major system change we will review Internal Audit’s work surrounding the implementation and testing of the new system. In addition, we will also complete further testing to ensure we gain sufficient evidence that the new system is producing reliable data, that the control environment is effective and the interfaces to SAP are operating satisfactorily.</p>

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing financial resilience .	The organisation has robust systems and processes to: <ul style="list-style-type: none"> ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future. 	<ul style="list-style-type: none"> ■ Financial governance ■ Financial planning ■ Financial control
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness .	The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> ■ achieving cost reductions; and ■ improving efficiency and productivity. 	<ul style="list-style-type: none"> ■ Prioritising resources ■ Improving efficiency and productivity

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> the Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; information from the Audit Commission's VFM profile tool and financial ratios tool; evidence gained from previous audit work, including the response to that work; and the work of the Audit Commission, other inspectorates and review agencies.

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

VFM audit stage	Audit approach
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Assessment of residual audit risk	<p>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria.</p> <p>Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</p>
Identification of specific VFM audit work	<p>If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ considering the results of work by the Authority, the Audit Commission, other inspectorates and review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We will report on the results of the VFM audit through our *Interim Audit Report* and our *Report to those charged with governance*.

VFM audit stage	Audit approach
Delivery of local risk based work	<p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> ■ local savings review guides based on selected previous Audit Commission national studies; and ■ update briefings for previous Audit Commission studies. <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
Concluding on VFM arrangements	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
Reporting	<p>We will report on the results of the VFM audit through our <i>Interim Audit Report</i> and our <i>Report to those charged with governance</i>. These reports will summarise our progress in delivering the VFM audit, the results of the risk assessment and any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agreed each report with the Authority's officers prior to publication.

Deliverable	Purpose	Committee dates
Planning		
External Audit Plan	<ul style="list-style-type: none"> ■ Outline audit approach. ■ Identify areas of audit focus and planned procedures. 	March 2013
Control evaluation		
Interim Report	<ul style="list-style-type: none"> ■ Details and resolution of control and process issues. ■ Identify improvements required prior to the issue of the draft financial statements and the year-end audit. 	June 2013
Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	<ul style="list-style-type: none"> ■ Details the resolution of key audit issues. ■ Communication of adjusted and unadjusted audit differences. ■ Performance improvement recommendations identified during our audit. ■ Commentary on the Authority's value for money arrangements. 	September 2013
Completion		
Auditor's report	<ul style="list-style-type: none"> ■ Providing an opinion on your accounts (including the Annual Governance Statement). ■ Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). 	September 2013
Annual Audit Letter	<ul style="list-style-type: none"> ■ Summarises the outcomes and the key issues arising from our audit work for the year. 	December 2013

We will be in continuous dialogue with you throughout the audit.

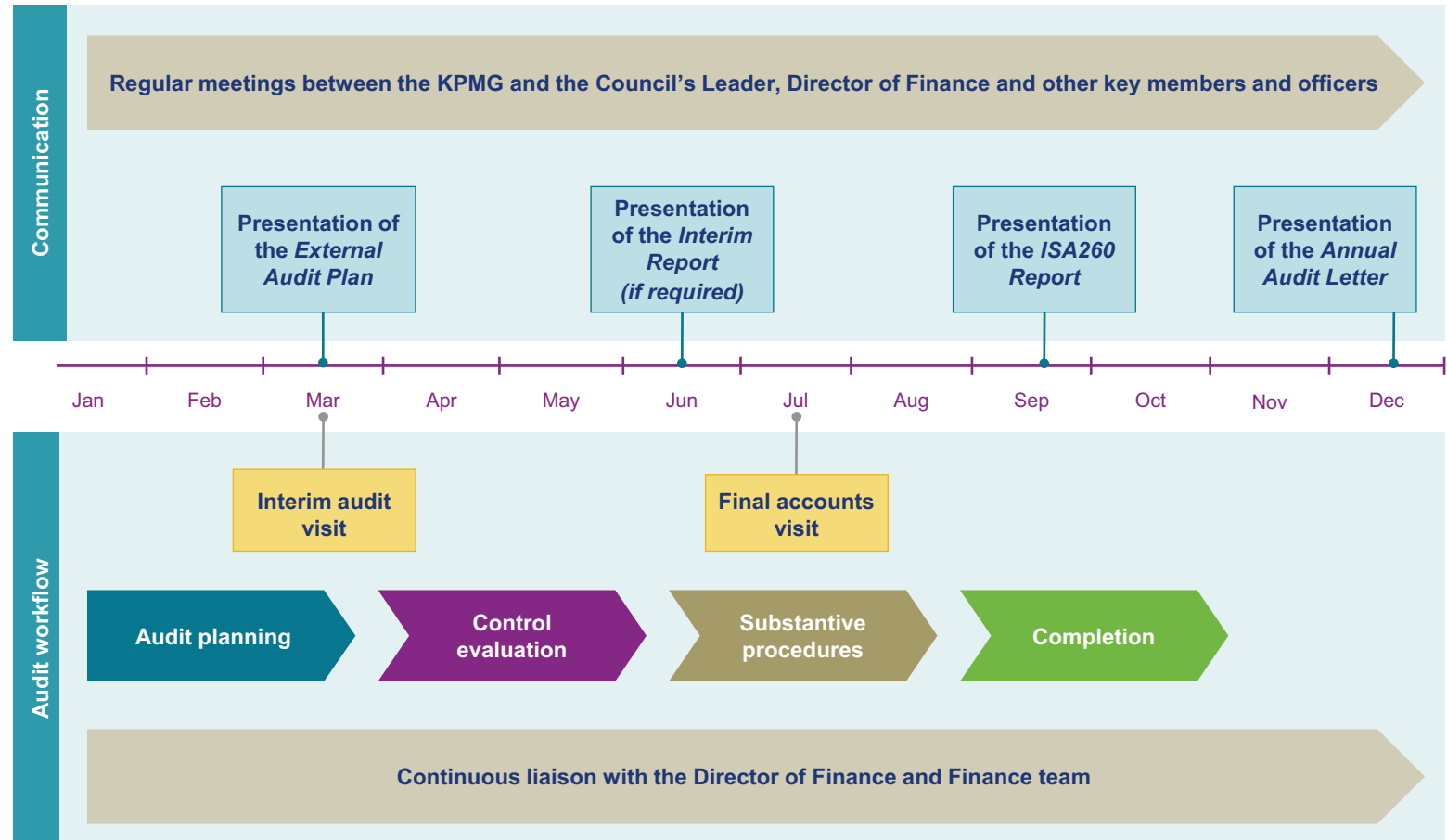
Key formal interactions with the Audit Committee are:

- March – External Audit Plan;
- June – Interim Report (if required);
- September – ISA 260 Report;
- December – Annual Audit Letter.

We work with the Director of Finance and the Finance Team throughout the year.

Our main work on site will be our:

- Interim audit visits during March.
- Final accounts audit during July.



Key: ● Audit Committee meetings.

The main fee for 2012/13 audit of the Authority is £222,156. The fee has not changed from that set out in our *Audit Fee Letter 2012/13* issued in September 2012.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2012/13* presented to you in September 2012 first set out our fees for the 2012/13 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

Element of the audit	2012/13 (planned)	2011/12 (actual)
Gross audit fee	£222,156*	£370,260

*This is the base fee and excludes grants and additional project work.

Our audit fee includes our work on the VFM conclusion and our audit of the Council's financial statements. The fee for 2012/13 is £222,156. This is a reduction of 40% compared to the 2011/12 fee.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2012/13* within your 2012/13 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
 - the financial statements are made available for audit in line with the agreed timescales;

- good quality working papers and records will be provided at the start of the final accounts audit;
- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the Authority maintains an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Director of Finance.

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner.
- Audit staff are expected not to accept appointments as lay school inspectors.
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned.

- Auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements).
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

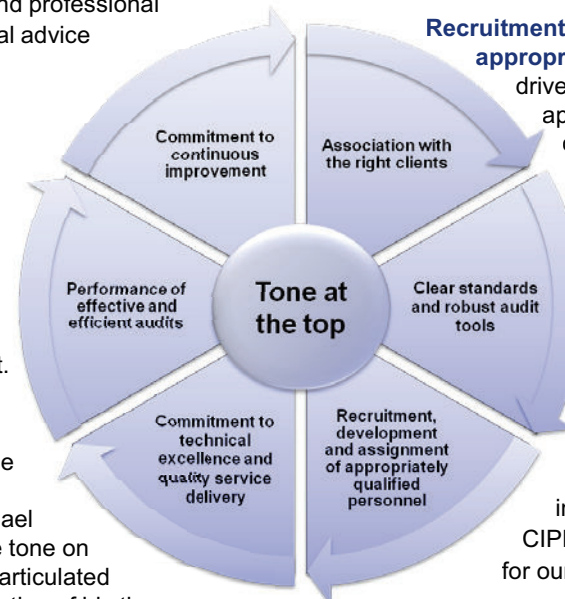
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focused and consistent voice. Michael McDonagh as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudit application has significantly enhanced

existing audit functionality. eAudit enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable database, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel:

One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based bi-monthly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The results of the Audit Commission's annual quality review process is made publicly available each year (http://www.audit-commission.gov.uk/audit-regime/Pages/qualityreviewprocess_copy.aspx). The latest report dated October 2012 showed that we performed highly against all the Commission's criteria.



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Corporate Risk Report

PURPOSE OF REPORT

The Risk and Assurance Team have completed a quarterly review of the operational and strategic risks identified facing Wiltshire Council. This report is to demonstrate and give assurance to the Audit Committee that risk management processes are being applied throughout the organisation.

BACKGROUND

A key component of the Council's Risk Management Strategy in relation to Audit Committee is to demonstrate that a regular review of the strategic risks which affect the Council corporately is undertaken. The review is carried out by senior officers, supported by members of the Corporate Risk Management Group (CRMG), and gives consideration to any changes which may have affected the risk and any opportunities that can benefit the council and its partners and stakeholders from the proper management of those risks.

MAIN CONSIDERATIONS

The Corporate Risk Register (**Appendix A**) highlights the current risks that have a potential strategic impact upon the direction of the Council. It must be noted that this current register is being reviewed following the outcome of the risks identified by the Corporate Directors. It is accepted that many risks that are identified (at all levels) need a complete rethink to ensure they are of good quality and reflective of the issues facing the Council.

Following a review of the strategic risks currently facing the Council, the Corporate Risk Management Group (CRMG) has identified the following:

- **1** High
- **10** Medium
- **3** Low

These have been identified and updated by officers using the Council's agreed risk scoring criteria. These have also been assessed in more detail by the Corporate Risk Management Group and the following risk issues escalated up to CLT for further consideration and action:

- 1. Risk 1006 – Concern over the appropriate levels of security and safety of confidential/sensitive data/information.** The status of this risk remains high after Information Assurance completed a detailed analysis using nationally recognised standards. A report by the Head of Governance has been presented to CLT which recommends a number of priority actions to address the issues identified and reduce the probability of the risk occurring. CLT have agreed to implement all recommendations, and when these are implemented the risk will be fully addressed. This risk will continue to be monitored.
- 2. Risk 1059 – Concern over the levels of overspend and the requirement to make appropriate savings/investment.** The risk has been reduced to medium as progress is being made on actions to mitigate the risk.
- 3. Risk 1206 – Appropriate levels of Health & Safety inspection procedures at Council properties not being delivered.** The level of risk is medium; progress has been made against the action plan.

4. **Risk 1175 – Ability to adequately fulfil the requirements as a Category 1 responder in the event of an incident or training.** This risk has been reduced to a low risk because a good level of progress has been achieved. Training has taken place for strategic and tactical level staff including CLT. Level 1 training for bronze staff (LAIOs) has been rolled out and additional training has been received by silver and gold officers.
5. **Risk 1214 – Safeguarding the Primary Data Centre (PDC) in Old County Hall during refurbishment works.** This risk has fallen from high to medium as all planned actions to reduce the likelihood have been implemented. The remaining issue to bring the score down to the target is dependent on the ICT business continuity arrangements and ensuring that there is successful fail over from the PDC to the Secondary Data Centre.
6. **Risk 1027 – Ability to ensure corporate Health & Safety & Wellbeing of the Organisation.** This risk has remained the same however the progress on the actions has gone from green to amber. This has been attributed to changes in staffing in H&S.

The remaining risks have maintained their current status based on the following factors – *agreed tolerance within resources available; awaiting further measures to mitigate risk down.* These risks will continue to receive the appropriate level of oversight from the Risk & Assurance Team and CRMG. Detailed action plans are available upon request. Due to problems with SharePoint some officers have been unable to update their risks so verbal updates have been sought accordingly.

RISK MANAGEMENT ARRANGEMENTS

A recent audit of Risk Management Arrangements was undertaken which gave two out of three stars – ‘Reasonable Assurance’. There were some very positive outcomes and work is underway on the required actions. The report has not been appended here due to size but is available upon request. The *Executive Summary* said:

“I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives. This opinion is based on the results of testing which reflected evidence of advances made in preparing the Council for adoption and application of the new Risk Management Strategy. There are some areas where further work is to be done but these have been acknowledged by the Head of Risk and Assurance and the evidence of recent progress indicates a positive direction of travel which we trust will see this work completed.”

A draft risk communications strategy defining how Risk Management is communicated has been drawn up and will be sought for approval.

There are on-going problems with SharePoint10 which has caused delays in the electronic update of risks. Officers are working on solutions to address the faults.

The Risk Management Strategy is to be put forward for delegated decision and the Risk Management Training Plan has been completed and will be implemented in April 2013.

Health and Safety risks that are deemed to have significant impact are now included on the Service Risk Registers which will give better overview to the Service Director.

CRMG has agreed they shall meet each quarter for CLT/Audit Committee reports and every 2 months to discuss/challenge service, operational risks. This will enable a better use of time and focus on the report and service risk registers respectively.

RECOMMENDATIONS

1. To note the latest position regarding the Council's risks that are identified in the current Corporate Risk Register as detailed in **Appendix A** confirming the status of the high level risks being reported from service areas.
2. To note the outcome of the recent Internal Audit report on Risk Management.

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APPENDIX A – Corporate Risk Register

Ref	Risk	Current Impact	Current Likelihood	Current Risk Rating	Direction of Travel	Progress on Risk Action Plan	Target Impact	Target Likelihood	Current Target Rating
1006	Concern over the appropriate levels of security and safety of confidential/sensitive data/information	4	4	High	-	G	2	1	Low
1059	Concern over the levels of overspend and the requirement to make appropriate savings/investment.	3	3	Medium	↓	G	3	2	Low
1206	Appropriate levels of Health & Safety inspection procedures at Council properties not being delivered.	3	3	Medium	↓	A	2	1	Low
1214	Safeguarding the Primary Data Centre (PDC) in Old County Hall during refurbishment works.	3	2	Medium	↓	G	2	2	Low
1014	Ability to assess, manage / monitor fraud and corruption activity	2	3	Medium	-	A	2	2	Low
1027	Ability to ensure the Corporate Health, Safety & Wellbeing of the organisation	3	2	Medium	-	A	3	1	Low
1137	Poor quality data used by the Council and associated Partners/Contractors	3	3	Medium	-	A	2	2	Low
1173	Implementation of the Children's Safeguarding Improvement Plan	4	2	Medium	-	G	4	1	Low
1174	Maintenance of an up to date and accurate Partnerships Register	3	3	Medium	-	G	3	1	Low
1175	Ability to adequately fulfil the requirements as a Category 1 responder in the event of an incident or training	4	1	Low	↓	G	4	1	Low
1186	Violence and aggression to employees from members of the public	3	3	Medium	-	A	3	1	Low
1182	Ability of Private/Voluntary sector to deliver services effectively/ efficiently	4	2	Medium	-	G	4	1	Low
1063	Ability to corporately control the maintenance and monitoring of contracts	2	2	Low	-	G	2	2	Low
1180	Transfer of Public Health function to Wiltshire Council	2	2	Low	-	G	1	1	Low