

**South Somerset District Council**

*Notice of Meeting*



# Audit Committee

*Making a difference where it counts*

**Wednesday 25th March 2015**

**10.00 am**

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

(disabled access is available at this meeting venue)



The public and press are welcome to attend.

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

This Agenda was issued on Tuesday 17 March 2015.

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

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

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



INVESTORS IN PEOPLE

# **Audit Committee Membership**

The following members are requested to attend the meeting:

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

John Calvert  
John Dyke  
Tony Lock

Roy Mills  
Terry Mounter  
David Norris

John Richardson  
Colin Winder

## **South Somerset District Council – Council Plan**

**Our focuses are:** (all equal)

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

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

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

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## **Information for the Public**

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

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

The terms of reference of the Audit Committee are:

### **Internal Audit Activity**

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

### **External Audit Activity**

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

### **Regulatory Framework**

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

## **Financial Management and Accounts**

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

## **Overall Governance**

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

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

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

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

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

# **Audit Committee**

**Wednesday 25 March 2015**

## **Agenda**

### *Preliminary Items*

**1. Minutes**

To approve as a correct record the minutes of the previous meeting held on 26th February 2015.

**2. Apologies for absence**

**3. Declarations of Interest**

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

**4. Public question time**

**5. Date of the next Audit Committee meeting**

The next scheduled meeting of the Audit Committee will be held on Thursday 23<sup>rd</sup> April 2015 in the Coker Room Brympton Way.

### *Items for Discussion*

**6. External Audit Plan for 2015/16 (Pages 1 - 15)**

**7. Internal Audit Charter Annual Review (Pages 16 - 19)**

**8. 2015/16 SWAP Internal Audit Plan (Pages 20 - 22)**

**9. Health, Safety and Welfare - Annual Report (Pages 23 - 26)**

**10. Audit Committee Forward Plan (Pages 27 - 28)**

**11. Exclusion of Press and Public (Page 29)**

**12. Risk Management Update (Confidential Item) (Pages 30 - 40)**

# Agenda Item 6

## **External Audit Plan for 2015/16**

*Portfolio Holder*            *Cllr Tim Carroll*  
*Director:*                    Donna Parham, Assistant Director – Finance and  
   Corporate Services  
*Lead Officer:*                *Donna Parham*  
*Contact Details:*            *Donna.parham@southsomerset.gov.uk* or (01935,  
   462225

### **Purpose of the report**

This report introduces the Audit Plan for 2015/16.

### **Recommendations**

The Audit Committee is asked to:

- (1) Note the Audit Plan for 2015/16.

### **Introduction**

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

“To consider and note the annual external Audit Plan and fees”.

### **The Audit Plan**

The Plan shows the challenges and opportunities the Council faces and the response to those from our external auditors. It shows that the audit will focus on risks and the assessment of those risks and testing that will be carried out by the auditors. It also updates the committee on work carried out to date.

### **Financial Implications**

A budget of £81,650 is allocated in 2015/16 to fund this work. The estimated fees outlined by Grant Thornton are £79,691 including grant certification. The budget will not be sufficient if there is further work required for instance additional testing on benefit claims.

### **Background Papers**

None

# The Audit Plan for South Somerset District Council

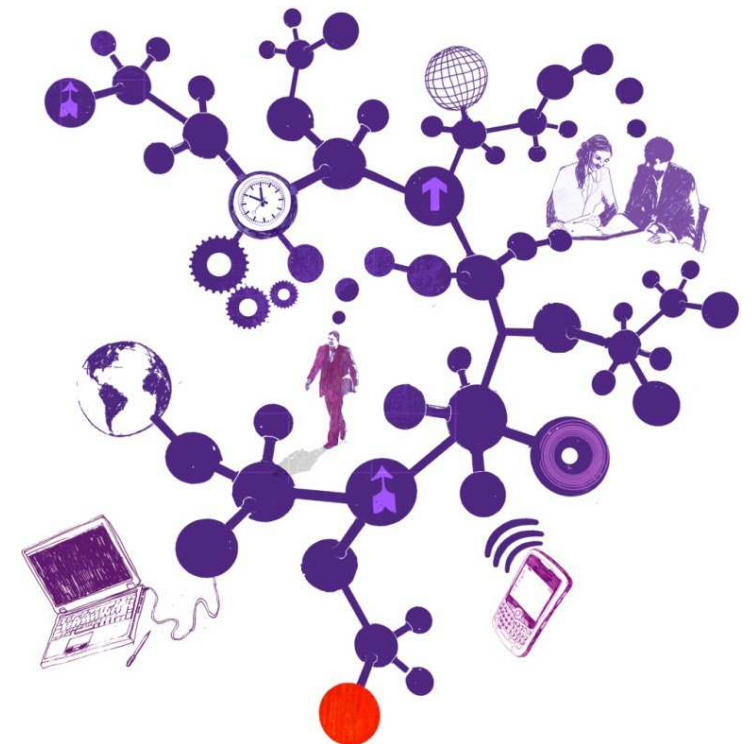
This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2015

4 February 2015

**Elizabeth Cave**  
Director  
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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2. Our audit approach
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9. Communication of audit matters with those charged with governance

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# 1. Understanding your business and the audit

In planning our audit we consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

## Developments and other requirements

### 1. Financial Pressures

- Based on income and expenditure in the first nine months of 2014/15 the Council estimated an underspend of £0.88m.
- The Council faces further significant reductions in Government revenue support grant (£1.1m in 2015/16).
- The Council has updated its medium term financial plan and has balanced the budget for 2015/16
- There is a budget shortfall in 2016/17 of £1.5m.

### 2. Financial reporting

- Changes to the CIPFA Code of Practice
- Changes to the recognition of school land and buildings on local authority balance sheets
- Adoption of new group accounting standards (IFRS 10,11 and 12)

### 3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

### 4. Previous year's recommendations

There were recommendations arising from the audit of 2013/14 including:

- Council Tax collection rates
- revised estimates
- reconciliation of payroll control accounts
- review of IT security policy

### 5. Other requirements

- The Council is required to submit a Whole of Government accounts pack which we review
- The Council completes grant claims and returns on which audit certification is required

## Our response

- We will continue to monitor progress against the Medium Term Financial Plan and review progress in achieving the savings plans.
- We will continue to review the arrangements for securing future economies to inform our Value for Money conclusion and ensure that a balanced budget will be achieved in future years.
- We will follow up recommendations from our Financial Resilience report and Annual Audit Letter from last year.

We will ensure that

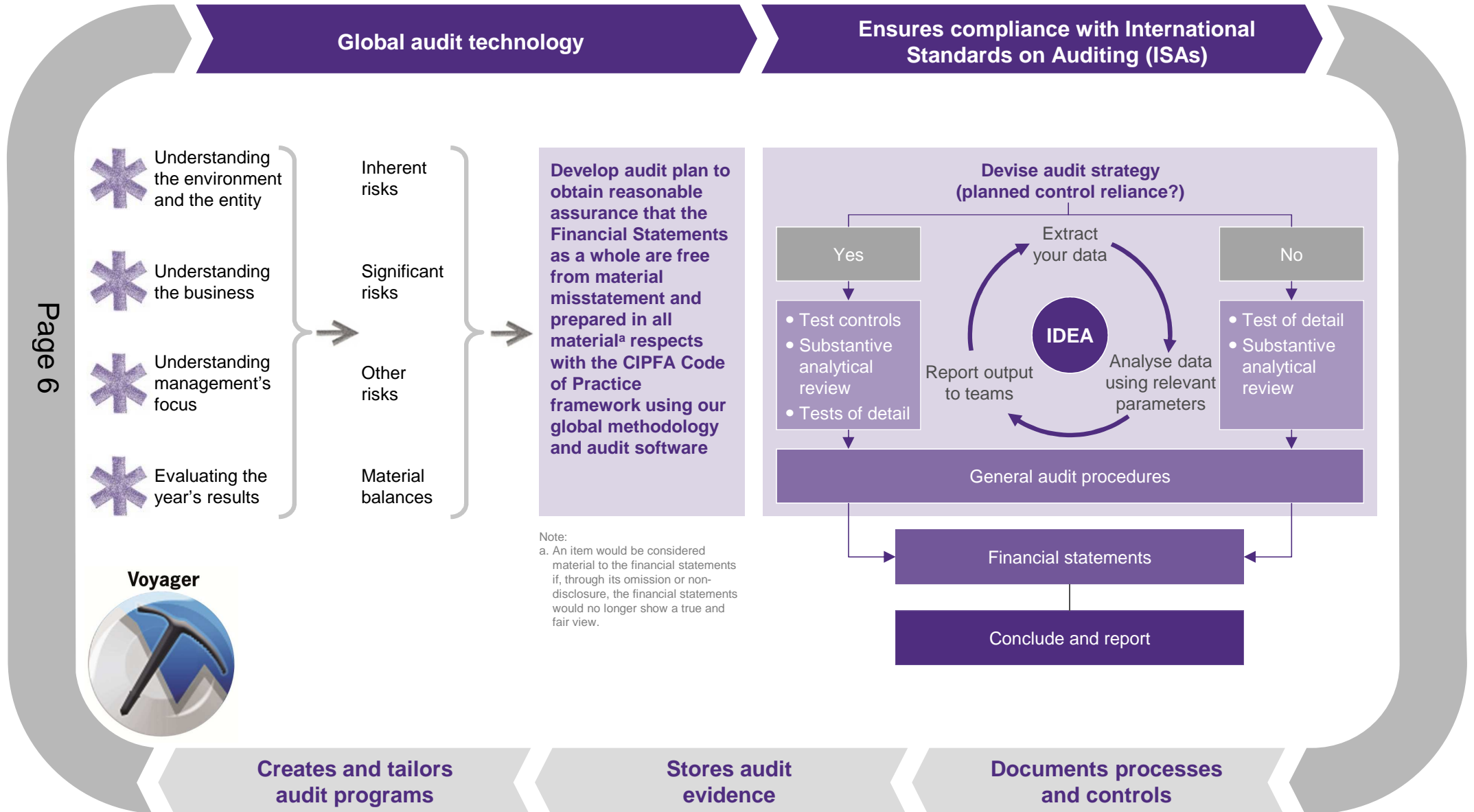
- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing
- the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will review the progress made by the Council in response to our audit recommendations.
- We will continue to discuss key issues in advance of the audit with the finance team.

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

## 2. Our audit approach



### 3. Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions  Page 7	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.  This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at South Somerset District Council , we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including South Somerset District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<b>Work planned:</b> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> </ul>

## 4. Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>Review and testing of creditors/liability balances of unusual and large amounts</li> <li>Review of unrecorded liabilities and after date payments to ensure all liabilities identified</li> </ul>
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>Analytical procedures over the payroll figures throughout the year to ensure that it is reasonable and complete</li> <li>Reconciliation of the payroll system figures to the general ledger figures</li> </ul>
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>Testing a sample of welfare expenditure to ensure that is accurate</li> </ul>
Transfer of Business Rates from Civica to Northgate	Towards the end of 2014/15 the Council is changing software systems for Business Rates.	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>Review the processes that the Council has in place to ensure that balances and account details have been accurately transferred and consider the impact on the financial statements</li> <li>Where appropriate, undertake testing of a sample of transactions</li> </ul>

## 5. Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
<b>Internal audit</b>	<p>We have considered Internal Audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key controls for the Treasury Management system. We have not identified any significant weaknesses impacting on our responsibilities. We will review the remainder of Internal Audit findings when it has completed its work.</p>	<p>Overall, we have concluded that the internal audit service continues to contribute to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>The Council has introduced quarterly reconciliations of the payroll control accounts in response to our recommendation from 2013/14.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

## 5. Results of interim audit work continued

	Work performed	Conclusion
<b>Review of information technology controls</b>	Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system, including the arrangements regarding the transfer of Business Rates from Civica to Northgate.	We will report our findings to the Audit Committee once our work is completed.
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>We will undertake detailed testing on journal transactions recorded for the first ten months of the financial year, by extracting 'unusual' entries for further review.</p>	We will report our findings to the Audit Committee once our work is completed.
<b>Early substantive testing</b>	We are undertaking early testing of a sample of creditor payments for the first 8 months of 2014/15.	Our work has not yet identified any weaknesses which impact on our audit approach. We do not have any issues to report.

## 6. Value for money

### Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
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 achieving cost reductions and by improving efficiency and productivity

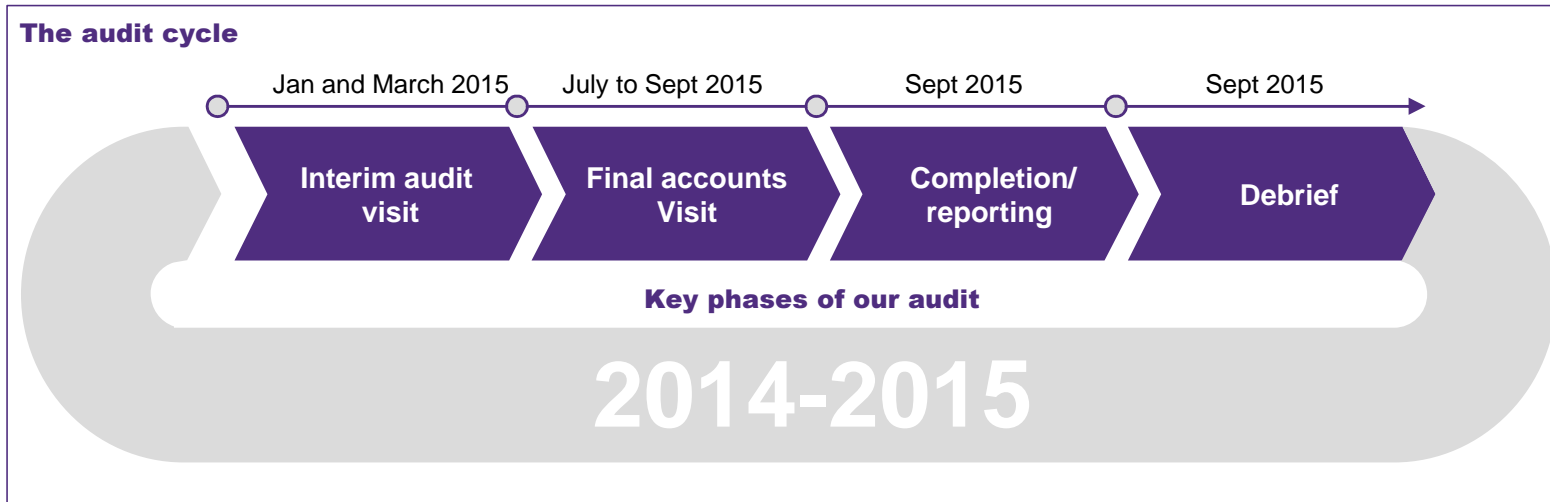
We will review the following areas to arrive at our conclusion:

- key indicators of financial performance
- strategic financial planning
- financial governance
- financial control
- delivery of savings against the 2014/15 budget
- the medium term financial plan (MTFP) and capital programme.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.



## 7. Key dates



Date	Activity
January 2015	Planning
January 2015 and March 2015	Interim site visits
25 March 2015	Presentation of audit plan to Audit Committee
July to September 2015	Year end fieldwork
September 2015	Audit findings clearance meeting with Assistant Director (Finance and Corporate Services)
24 September 2015	Report audit findings to the Audit Committee
By 30 September 2015	Sign financial statements opinion

## 8. Fees and independence

### Fees

	£
Council audit	65,701
Grant certification (indicative by Audit Commission)	13,990
<b>Total fees (excluding VAT)</b>	<b>79,691</b>

### Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

### Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

### Fees for other services

Service	Fees £
None	Nil

### Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

## 9. Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

### Respective responsibilities

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

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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# Agenda Item 7

## **Internal Audit Charter Annual Review**

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

### **Purpose of the Report**

It is a requirement that the Audit Committee approve the Internal Audit Charter annually.

This report has been prepared for the Audit Committee to review the Internal Audit Charter and approve any changes made.

### **Recommendation**

To agree to the Charter.

### **Background**

The Internal Audit Charter is reviewed each year by the Audit Committee to confirm it remains accurate and up to date. It was last reviewed by the Committee at its meeting on the 27th February 2014.

### **Financial Implications**

There are no financial implications associated with these recommendations.

### **Background Papers**

None

## Internal Audit Charter

### 1. Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within the Council - South Somerset DC, and to outline the scope of internal audit work.

### 2. Approval

The Internal Audit Charter is reviewed each year by the Audit Committee to confirm it remains accurate and up to date. It was last reviewed by the Committee at its meeting on the 27<sup>th</sup> February 2014.

### 3. Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting (represented by a Councillor from each of the 13 Partners). The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

### 4. Responsibilities of Management and of Internal Audit

#### Role of Internal Audit

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

#### **Management<sup>1</sup>**

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Audit Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

#### **Internal Audit<sup>2</sup>**

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).

<sup>1</sup> In this instance Management refers to the South Somerset DC Corporate Management Team

<sup>2</sup> The Standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Audit Committee in this instance represents the Board.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for South Somerset District Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

## **5. Relationship with the External Auditors/Other Regulatory Bodies**

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

## **6. Status of Internal Audit in the Organisation**

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive of SWAP and the Audit Manager also report to the Assistant Director – Finance and Corporate Services as Section 151 Officer, and reports to the Audit Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the SWAP Members Meeting.

## **7. Scope and authority of Internal Audit work**

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of South Somerset District Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraising the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assisting management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether South Somerset District Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the Council in support of the Council's anti-fraud and corruption policy.
- at the specific request of management, internal audit may provide consultancy services provided:

<sup>1</sup> In this instance Management refers to the South Somerset DC Corporate Management Team

<sup>2</sup> The Standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Audit Committee in this instance represents the Board.

- the internal auditors independence is not compromised
- the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
- the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
- management understand that the work being undertaken is not internal audit work.

## 8. Planning and Reporting

SWAP will submit to the Audit Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Head of Service. SWAP will report at least four times a year to the Audit Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the S151 Officer and the Monitoring Officer (Assistant Director – Legal and Corporate Services) as well as to other relevant line management.

The Chief Executive of SWAP will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within the Council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and the Audit Manager have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the Council's Chief Executive Officer or the External Audit Manager.

Revised August 2013 – Re-Approved February 2014.

<sup>1</sup> In this instance Management refers to the South Somerset DC Corporate Management Team

<sup>2</sup> The Standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Audit Committee in this instance represents the Board.



# Agenda Item 8

Audit Committee – 25<sup>th</sup> March 2015

## 2015/16 SWAP Internal Audit Plan

*Head of Service:* Gerry Cox, Chief Executive – SWAP  
*Lead Officer:* Andrew Ellins, Audit Manager  
*Contact Details:* [andrew.ellins@southwestaudit.co.uk](mailto:andrew.ellins@southwestaudit.co.uk)

### Purpose of the Report

This report has been prepared for the Audit Committee to provide them with details of the audits planned for the next financial year.

### Recommendation

To agree the Internal Audit Plan of 369 days for April 2015 to March 2016.

### Background

The Total number of audit days planned for 2015-16 is 369 days. A reduction of 50 days was made to the plan for 2014-15 as part of the Council's efficiency savings and the current level is considered the coverage required in order to be able to provide an overall assurance rating on the Council's internal control framework and governance.

As last year, this plan has been collated with a view to providing assurance to both officers and members of the current and imminent risks faced by the Authority in an ever changing risk environment. The plan is only indicative to facilitate the planning of audit resources. We anticipate that the plan will have to remain flexible to address new and emerging risks faced by the Council.

**Key Control Audits** - This process focuses primarily on key risks relating to the Council's major financial 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 them and included any requirements they have in providing them necessary assurance, in line with the International Auditing Standards, that they are required to audit against. There are 8 recognised key financial systems; Capital Accounting, Creditors, Debtors, Housing and Council Tax Benefits, Main Accounting, Council Tax & Non-Domestic Rates, Payroll, Treasury Management.

The Audit Committee will be aware from the quarterly update reports that in recent years the key control audits have continued to receive high levels of assurance and several received substantive assurance. As a result, using a risk based methodology all of the key controls do not need an annual review. For 2015-16 we plan to cover the following 6 areas in respect of the financial system key controls;

- New Payroll System
- Housing and Council Tax Benefit
- New NDR System
- Aged Debt Management
- Council Tax Collection
- Key Income Streams

**Governance, Fraud and Corruption Audits** – This process focuses primarily on key risks relating to cross cutting areas that are controlled and/or impact at a corporate rather than service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk or could be subject to fraud. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting these reviews at all our Client Sites. There are 8 reviews planned;

- Expenses and Reimbursement Fraud Prevention
- Lean Thinking Benefit Realisation
- Asset Register & Land Record Management
- Civil Contingencies / Disaster Recovery
- Contract Management compliance with PPR's
- Imprest Accounts
- Mobile and Remote Working – H&S
- Risk Strategy & TEN Risk Management

**IT Audits** – IT Reviews are completed to provide the Authority with assurance with regards to their compliance with industry best practice. SWAP has a specialist Computer Audit Manager who has liaised with the I.T. Manager to identify specific I.T. related risks. There will be 3 specialist reviews;

- ICT - Telephony
- ICT - Data Centre - Physical & Environmental Controls
- ICT - Mobile & Remote Working

**Operational Audits** - 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. There are 7 audits planned;

- Yeovil Innovation Centre
- Property Services
- Ninesprings Café
- Leisure Centres / Hub – Contract Compliance
- Environmental Health – Private Sector Housing
- Boden Mill and Chard Regeneration Scheme Statement of Accounts
- Yeovil Crematorium and Cemetery Annual Return

**Follow Up Audits** – Internal Audit follow up on all Audits being given a 'Partial or No Assurance' level to ensure that agreed actions to mitigate risks have been implemented. There are 2 Partial's to follow up to date with a contingency should there be a partial rating from the current audits not yet completed in 2014-15. A further review of Section 106 Discharge of Planning Requirements is also planned;

- Printing & Copying
- Streetscene Enforcement
- Contingency
- S106 DPO's Reassurance

**Advice and Meetings** - Internal Audit are risk experts and as well as undertaking planned audits are always glad to assist officers where they seek advice on managing their risks. Similarly, to enable effective governance Internal Audit work closely with the Audit Commission and with the Section 151 Officer and the Audit Committee through regular liaison meetings and progress reporting.

### **Financial Implications**

There are no financial implications associated with these recommendations.

**Background Papers:**      *None*

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# Agenda Item 9

## **Health, Safety & Welfare – Annual Report**

*Strategic Director:* Vega Sturgess, Operations & Customer Focus  
*Assistant Director:* Laurence Willis, Assistant Director Environment  
*Service Manager:* Pam Harvey, Civil Contingencies Manager  
*Lead Officer:* Pam Harvey, Civil Contingencies Manager  
*Contact Details:* Pam.harvey@southsomerset.gov.uk or (01935) 462303

### **Purpose of the Report**

In order to keep Members informed of health, safety and welfare issues relevant to South Somerset District Council activities and undertakings, an annual report is presented to the Audit Committee.

This report covers the period from March 2014 – February 2015.

The report contains an overview of health and safety matters and /or concerns, details of any new or impending Health & Safety legislation and comments on other health, safety or welfare matters that may have some impact on Council activities.

### **Recommendation**

(1) That Audit Committee member's note and comment on the report.

### **Report**

#### **Health & Safety Management**

Following the last report to Member's I am pleased to be able to report that there has been significant progress in a number of areas of health & safety management.

#### **Health & Safety Management System**

The TEN Health & Safety Management System is now regularly used by all services to enter and update risk assessments and to enter incident reports. There are now over 500 operational risk assessments spread across the Councils services, entered onto the system. There are also a significant number of COSHH assessments that have been entered onto the system. The Civil Contingencies Manager has a rolling programme of evaluation to ensure that the operational risk assessments are suitable for each activity.

#### **Fire Risk Assessments**

In order to properly conform to the Regulatory Reform (Fire Safety) 2005, all the Councils offices have been assessed as High, Medium or Low priority and a programme of inspections was completed during 2014. Each building has an action plan of remedial works that are required and this plan is being managed by Property services. Each Office now has a Fire Evacuation plan with all Fire Wardens trained and certificated for 3 years.

#### **Annual Health & Safety Inspection's**

All Council Offices have been inspected this year, and Property services have an action plan of works or modifications that are required.

## Shared Office Project

During 2014 there has been some joint work taking place with Somerset County Council in terms of Health, Safety & Welfare matters.

## Accidents Statistics

Period covered Mar 2014 – Feb 2015

Service	No of Reported Accidents	Days Lost	Comments
Streetscene	14	-	All minor accidents
Building Control	2	TBA	One minor accident and one major incident
Economic Development	4	-	All minor incidents
Community Health & leisure	1	-	Minor incident
Revenues & Benefits	4	TBA	All one person with a continuing problem*
Countryside	2	-	Minor accidents
Arts & Entertainment	2	-	Minor accidents
Property & Engineering	2	-	Minor accidents
Total	31		

## Incident Statistics

Period covered Feb 2013 - Feb 2014

The Civil Contingencies Manager will give a verbal update on the incident statistics at the meeting and details regarding the major accident that happened in November 2014.

## New Legislation relevant to SSSC

In April 2015 the Construction (Design and Management) Regulations (CDM) 2015 will come into force. This will mainly affect projects managed by Engineering & Property services and the changes are being discussed, the view is that the amendments to the regulations will have little effect on working practices.

## Health & Safety Training

Funds are made available for Health & Safety training. The Safety Advisor administers the budget and bids for training are put to the Safety Panel for approval. There have been no applications for Health & Safety training in 2014.

## Priorities for 2015

Re-launch the Health & Safety Panel: a verbal report on the changes will be given by the Civil Contingencies Manager at the meeting.

Continue to advise on Health & Safety matters in regard to the Shared Office arrangements

Review all Health & Safety policies

Manage the Health & Safety system

Annual Health & Safety Inspection of all Council Offices

Review Case Law and how that may affect Council operations

Carry out a full review of Ladder Safety to comply with regulations.

## Case law:

### **Health and Safety Executive v Carillon AM Government Ltd [2014] Ipswich Crown Court, November 7**

Statutory Reference: s.3 of the Health and Safety at Work, etc Act 1974 (HSWA).

#### The Facts

Carillon AM Government, a road maintenance company, has been fined after a motorcyclist suffered serious injuries when he collided with traffic signs.

- The company was responsible for placing a series of road signs warning of the closure of a junction on the A12 near Saxmudham.
- The roadworks ahead signs should have been placed at intervals of 800m, 400m and 200m ahead of the closure. In fact, the first indication was less than 200m before the road closure on the 50mph stretch of the road.
- Glyn Turner was driving his motorcycle south along the road when he collided with the traffic signs. He suffered multiple injuries and is now paralysed.

#### The Decision:

**Carillon was fined £180,000 plus £28,500 costs for a breach of s.3 of HSWA, for failing to ensure the health and safety of non-employees.**

A spokesperson for the Health and Safety Executive commented after the case that roadworks provide increased risk in what is already a very hazardous environment. Anyone doing work on our roads must take great care to warn road users in good time what to expect on the road ahead.

### **Health and Safety Executive v Bristol City Council (2014) Bristol Magistrates' Court, January 15**

Statutory Reference: regulations 9 and 29 of the Provision and Use of Work Equipment Regulations 1998 (PUWER).

#### The Facts

- In May 2012 a park keeper employed by the council was carrying out maintenance work in Netham Park, Bristol. She was driving a tractor with a trailer attached. She braked as the tractor descended a slope. The tractor skidded and she turned to avoid a fence. The tractor overturned and she was thrown from her seat, suffering a fractured pelvis and seriously damaged Achilles tendon.
- The tractor was not fitted with a seat belt or any restraint. The council had not provided adequate training on the vehicle's use.
- The vehicle was almost new. It had been acquired shortly before the incident, outside the normal procurement procedure. No supplier training had been provided.

The Decision:

**Bristol City Council was fined £20,000 plus £4700 costs for two breaches of PUWER.**

Regulation 9 of PUWER states, in summary, that every employer shall ensure that all persons who use work equipment have received adequate training.

Regulation 26 states that where there is a risk of anyone being carried by mobile work equipment being crushed by its rolling over, the employer shall ensure that it has a suitable restraining system.

**Health and Safety Executive v Cirencester Town Council (2014) Cheltenham Magistrates' Court, August 4**

Statutory Reference: s.2 of the Health and Safety at Work, etc Act 1974 (HSWA).

The Facts

Cirencester Town Council has been fined following an incident in which an employee suffered serious injuries when a mower overturned.

- A groundsman employed by the council was carrying out routine cutting on the outside slope of the Cirencester Amphitheatre. The grass was two feet high. This made it difficult to see the ground conditions. The mower overturned, striking the worker. He suffered four fractured ribs and bruising.
- The slope being mowed was 64 degrees. The mower was not suitable for slopes in excess of 25 degrees.
- The mower was unsuitable for the task in hand. The council had failed to carry out a suitable and sufficient risk assessment for the work. The injured employee had not received proper training, information or instructions on how to carry out the work.

The Decision:

**The Council was fined £12,000 plus £17,000 costs under s.2 of HSWA, for failing to ensure the health and safety of employees.**

Comment

A Health and Safety Executive inspector commented after the case that the worker could easily have been killed, having been put at unnecessary risk because there were several other ways the work could have been safely carried out. It was an entirely avoidable incident and it was hoped that it served to remind employers to take all site conditions into account, including slopes, before choosing equipment to cut slopes.

# Agenda Item 10

## **Audit Committee Forward Plan**

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

## **Purpose of the Report**

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

## **Recommendation**

Members are asked to:-

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

## **Audit Committee Forward Plan**

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

Items marked in italics are not yet confirmed.

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

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## **AUDIT COMMITTEE - FORWARD PLAN**

<b>Committee Date</b>	<b>Responsible Officer</b>
<i>April 2015</i> <ul style="list-style-type: none"><li>• <i>Annual Governance Statement Action Plan</i></li><li>• <i>Accounting policies for 2014/15 Accounts</i></li><li>• </li></ul>	<i>Donna Parham</i> <i>Amanda Card</i>
<i>May 2015</i> <ul style="list-style-type: none"><li>• <i>2014/15 Annual Governance Statement</i></li><li>• <i>Review of Internal Audit</i></li><li>• <i>Internal Audit Plan – Review</i></li></ul>	<i>Donna Parham</i> <i>Donna Parham</i> <i>Andrew Ellins</i>

# Agenda Item 11

## **Risk Management Update (Confidential Item)**

As this report is confidential, a full copy of this item is attached to the members' agenda.

### **Confidential - Exclusion of Press and Public**

By virtue of the Local Government Act 1972, Schedule 12A under paragraph:

- 3, information relating to the financial or business affairs of any particular person (including the authority holding that information).

Members are asked to pass a resolution to exclude the press and public during consideration of this item as the public interest in maintaining the exemption from the Access to Information Rules outweighs the public interest in disclosing the information.

# Agenda Item 12

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted