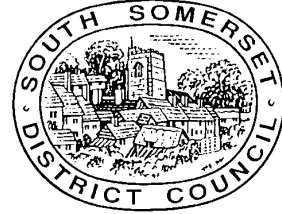


South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 23rd March 2017

10.00 am

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

(disabled access and a hearing loop are available at this meeting venue)



The following members are requested to attend the meeting:

Chairman: Derek Yeomans
Vice-chairman: Tony Lock

Jason Baker
Mike Beech
Mike Best

Carol Goodall
Val Keitch
Graham Middleton

David Norris
Colin Winder

If you would like any further information on the items to be discussed, please contact the Democratic Services Officer on 01935 462596 or democracy@southsomerset.gov.uk

This Agenda was issued on Wednesday 15 March 2017.

Ian Clarke, Assistant Director (Legal & Corporate Services)

This information is also available on our website
www.southsomerset.gov.uk and via the mod.gov app



INVESTORS IN PEOPLE

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 usually 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

Agendas and minutes can also be viewed via the mod.gov app (free) available for iPads and Android devices. Search for 'mod.gov' in the app store for your device and select 'South Somerset' from the list of publishers and then select the committees of interest. A wi-fi signal will be required for a very short time to download an agenda but once downloaded, documents will be viewable offline.

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.

Recording and photography at council meetings

Recording of council meetings is permitted, however anyone wishing to do so should let the Chairperson of the meeting know prior to the start of the meeting. The recording should be overt and clearly visible to anyone at the meeting, but non-disruptive. If someone is recording the meeting, the Chairman will make an announcement at the beginning of the meeting. If anyone making public representation does not wish to be recorded they must let the Chairperson know.

The full 'Policy on Audio/Visual Recording and Photography at Council Meetings' can be viewed online at:

<http://modgov.southsomerset.gov.uk/documents/s3327/Policy%20on%20the%20recording%20of%20council%20meetings.pdf>

Audit Committee

Thursday 23 March 2017

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meeting held on X.

2. Apologies for absence

3. Declarations of Interest

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), 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.

4. Public question time

5. Date of next meeting

Councillors are requested to note that the next Audit Committee meeting is scheduled to be held at 10.00am on Thursday 27th April in the Coker Room, Brympton Way, Yeovil.

Items for Discussion

6. 2017/18 SWAP Internal Audit Charter (Pages 5 - 9)

7. 2017/18 SWAP Internal Audit Plan (Pages 10 - 12)

8. Audit Committee Forward Plan (Pages 13 - 14)

Agenda Item 6

2017/18 SWAP Internal Audit Charter

Head of Service: Gerry Cox, Chief Executive - SWAP
Lead Officer: Moya Moore- Assistant Director
Contact Details: moya.moore@southwestaudit.co.uk

Purpose of the Report

To obtain endorsement from Members for the Internal Audit Charter and ensure that the Audit Committee is informed of the purpose of this Charter which is to set out the nature, role, responsibility, status and authority of internal auditing within South Somerset District Council, and to outline the scope of internal audit work.

Recommendation

That the Audit Committee approves the Internal Audit Charter.

Background

The Internal Audit service for SSDC is provided by South West Audit Partnership Ltd (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).

The internal audit service, provided by South West Audit Partnership Ltd (SWAP), works to a charter that defines its roles and responsibilities and the roles and responsibilities of the District Council's managers. Best Practice in corporate governance requires that the charter be reviewed and approved annually by the Audit Committee. The Charter was last reviewed by the Audit Committee at their meeting on 24 March 2016.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: None

Internal Audit Charter



Version	1.0
Date of last revision	March 2017
Date for next review	March 2018

Internal Audit Charter

Purpose

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

Approval

This Charter was last reviewed by the Audit and Governance on 24th March 2016.

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. 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 Assistant Director of Finance and Corporate Services in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

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.

Responsibilities of Management and of Internal Audit

Management¹

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 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

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

² In this instance Management refers to the Management Team

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); SWAP has been independently assessed and found to be in Conformance with the Standards.

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 Herefordshire 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.

Relationship with the External Auditors/Other Regulatory Bodies

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

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 SWAP Director also report to the Assistant Director of 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 Members Meeting.

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;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist 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:
 - 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.

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 Director. 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 Assistant Director of Finance and Corporate Services and 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 SWAP Director have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the Council's Chief Executive or the External Audit Manager.

Agenda Item 7

2017/18 SWAP Internal Audit Plan

Head of Service: Gerry Cox, Chief Executive - SWAP
Lead Officer: Moya Moore- Assistant Director
Contact Details: moya.moore@southwestaudit.co.uk

Purpose of the Report

As a key element of its Governance arrangements the Council has a partnership arrangement with South West Audit Partnership to deliver an annual internal audit plan. The Assistant Director for SWAP, together with the Council's S151 Officer have produced an Audit Plan for 2017/18 that requires the approval of the Audit Committee.

Recommendation

That the Audit Committee approves the Internal Audit Plan of 333 days for April 2017 to March 2018.

Background

The total number of audit days planned for 2017/18 is 333 days, which is unchanged from the prior year.

This plan has been prepared with a view to providing assurance to both Officers and Elected Members of the current and imminent risks faced by the Authority in an ever changing risk environment. If an emerging risk or a fraud investigation is deemed higher risk than the audits in this Audit Plan then changes may be required during the year. The Committee are approving the initial plan of 333 days. Any changes will be reported to Committee quarterly for approval.

To ensure that to the best of our ability we have covered the necessary risks, the Assistant Director and the Section 151 Officer have together, whilst also considering audits already undertaken in recent years, produced the plan detailed in Appendix A.

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 External Auditors and with the Section 151 Officer and the Audit Committee through regular liaison meetings and progress reporting.

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. A pot of 12 days has been allocated to follow up Partial assurance reviews completed in 2016/17.

IT Audits – IT Reviews are completed to provide the Authority with assurance with regards to their compliance with industry best practice. SWAP has specialist Computer Auditors who will liaised with the I.T. Manager to identify specific I.T. related risks. The exact scope of the audit has therefore yet to be determined however, a review of cyber security is anticipated as the likely focus.

Operational and Governance 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. Governance audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a corporate rather than service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk 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 other Client Sites.

Key Financial Controls Audits - This process focuses primarily on key risks relating to the Council's major financial systems. 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. The exact scope of these audits will be agreed with the S151 Officer prior to commencement, taking into account emerging and current issues.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: *None*

Audit	Days	Qtr	Note
Planning / Client Liaison	12	1-4	Audit Planning / S151 Liaison
Corporate Advice	5	1-4	Guidance and advice on best practice
Committee Reporting & Attendance	12	1-4	Audit & Governance Committees and Reports
External Audit	2	1-4	Liaison with Grant Thornton
Follow Up Audits (unallocated)	9	2	Review 2016/17 Partial Assurances
Follow up – Risk Management	3	2	Partial assurance received 2016/17
Key Controls	35	3-4	To review processes post Transformation in Finance - debtors/creditors/cash receipting/treasury management
Key Income Streams	20	4	Review Westlands Complex and Octagon income
Boden Mill & Chard Regeneration Scheme Statement of Accounts	2	1	
Yeovil Cemetery & Crematorium Annual Accounts	3	1	
Records Management	10	1	Paperless drive? - is the right information being retained?
Cyber security	25	1	
S106/ CIL	15	4	
Fraud Audit	15	2	To be agreed with Fraud and Data Manager, suggestion is Disabled Facilities Grants.
Fraud Audit	15	3	To be agreed with Fraud and Data Manager, suggestion is Business Rates Avoidance.
Organised Crime checklist	5	2	Corporate sub Group Suggestion
Accountability	20	4	Review accountability and responsibilities once support services have been transformed
LED contract compliance	15	3	Review contract and check compliance
Programme and Project Management	20	3	Highlighted in Healthy Organisation review - project to be reviewed to be decided later in the year
Risk Management Support	10	1	Risk Management follow up already programmed in but some support required
Procurement Review	25	3	Highlighted in Healthy Organisation review and significant projects being rolled out.
Business continuity key service test	15	4	
Housing Benefit Claims/subsidy	15	4	
Tourism	10	4	Review income collection
Licensing	15		

Agenda Item 8

Audit Committee Forward Plan

Assistant Director: Donna Parham, Finance and Corporate Services
Lead Officer: Becky Sanders, Democratic Services Officer
Contact Details: becky.sanders@southsomerset.gov.uk or 01935 462596

Purpose of the Report

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

Recommendation

Members are asked to comment upon and note the proposed Audit Committee Forward Plan as attached.

Audit Committee Forward Plan

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

Items marked in italics are not yet confirmed.

Background Papers: *None*

Audit Committee – Forward Plan

Committee Date	Item	Responsible Officer
27 Apr 17	<ul style="list-style-type: none"> • Statement of Accounting Policies for 2016/17 Accounts • External Audit – Audit Plan • Review of Internal Audit • E:Procurement – Verbal Update • Risk Management Update/Procurement Strategy Update – Verbal Update 	Karen Gubbins Donna Parham Donna Parham Gary Russ Gary Russ
25 May 17	<ul style="list-style-type: none"> • Debt Write Offs report • Health, Safety and Welfare (Annual Report) • Risk Registers for Transformation and Westlands Projects – Quarterly update • Annual Fraud Programme 	Donna Parham Pam Harvey TBC Lynda Creek
22 Jun 17	<ul style="list-style-type: none"> • Register of staff interests – annual review • Annual Treasury Management Activity Report 2015/16 – Needs to go on to Full Council • 2016/17 Annual Governance Statement • Review of Internal Audit 	Ian Clarke Karen Gubbins Donna Parham Donna Parham
27 Jul 17	<ul style="list-style-type: none"> • Approve Annual Statement of Accounts • Approve Summary of Accounts • External Audit - Annual Findings Report • External Audit – VFM Conclusion 	Karen Gubbins Karen Gubbins Donna Parham Donna Parham
24 Aug 17	<ul style="list-style-type: none"> • Treasury Management – First Quarter monitoring report • Internal Audit – First Quarter Update 	Karen Gubbins Moya Moore
28 Sep 17	<ul style="list-style-type: none"> • Treasury Management Practices 	Karen Gubbins
26 Oct 17	<ul style="list-style-type: none"> • Mid-year review of Treasury Strategy – Needs to go on to Full Council 	Karen Gubbins
23 Nov 17	<ul style="list-style-type: none"> • Treasury Management – Second Quarter monitoring report • Internal Audit – second Quarter update • Annual Audit Letter 	Karen Gubbins Moya Moore Donna Parham