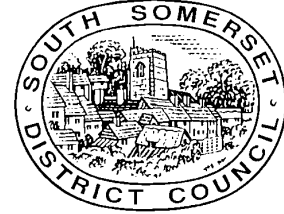


South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 22nd February 2018

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 Best
Carol Goodall

Anna Groskop
Val Keitch
Graham Middleton

David Norris
Colin Winder

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

This Agenda was issued on Wednesday 14 February 2018.

Alex Parmley, Chief Executive Officer

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 Section 151 Officer, 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 22 February 2018

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meeting held on 25 January 2018.

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 22 March 2018 in the Main Committee Room, Brympton Way, Yeovil.

Items for Discussion

6. External Audit Plan for 2017/18 (Pages 5 - 21)

7. Quarter 3 Internal Audit Plan 2017/18 Progress Report (Pages 22 - 34)

8. Update on Progress Towards Meeting the General Data Protection Regulation (GDPR) and Data Protection Matters (Pages 35 - 39)

9. Audit Committee Forward Plan (Page 40)

Agenda Item 6

External Audit Plan for 2017/18

Director: Netta Meadows, Strategy and Commissioning
Lead Officer: Karen Gubbins, Finance Specialist
Contact Details: karen.gubbins@southsomerset.gov.uk or (01935) 462456

Purpose of the report

This report introduces the Audit Plan for 2017/18.

Recommendations

The Audit Committee is asked to:

- (1) Note the Audit Plan for 2017/18.

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 £61,650 is allocated in 2017/18 to fund this work. The estimated fees outlined by Grant Thornton are £59,174 including grant certification.

Background Papers

None

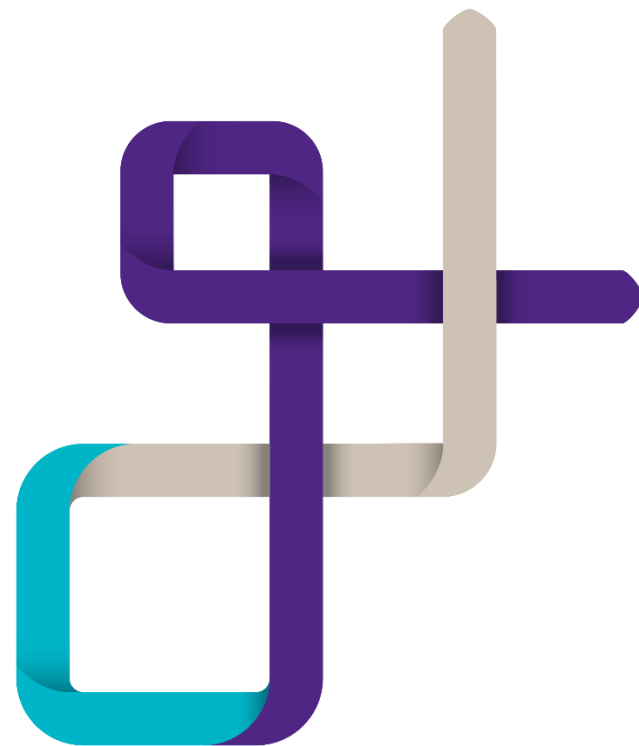
External Audit Plan

Year ending 31 March 2018

South Somerset District Council

22 February 2018

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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 planning 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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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of South Somerset District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of South Somerset District Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. 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 audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks	<p>Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none">• Management over-ride of controls• Valuation of property, plant and equipment• Valuation of pension fund net liability <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
Materiality	<p>We have determined planning materiality to be £1.695m (PY £1.621m), which equates to 2% of your prior period gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £83k (PY £81k).</p>
Value for Money arrangements	<p>Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risk:</p> <ul style="list-style-type: none">• Transformation Programme – Arrangements are not sufficiently robust to deliver the overall Transformation Programme, safeguard the Council's investment and realise the financial savings
Audit logistics	<p>Our interim visit will take place in February and our final visit will take place in June. Our key deliverables are this Audit Plan and our Audit Findings Report.</p> <p>Our fee for the audit will be no less than £49,276 (PY: £49,276) for the Council.</p>
Independence	<p>We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements</p>

Deep business understanding

Changes to service delivery		Changes to financial reporting requirements		Key challenges	
<p>Commercialisation</p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version was published in December 2017.</p>	<p>Local Government Finance</p> <p>CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management</p> <p>The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies.</p>	<p>Accounts and Audit Regulations 2015 (the Regulations)</p> <p>The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditor's opinion by 31 July 2018.</p>	<p>Forthcoming provisions for IFRS 9 and IFRS 15</p> <p>CIPFA/LASAAC has issued a companion publication 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'.</p> <p>This sets out the changes to the 2018/19 Code in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes</p>	<p>Financial pressures</p> <p>At the end of quarter 3, for 2017/18, the Council are forecasting a net underspend of £170k at year end, against the budget position, and is in line to achieve savings of £734k in line with the plan. The latest MTFP shows that the Council are forecasting surplus position in 2018/19 with a cumulative gap of £2.3m for the period to 2022/23.</p> <p>The 2018/19 budget shows unavoidable pressures of £300,000 of which £152,000 is considered to be unknown until the final budget is set. These gaps are expected to be met through savings of approximately £1.3m of which £1.2m is from the transformation programme.</p>	<p>Transformation Programme</p> <p>The Council has embarked on an ambitious transformation programme to restructure the way the Council delivers its services going forward.</p> <p>2017/18 represents the second year of the programme and the first year in which savings can and have been recognised.</p> <p>The Council have completed the phase 1 review which will be implemented from January 2018, are now looking to commence phases 2 and 3 for which the main issues are around retention of staff and the IT process and redesign, required to provide the new service model.</p> <p>The Council will need to maintain the processes in place to ensure there is no slippage in the programme and subsequently an increase in costs.</p>
		<p>Changes to the CIPFA 2017/18 Accounting Code</p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.</p>			

Our response

- We will consider your arrangements for managing and reporting the transformation programme as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable 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.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including South Somerset District Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for South Somerset District Council.</p>	<p>We have rebutted this cycle as a significant risk and will undertake testing as part of the audit</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	<p>The Council revalues its larger assets on an annual basis and the remaining assets on a rolling basis over a five year period to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work Consideration of the competence, expertise and objectivity of any management experts used. Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions. Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	<p>Payroll expenditure is 18% of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions, there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • Obtain year-end payroll reconciliation and ensure amounts reconcile to the accounts and payroll ledger reports. • Agree payroll related accruals (e.g. unpaid leave accrual) to supporting documents and review estimates for reasonableness.
Operating expenses	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenses as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • Document the accruals process and review controls management have put in place. • Review non-pay payments made post year-end to ensure they have been charged to the appropriate year.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £1.695m (PY £1.621m), which equates to 2% of your prior year gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

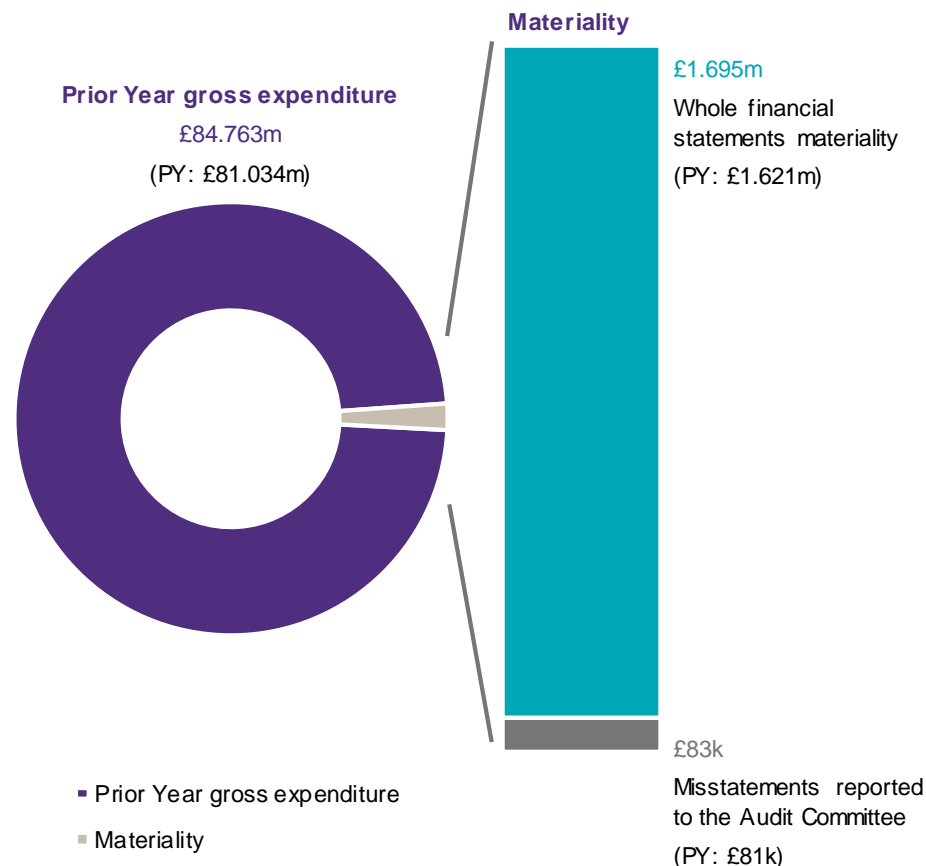
ISA 260 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users. We have identified disclosures of senior officer remuneration and have determined applicable materiality to be £20,000

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £83k (PY £81k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

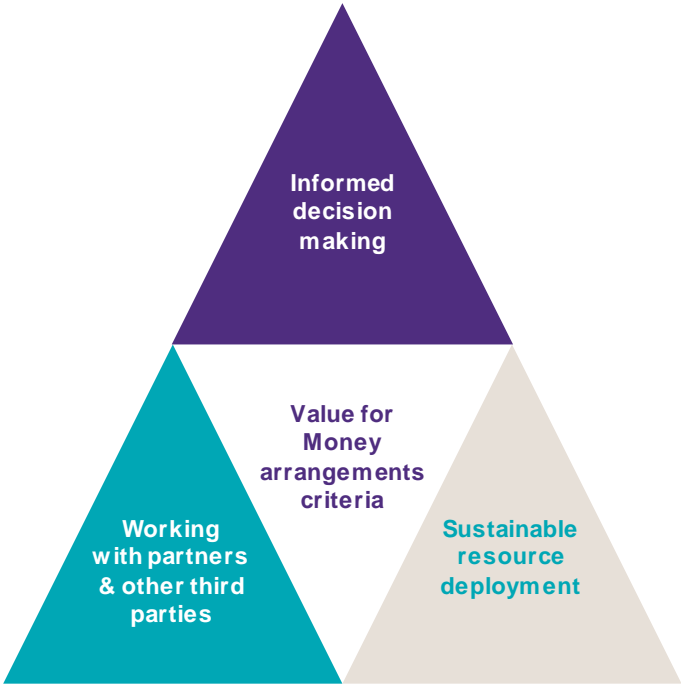
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below :

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Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Transformation Programme

The Council is in the process of implementing an ambitious programme to redesign the organisation and methods of service delivery to deliver more customer focussed, lean, efficient services and release recurring significant savings in future years.

In order to deliver this transformation, the Council will need to make an upfront investment of some £7.5m to cover the cost of restructuring, including £4.5m of redundancy costs, as well as the cost of new IT infrastructure.

The successful delivery of this programme represents a significant risk to the Council in terms of:

- Effective decision making at the appropriate level
- Robust governance over those decisions with transparency and clarity for elected members
- Strong management of the various phases of the programme to ensure that actions are completed in line with the timescales set out within the project plan
- Close monitoring of the costs to deliver the programme and the actual delivery of expected savings against the initial Business Case to ensure that the overall financial benefits are realised
- Review of service delivery standards during and post transformation to ensure that service levels remain within expected tolerances and that improved services are realised at the end of the transformation programme

We will review the project management arrangements in place at the Council to assess how it is addressing the risks outlined above and any mitigating actions it may need to take to deliver the planned outcomes.

Audit logistics, team & audit fees



Barrie Morris, Engagement Lead

Responsible for overall quality control; accounts opinions; final authorisation of reports; attendance at Audit Committee.



David Johnson, Audit Manager

Responsible for overall management of the audit; consideration of VFM work: quality assurance of audit work and outputs.



Beth Garner, Audit Incharge

Responsible for management of audit fieldwork, including accounts; coordination of work completed by audit assistants; coordination of work of specialists and advisors where delegated by the Manager.

Audit fees

The planned audit fees are no less than £49,276 (PY: £49,276) for the financial statements audit. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike.

South Somerset District Council has presented the draft statements for audit by the beginning of June for the last two years, enabling us to sign off against the accounts by the 31 July, well before the statutory deadline. We therefore believe that both the Council and ourselves are already well placed to meet the new requirements under the regulations

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. We have built upon our experience over the last two years and have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audit run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that we will be able to complete your audit and those of our other local government clients in sufficient time to meet the 31 July deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11).

Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

The following non-audit services were identified

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	9,898	Self-Interest (as this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £9,898 in comparison to the total fee for the audit of £49,276 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
None	nil	N/A	N/A

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Revised ISAs

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Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



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Agenda Item 7

Quarter 3 Internal Audit Plan 2017/18 Progress Report

Head of Service: Gerry Cox, Chief Executive - SWAP
Lead Officers: Ian Baker, Director of Quality / Laura Wicks, Senior Auditor
Contact Details: ian.baker@southwestaudit.co.uk /
laura.wicks@southwestaudit.co.uk

Purpose of the Report

This report provides an update on the progress made on the 2017/18 Internal Audit plan (Quarter 3 ending 31 January 2018).

Recommendation

To note the progress made.

Background

The Audit Committee agreed the 2017/18 Internal Audit Plan at its March 2017 meeting. This report is to inform the Audit Committee of progress against the Audit plans for 2017/18.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: None

South Somerset District Council

Report of Internal Audit Activity

Plan Progress 2017/18 up to 31 January 2018

Page 23

Contents

The contacts at SWAP in connection with this report are:

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Internal Audit Plan Progress 2017/18

Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for the South Somerset District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter which was approved by the Audit Committee at its meeting on 22 June 2017.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- IT Audits
- Grants
- Other Special or Unplanned Reviews

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Leadership Team and External Auditors. This year's Audit Plan was reported to this Committee and approved at its meeting in March 2017.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2017/18

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 2017/18. I am pleased to report with the finalising of the Healthy Organisation report that the 2016/17 plan is completed.

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 in Appendix A.

In the period Quarter 3 to 31 January 2018 the following audits have been completed from the 2017/18 Audit Plan:

- Cyber Security
- Grant Funding Fraud Audit
- Creditors
- Payroll
- Cash Receipting

The following Audits are in progress at the time of writing this report and a verbal update will be provided to the Committee on these:

2017/18 Audit Plan

- Organised Crime checklist – In progress
- Housing Benefit Claim/Subsidy – In Progress
- Elections – In Progress
- Transformation Support Q3 & Q4 – In Progress – to focus on: Governance of Service Redesign, Financial Services Processes Redesign, General Data Protection Regulations (GDPR) and Business as Usual.

Internal Audit Plan Progress 2017/18

Outturn to Date: continued.....

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' are reported; there are no Partial Opinion reports this time. However, whilst a Reasonable assurance opinion was offered on the Cyber Security report, a significant risk was highlighted therein: Lack of strategy and engagement with stakeholders to outline the security of the organisation's digital infrastructure, cyber attacks occur, data is lost, impacting on the stability of the organisation and its reputation. The weaknesses found in this report are outlined with Appendix C.

Internal Audit Plan Progress 2017/18

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”.

The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

During Quarter 3 to 31 January 2018, we have sought to add value as follows to the 2017/18 audit plan:

- In revisiting the 2017/18 audit plan and through the provision of support during the Transformation Project, it was agreed in a meeting with the Section 151 Officer and Strategic Transformation Lead to focus on the areas deemed of highest risk: Governance of Service Redesign, Financial Services Processes Redesign, General Data Protection Regulations (GDPR) and Business as Usual (concentrating on the management of impacts to services through Transformation).
- We have developed a GDPR ‘Self-Assessment’ template for the Authority to utilise in determining its readiness to comply with the new legislation, which is based on a work programme used at other SWAP Partners. The programme takes a ‘gap analysis’ approach and should serve to highlight the areas where the Authority needs to focus its efforts in order to achieve compliance. This ‘Self-Assessment’ was also supported by benchmarking data obtained from our Partners to provide a frame of reference of progress towards compliance.
- We have completed a number of reviews to provide assurance on potential risk areas for fraud.
- The Elections audit will be undertaken on a joint basis with East Devon District Council in order to share best practice.

Internal Audit Plan Progress 2017/18

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



Approved Changes to the Audit Plan

The following changes have been made to the audit plan in Quarter 3 to 31 January 2018 to ensure internal audit resources are focused on the key risks faced by the Council. All changes are made in agreement with or at the request of the Section 151 Officer:

As stated above, it has been agreed to utilise the remaining annual plan days to provide support to the Transformation project. In order to facilitate this, we have kept some core audits in the plan for quarters 3 and 4 but removed others (See Appendix B). This will ensure that assurance is focused on the areas of greater risk to the organisation. The areas of focus, which are aligned to the areas of greater risk during the Transformation Programme, are outlined above. As this work is ongoing, a verbal update will be provided at the meeting of the Audit Committee on 22 February 2018.

In addition, following the findings from Grant Thornton's report on the Authority's Housing Benefit Subsidy, in agreement with the Section 151 Officer, we will still undertake a review albeit on a reduced scope as no significant issues were identified.

Due to the ongoing Transformation Programme and the recent finalisation of the Healthy Organisation 2016/17 programme of work, it has been proposed that the Risk Management Follow Up 2017/18 work is deferred for inclusion in the 2018/19 audit plan.

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 controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

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.

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




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.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major			1 = Minor	
						Recommendation				
						5	4	3	2	1
2017/18										
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Final	Non Opinion	0	0	0	0	0	0
Operational	Yeovil Cemetery & Crematorium Annual Accounts	1	Final	Non Opinion	1	0	0	1	0	0
Operational	Licensing	1	Final	Reasonable	3	0	0	3	0	0
Key Control	Treasury Management	3	Final	Substantial	0	0	0	0	0	0
Governance, Fraud & Corruption	Business Rates Fraud Audit	3	Final	Reasonable	2	0	0	2	0	0
ICT	Cyber security	1	Final	Reasonable	3	0	1	2	0	0
Follow Up	Risk Management Follow Up	2	Not Started		0	0	0	0	0	0
Governance, Fraud & Corruption	Grant Funding Fraud Audit	2	Final	Substantial	2	0	0	2	0	0
Governance, Fraud & Corruption	Organised Crime checklist	2	In Progress		0	0	0	0	0	0
Key Control	Creditors	3	Final	Reasonable	1	0	0	1	0	0
Key Control	Cash Receipting	3	Final	Reasonable	4	0	0	4	0	0
Key Control	Payroll	3	Final	Substantial	0	0	0	0	0	0
Operational	Transformational Support Q3 & Q4	3	In Progress		0	0	0	0	0	0
Operational	Housing Benefit Claims/Subsidy	4	In Progress		0	0	0	0	0	0

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major			1 = Minor	
						Recommendation				
						5	4	3	2	1
Operational	Elections	4	In Progress		0	0	0	0	0	0
Operational	Records Management 1718 - SSDC	1	Removed	-	0	0	0	0	0	0
Operational	Risk Management Support 1718 - SSDC	1	Removed	-	0	0	0	0	0	0
Operational	LED contract compliance 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Programme and Project Management 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Procurement Review 1718 - SSDC	3	Removed	-	0	0	0	0	0	0
Operational	Key Income Streams 1718 - SSDC	4	Removed	-	0	0	0	0	0	0
Operational	S106/ CIL 1718 - SSDC	4	Removed	-	0	0	0	0	0	0
Operational	Accountability 1718 - SSDC	4	Removed	-	0	0	0	0	0	0
Operational	Business Continuity Key Service Test 1718 - SSDC	4	Removed	-	0	0	0	0	0	0

Schedule of potential significant findings identified from Internal Audit work in the period Quarter 3 to 31 January 2018

No	Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action
36495	Cyber Security	The ICT Disaster Recovery Plan (DRP) currently does not differentiate between a cyber attack and any other form of ICT outage. The current ICT DR documentation is unsurprisingly focussed on getting the services up and running ASAP. There is not the required level root cause analysis in place prior to the reinstatement of ICT infrastructure and services.	Reinstating the infrastructure and services before performing appropriate Root Cause Analysis may give the malware associated with an initial failure more time to proliferate further throughout the infrastructure, and inappropriately process more data which in turn may lead to increased compromised customer personal information and subsequent financial and reputational damage for the Council.	It has been agreed that the Head of ICT will engage with the relevant parties and ensure that the Disaster Recovery Plan is rewritten to include root cause analysis to identify and quarantine the agents of Cyber Attacks at the earliest opportunity and prior to the reinstatement of infrastructure and services. Roles, responsibilities and contact references for this should be identified and included in this rewording.	The Disaster Recovery Plan will be updated to include how we will respond to a cyber attack to ensure infrastructure and data can be reinstated securely.	31 May 2018
36501	Cyber Security	The logs of network elements, such as: data circuits; routers; firewalls; SolarWinds; etc; are not being used to their fullest extent.	There is a risk that log information that may show early warning of an incident or cyber attack is not being identified and acted upon in a timely manner. This means that a successful cyber attack will be able to compromise more data and there may be greater financial and reputational losses for the Council.	I recommend that the Head of ICT ensures an appropriately skilled resource is allocated to perform tuning on all network metrics/output logs to identify and give increased visibility of cyber security triggers. Using these events and aggregation of these events where applicable, real time, automated controls and person targeted alerts should ensure that timely action is taken in response to the alerts.	Key infrastructure elements are already being monitored and alerts are generated, so we will look at extending this. We will consider each element on a case by case basis and tune the logs and alerts accordingly.	31 July 2018

Agenda Item 8

Update on Progress Towards Meeting the General Data Protection Regulation (GDPR) and Data Protection Matters

Director: Netta Meadows, Strategy and Commissioning
Lead Officer: Lynda Creek, Legal Specialist
Contact Details: Lynda.creek@southsomerset.gov.uk or 01935 462204

Purpose of the Report

1. To update members on
 - progress towards the Council meeting the General Data Protection Regulation (GDPR) requirements which comes into effect on 25th May 2018 and;
 - The Information Commissioner's requirement for councillors to be registered as individual data controllers and the implications of this decision in terms of the personal responsibility of members to meet the requirements in their dealings as Ward members.

Public Interest

2. The General Data Protection Regulation (GDPR) fundamentally changes the way organisations must handle personal data they obtain from individuals including an obligation to be more transparent about how such data will be used and with whom it might be shared. Under the Regulation, organisations must design their systems and processes to minimise the data collected and ensure it is protected from unlawful and authorised loss, damage, disclosure, alteration etc. The General Data Protection Regulation (GDPR) puts the individual 'data subject' at the centre of the process and gives more rights and powers to data subjects to control how their personal data is used.

Organisations have until 25th May 2018 to get their systems, processes and procedures aligned to meet these more exacting requirements. The Information Commissioner (ICO) is likely to use a 'light touch' on enforcement, in the period immediately after May 2018, although they will expect significant progress to have been made and for plans to be in place to put the full requirements in place within a reasonable timescale.

The financial penalties and other sanctions have been significantly enhanced so it is important that organisations take this issue seriously. There is also reputational risk where data is not handled with privacy issues in mind and the Council is committed to ensuring it protects the personal data of citizens.

Recommendations

3. That Audit Committee note the contents of the report.

Background

4. The Council needs to meet the key requirements for the General Data Protection Regulation (GDPR) by May 2018 and a plan is in place to meet them. Members asked at the last Audit Committee meeting for an update on progress towards General Data Protection Regulation (GDPR) compliance in February 2018.

A full update and report on the current position went to Senior Leadership Team on the 6th February 2018. The Senior Leadership Team are clear that requests for information, or action, as

part of the General Data Protection Regulation (GDPR) preparation should be treated as important and given appropriate priority. To this end a project work stream will be created as part of the Transformation programme, which will focus on the wider issues of how we effectively manage information and data, as well as the implementation of the General Data Protection Regulation. This work stream will form part of the governance structures within the Transformation programme and progress will be reported regularly as part of normal Transformation monitoring.

Report Detail

5. The Information Commissioner (ICO) published 12 steps to follow to meet the General Data Protection Regulation (GDPR) requirements and progress towards meeting these steps is set out below under the appropriate heading

Step 1 Awareness – ensuring the key decision makers are aware of the changes in data protection requirements and their implications.

As outlined above, SLT have been briefed and a verbal update on their response can be provided at the meeting as required.

With regards to step 1 specifically; as well as face to face awareness sessions at Team Meetings and at Full Council, we have acquired an e-learning module which allows awareness for staff and Members to be tailored to the different levels within the organisation so differing needs are recognized and knowledge is increased in manageable chunks. We are at the test stage for this system and will shortly be planning a rollout across the council.

Steps 2, 6, 7 and 8 Information Asset Review (IAR) – essentially this process involves auditing the types of information we hold, its source, the legal basis for holding it and with whom it is shared etc.

We have completed roughly half of these reviews, although some key areas are outstanding e.g. planning matters. Appointments have been made to progress these ones and so reviews will be completed before the General Data Protection Regulation (GDPR) starts.

We know from the review already completed that they sometimes throw up other work which needs to be resolved – especially around the legal basis for processing as some of the ‘gateways’ under the General Data Protection Regulation (GDPR) are not available to public authorities like South Somerset District Council. We are therefore noting in the Information Asset Register when consent has been used in the past and if it is still a valid gateway we will be ensuring it meets the new requirements.

All tasks identified during the Information Asset Review are added to the work plan and the exercise has been very useful in identifying gaps in compliance as well as assurance where information systems meet the General Data Protection Regulation (GDPR) requirements.

Step 3 Communicating privacy information – this is the information that we are required to give to the individual ‘data subject’ when we obtain any personal information from them or from any third parties. The requirements are more extensive and stringent under General Data Protection Regulation (GDPR).

Some ad hoc work has been completed with teams as part of the Information Asset Review however it is hoped that a significant part of this requirement can be addressed through the Civica Workflow 360 system and we will work with the Build Team as part of Transformation to achieve this result. The key aim is to standardise as many aspects of the Privacy Notice as possible and

then work to ensure we deal, efficiently, with the parts that need to be tailored to the particular requirements, through the new agile framework.

Steps 4 and 5 Individuals' rights – including Subject Access Rights (essentially the right to have information about the personal data held about you and obtain a copy) - are greater in number and have more exacting requirements compared to the Data Protection Act 1988 (DPA). The General Data Protection Regulation (GDPR) includes a requirement to promote these rights.

We are awaiting guidance from either the Information Commissioner (ICO) or the Article 29 Working Party (29WP) - who advise the European Commission on such matters. Ideally these issues will be picked up by the Business Analysts (BAs), the Lead Specialist for IT and the Civica Build Team to see how the new technology can support and deal with these requests as part of Transformation. The timescales may not align so this needs to be kept under review but a simple booklet has been produced giving an overview of the changes and has been used in staff awareness session.

Step 9 Data breaches – new requirements and timescales around reporting breaches of the General Data Protection Regulation (GDPR) to both the Information Commissioner's Office (ICO) and Data Subject depending upon the significance of the breach and the contingent risks.

We have, currently, a good system for reporting breaches and then mitigating any possible damage flowing from it. The work will focus, therefore, on ensuring the time scales and additional requirements are met and that appropriate systems for detecting breaches, including raising staff and member awareness of what might constitute a breach, are in place.

Step 10 Data Protection by Design and Data Protection Impact Assessments (DPIAs). These are concepts/tools which have been around a number of years and were recommended as good practice but have now given a statutory footing.

The essence of the former is to ensure when building any 'system' that we implement organisational and technical measures which support the data protection principles such as collecting the minimum personal data needed; pseudonymising personal data wherever possible etc. The latter tool relates to a formal assessment of the impact of some planned new system/process to ensure that any privacy risks are identified and addressed.

We have been carrying out Data Protection Impact Assessments (DPIAs) for the past year and have taken account of the Information Commissioner's Code of Practice in doing so. Where they have been used they have proved a very useful tool in directing minds towards privacy issues. The key issue is that they are drawn up at an early stage before plans have been firmed up.

The key focus going forward will be on continuing to raise awareness of the value of Data Protection Impact Assessments (DPIAs) and where, under the General Data Protection Regulation (GDPR), they will become a statutory. The other tasks is ensuring that once drawn up the actions are implemented and signed off at the appropriate level

Step 11 Designation of the Data Protection Officer (DPO) which is a statutory role responsible for data protection compliance.

Netta Meadows, Director Strategy and Commissioning is considering the options for how we deliver this responsibility, as it does not necessarily need to be provided in-house in the form of a specific post. Other options exist including a shared role (with another Local Authority) or even "buying in" the service from an external organization.

Step 12 – International – special rules apply where personal data is transferred or processed outside of the European Economic Area (which includes the European Union countries plus Norway, Iceland and Liechtenstein).

During the Information Asset Review we are identifying where there may be any overseas transfers as sometimes use of particular websites will involve overseas storage of data, and in such cases the rules are engaged. This issue is not a major concern for South Somerset District Council.

Individual registration of Members

The Information Commissioner contacted the Council in November 2017 to advise that, in relation to the work undertaken by Councillors as Ward Members, it considered those Members should individually register as data controllers. This view was because, in these situations, the individual Councillor controls what personal data they collect from their ward constituents and how it is used and these rather than it being laid down by the Council as a body and this equates with the definition of a Data Controller.

Under the Data Protection Act 1998 (DPA), it is a criminal offence not to register with the Information Commissioner (ICO) if you are a Data Controller. In view of the Information Commissioner's contact (and that we are out of line with many other councils), it was decided that we should register each member with the Information Commissioner (ICO), to ensure their legality under the Data Protection Act 1998 (DPA) and the cost has been met from Council budgets.

It does mean, however, that individual Members are personally responsible for ensuring personal data, derived from their Ward matters is protected. Support in understanding and meeting these requirements can be offered to ensure members know their responsibilities and duties via the e-learning modules, mentioned above, and by face to face advice on request.

Financial Implications

6. None

Council Plan Implications

7. Compliance with the General Data Protection Regulation (GDPR) and other data protection requirements will help ensure the Council achieves its aim for 'high-quality and cost effective services', and will be an integral part of our focus on 'transforming customer services through technology'.

Carbon Emissions and Climate Change Implications

8. None

Equality and Diversity Implications

9. None

Privacy Impact Assessment

10 *None*

Background Papers

11

- Link to the General Data Protection Regulation <https://gdpr-info.eu/X>
 - Link to Data Protection Bill <https://publications.parliament.uk/pa/bills/cbill/2017-2019/0153/18153.pdf>
 - Link to the Information Commissioner's advice for Elected and Prospective Councillors <https://ico.org.uk/media/for-organisations/documents/1432067/advice-for-elected-and-prospective-councillors.pdf>.
-

Agenda Item 9

Audit Committee – Forward Plan

Committee Date	Item	Responsible Officer
22 Mar 18	<ul style="list-style-type: none"> Internal Audit Plan – approve 2018/19 plan Internal Audit – Charter 	Laura Wicks (SWAP) Laura Wicks (SWAP)
26 Apr 18	<ul style="list-style-type: none"> Statement of Accounting Policies for 2017/18 Accounts 2017/18 Annual Governance Statement Review of Internal Audit 	Karen Gubbins Paul Fitzgerald Paul Fitzgerald
24 May 18		
28 Jun 18	<ul style="list-style-type: none"> Register of staff interests – annual review Annual Treasury Management Activity Report 2017/18 – Needs to go on to Full Council Health, Safety and Welfare (Annual Report) Going Concern Assessment 	Angela Watson Karen Gubbins Pam Harvey Paul Fitzgerald
19 Jul 18	<ul style="list-style-type: none"> Approve Annual Statement of Accounts Approve Summary of Accounts External Audit – Audit Findings Report External Audit – VFM Conclusion Internal Audit Annual Opinion and the 2017/18 Quarter 4 update 	Karen Gubbins Karen Gubbins Paul Fitzgerald (GT) Paul Fitzgerald (GT) Laura Wicks
23 Aug 18	<ul style="list-style-type: none"> Internal Audit – First Quarter Update 	Laura Wicks
27 Sep 18	<ul style="list-style-type: none"> Treasury Management Practices 	Karen Gubbins
25 Oct 18	<ul style="list-style-type: none"> Mid-year review of Treasury Strategy – Needs to go on to Full Council 	Karen Gubbins
22 Nov 18	<ul style="list-style-type: none"> Treasury Management – half yearly monitoring Internal Audit – second Quarter update External Audit - Annual Audit Letter Annual Fraud Programme 	Karen Gubbins Laura Wicks (SWAP) Paul Fitzgerald (GT) Lynda Creek
20 Dec 18	<ul style="list-style-type: none"> Provisional date if required 	
24 Jan 19	<ul style="list-style-type: none"> Treasury Management Strategy Statement 19/20 – Needs to go on to Full Council 	Paul Fitzgerald
28 Feb 19	<ul style="list-style-type: none"> Internal Audit – third quarter update 	Laura Wicks (SWAP)
28 Mar 19	<ul style="list-style-type: none"> Internal Audit Plan – approve 2019/20 plan Internal Audit – Charter 	Laura Wicks (SWAP) Laura Wicks (SWAP)