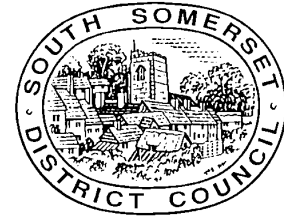


South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 23rd July 2015

10.00 am

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

(disabled access is available at this meeting venue)



The public and press are welcome to attend.

Members please note that there will be a short training session on the Statement of Accounts after the Audit Committee meeting.

If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Anne Herridge 01935 462570**,
E Mail: anne.herridge@southsomerset.gov.uk

This Agenda was issued on Wednesday 15 July 2015.

A handwritten signature in black ink, appearing to read 'Ian Clarke'.

Ian Clarke, Assistant Director (Legal & Corporate Services)

This information is also available on our website
www.southsomerset.gov.uk



INVESTORS IN PEOPLE

Audit Committee Membership

The following members are requested to attend the meeting:

Chairman: Derek Yeomans
Vice-chairman: Tony Lock

Jason Baker
Cathy Bakewell
Mike Beech

Mike Best
Val Keitch
Graham Middleton

David Norris
Colin Winder

South Somerset District Council – Council Plan

Our focuses are: (all equal)

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

Members Questions on Reports prior to the Meeting

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

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Information for the Public

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

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

The terms of reference of the Audit Committee are:

Internal Audit Activity

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

External Audit Activity

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

Regulatory Framework

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

Financial Management and Accounts

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

Overall Governance

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

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

Agendas and minutes of this committee are published on the Council's website at www.southsomerset.gov.uk

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

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

Audit Committee

Thursday 23 July 2015

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meeting held on 25th June 2015.

2. Apologies for absence

3. Declarations of Interest

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

4. Public question time

5. Assessment of Going Concern Status (Pages 6 - 9)

6. Exemptions from Procurement Procedure Rules (Pages 10 - 13)

7. Audit Committee Forward Plan (Pages 14 - 16)

8. Exclusion of Press and Public (Page 17)

9. Risk Management update - Confidential (Pages 18 - 26)

Agenda Item 5

Assessment of Going Concern Status

<i>Portfolio Holder</i>	<i>Cllr Peter Seib</i>
<i>Director:</i>	Donna Parham, Assistant Director – Finance and Corporate Services
<i>Lead Officer:</i>	<i>Donna Parham</i>
<i>Contact Details:</i>	<i>Donna.parham@southsomerset.gov.uk or (01935) 462225</i>

Purpose of the report

This report informs the Committee of the S151 Officer's (Assistant Director – Finance and Corporate Services) assessment of the Council as a "going concern" for the purposes of producing the Statement of Accounts for 2014/15.

Recommendation

That:

- (1) The Audit Committee is recommended to note the outcome of the assessment made of the Council's status as a "going concern" for the purposes of the draft Statement of Accounts for 2014/15.

Introduction

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

"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."

Assessment

The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

Where the 'going concern' concept is not the case, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.

Given the significant reduction in funding for local government in recent years and the potential threat this poses to the ongoing viability of one or more councils as a consequence, External Auditors are placing a greater emphasis on local authorities undertaking an

assessment of the 'going concern' basis on which they prepare their financial statements. In response this report sets out the position at Pendle.

As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2014/15 (hereafter referred to as the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

The main factors which underpin this assessment are:

- The Council's current financial position;
- The Council's projected financial position;
- The Council's Balance Sheet;
- The Council's cash flow;
- The Council's governance arrangements;
- The regulatory and control environment applicable to the Council as a local authority.

Each of the above is considered in more detail below.

The Council's Current Financial Position (Revenue)

An underspend for 2014/15 of £1.4 million was reported to District Executive in June 2015. This was due mainly from additional income generated. As at the 31st March 2015 the Council held revenue reserves of £10.75 million for specific purposes and £6.05 million of revenue balances with £4.4 million remaining uncommitted at the year end. A review of the risks to balances is carried out on a quarterly basis. At the year end the estimated requirement was to retain between £3.9 and £4.3 million to meet SSDC's key financial risks and therefore remain slightly higher than required for this purpose.

For 2015/16 the Council set a balanced budget which included £1.2 million of savings. As part of the medium-term financial strategy and plan, the Council has mainstreamed the use of New Homes Bonus but has capped the support for the General Fund at £3m per annum. The authority will seek to retain a two year forward plan to support the General Fund with New Homes Bonus before releasing any surplus for other uses. The 2015/16 budget does not utilise balances and reserves for on-going expenditure.

The Council's Projected Financial Position (Revenue)

Plans for the 2016/17 budget are now well underway with proposals being assessed for £1.2 million of the £1.7 million underway. The Authority is looking at other options for funding the remaining £0.5 million shortfall. There are risks that may affect the 2016/17 budget but the authority has sufficient reserves and balances currently to meet those risks.

In the medium to longer term the authority is reviewing its options to meet further savings requirements.

The Council's Current and Projected Financial Position (Capital)

Details of the capital outturn for 2014/15 were also reported to the Executive in June. The report highlighted that gross spend was £3.8 million compared to a revised budget of £4.3 million. The authority holds substantial capital receipts and is releasing these receipts as well as new receipts to finance capital expenditure while accounting for the revenue implications as part of the budgeting process.

The Council's Balance Sheet as at 31st March 2015

The financial overview included in the draft Statement of Accounts for 2014/15 includes reference to the Council's balance sheet as at 31st March 2015 and concludes that it is robust. Factors giving rise to this assessment include:

- Review of debts owed to the Council;
- An assessment of the Council's net worth;
- The adequacy of risk-assessed provisions for doubtful debts;
- The range of reserves set aside to help manage expenditure (reported under current revenue position);
- An adequate risk-assessed working balance to meet unforeseen expenditure (reported under current revenue position).

The authority's net assets amounted to £23.40 million and are significantly reduced by the inclusion of the pension scheme liability of £80.30 million. Contributions to the pension scheme have been increasing to meet this liability over the longer term. However in reality the current net worth is £52.72 million (Usable Capital Receipts £35.66 million, Capital Grants Unapplied £0.26 million, Earmarked Reserves £10.75 million and General Fund Balances £6.05 million).

The Council's Cash Flow

The Council maintains short and long term cash flow projections. The Council has no long term borrowing commitments. As at the 31st March 2015 the Council held £49.3 million in investments. Of this sum around 60% was held in highly liquid investments. Only £8 million was invested for longer than 364 days and no investments were made for longer than five years.

The Council's Governance Arrangements

The Annual Governance Statement has been reviewed taking into account external and internal audit reviews, Statements of Operational Internal Controls from each Manager and reviewed by the Council's S151 Officer. This includes, in Section 4 of the annual statement, a detailed review of the effectiveness of the Council's governance arrangements. Whilst it is not possible to provide absolute assurance the review process as outlined in the Annual Governance Statement does conclude that the existing arrangements remain fit for purposes and help provide reasonable assurance of their effectiveness.

The External Regulatory and Control Environment

As a principal local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role

undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies

Conclusions

It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that the Council remains a "going concern". This assessment will be undertaken annually in the course of preparing the Council's financial statements for each year.

Financial Implications

There are no direct financial implications arising from this report.

Background Papers

Outturn Report to District Executive

Agenda Item 6

Exemptions from Procurement Procedure Rules

Assistant Director: Donna Parham, Assistant Director (Finance and Corporate Services)
Service Manager; Gary Russ, Procurement and Risk Manager
Lead Officer: Gary Russ, Procurement and Risk Manager
Contact Details: gary.russ@southsomerset.gov.uk or (01935) 462076

Purpose of the Report

This report updates members of the Audit Committee on any requested exemptions from the Procurement Procedure Rules during the last financial year. Under the revised rules officers are required to advise the Procurement and Risk Manager of the use of any exemption from those rules. The new rules gave greater freedoms in terms of financial limits under which officers can place business. As per previous formats I have attempted to give a further summary on any procurement issues that may have required the awarding officers to seek clarification from me. I have only included commentary on the significant ones in this report but many other smaller items do get discussed in the course of day to day activities.

In accordance with the statements above I have continued to make the report reflect a more end of year type report on all things procurement wise rather than a limited view of exemptions requested, which as previously reported to committee. I do not, now see many of.

Recommendation

1. That members of the committee note the report.

A considerable amount of procurement advice was provided during the year.

The following is an extract from the current Procurement Procedure Rules. As can be seen from the above, officers are in the main seeking my advice and input into the procurement decisions they are making. This is a positive improvement – the rule is outlined below:

Officers claiming exemption from the rules under any clause under section 3 must ensure that they have obtained clarification and agreement from the Procurement and Risk Manager prior to proceeding. Failure to do so will be deemed to be a breach of these rules. The exemptions given will be evidenced to Audit committee and they will act as advisors in this regard and advise the Procurement Manager if any actions taken concern them.

- (a) The following exemptions may be given with the written approval of the Procurement and Risk Manager who will record each approval with reasons for it being granted: -
 - (i) Where a contract for the execution of works or the undertaking of services or the supply of goods involves highly specialised technical, scientific or artistic knowledge such that it is not possible to achieve competitive tenders;

(ii) Where the work to be executed or the goods or materials to be supplied consists of repairs to or the supply of parts for existing machinery or plant or are additions to an existing style or design which would involve the council in greater cost and additional work in trying to harmonise two differing systems, designs or solutions;

(iii) Where the purchases are of patented or proprietary items and any form of tendering would not be appropriate.

(iv) Where best value is more likely to be achieved by approaching one contractor or consultant.

Report

As per previous reports on this subject I have remained with the style and content on reporting exemptions to aide understanding and consistency going forward. Outlined below is an overview of procurement activity as well as any exemptions that officers have used under the Procurement Procedure Rules. I have listed any exemptions, advice on procurement processes, and procurements where officers needed clarification on procedure and direction.

Major: - Exemption request or clarification sought.

Members of the committee will be aware that not only is procurement at the council covered by our own Procurement Procedure rules but other external regulations affect the way we do business with commercial partners.

The latest Procurement Regulations set out that for the following it is not necessary to issue an OJEU notice and contracts can proceed without the need for open advert:

Regulation 72. (1)

b) For additional services or supplies that have become necessary and were not included in the original procurement where a change of contractor can't be made because:

i) Economic or technical reasons such as requirements for interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement or

ii) Would cause significantly inconvenience or substantial duplication of costs for the contracting authority;

Provided the increase in price does not exceed 50% of the value of the existing contract

A request was made by the manager in Revenues and Benefits to renew the maintenance and support contract for the Northgate software applications we currently run with in that service. As we have only just completed a migration to a later form of the software to enable us to comply with new regulations it would have been costly and time consuming to have considered a change of supplier.

I therefore researched ways in which the manager would be safe to proceed in signing up to a longer term support agreement under the existing rules and concluded that regulation 72 gives an adequate assurance that he can proceed without running a full EU Procurement process.

Other procurement exemptions/guidance given:-

- Worked with the Environmental Protection services to secure funding for land reclamation works at Langport. This necessitated working with the Environment agencies approved list of contractors to secure details of technical submissions for the works. It's taken many months of detailed negotiation with contractors, bidders and landowners to get this far. It has proven very difficult to get any of the EA list of approved bidders interested in the works with only one bidder showing any interest in the project so far.
- Assisted the planning department in sourcing and selecting a wide screen plotter scanner to replace an old and deteriorating OCE Cannon machine. As SSDC already had a single source agreement in place we asked Ricoh to quote for a replacement machine. This was in accordance with our PPR; however it was a single supply so mentioned here. It does show the benefit of large volume procurement over small placements with single suppliers as we are able to secure the correct equipment at considerable financial savings compared to the Cannon equivalent machine.
- Using Queensbury Shelters, although not a high spend (circa £6K) the officer requested dispensation to use only one company. This was given on the basis that current shelters already existed within the district from this supplier and any change could have made the look and feel of street furniture look odd and out of place.
- CASH FOR YOUR COMMUNITY – SOUTH SOMERSET DISTRICT COUNCIL
Although not strictly a procurement as such we were approached by the local paper (Western Gazette) to sponsor a competition for local community groups to bid for ? cash prizes forming an assistance package in affect for community groups. In return for sponsorship, SSDC was awarded a significant amount of FOC advertising space.

Current Projects.

- Assisting Sports, Arts and Leisure in the disposal of the community bus that is currently on lease to Yarlinton Housing association.
- Running an EU tender for Careline monitoring services
- Assisting with Tender for Electrical contractors for SSDC property estate.
- Print room lease extension on current printing equipment to allow time for a service review.
- Working with Innovation centre on new faster Internet connectivity.
- Numerous ICT projects and applications

In Summary

These are a summary of the more significant issues I have seen over the previous 12 months, many other lower scale financial examples exist, however I have tried here to appraise members of the shape, size and type of exemption opportunities officers are presenting to me for clarification on.

In accord with members wishes SSDC procurement actively seeks out opportunities to collaborate with others to save money, effort and time and to gain from others experiences.

Further we will be tendering for a whole range of services over the next year and accessing existing frameworks to facilitate better pricing and a wider pool of suppliers, examples are Careline provision, Central print and mail contract, printer and copier supply, plus vehicle purchase and leasing.

I believe the changes we have made to the Procurement Procedure Rules continue to be effective and officers are now more able to act with freedom and responsibility and manage the business as they see fit whilst maintaining a high degree of transparency in day to day

purchasing activity. However, I will be carrying out some further awareness training this year to ensure officers continue to seek my involvement in the process.

Further to this the current European Procurement rules were updated in February of this year and whilst it is true some aspects of the rules were changes, these were in the main minor tweaks to the existing 2006 regulations. However central government took the opportunity to introduce a number of enhancements to the Transparency agenda and the aspects of the “Lord Young” report on engaging with SME and local suppliers more.

One key change the EU brought in was the requirement for all Procurement to be online or Electronic within 2 years of the new regulations coming into effect. To accommodate this, the council will need to make a small investment in online procurement tools and train key staff in the use of the application.

Background Papers:Procurement Procedure Rules

Agenda Item 7

Audit Committee Forward Plan

Assistant Director: Donna Parham, Assistant Director Finance and Corporate Services

Lead Officer: Anne Herridge, Democratic Services Officer

Contact Details: anne.herridge@southsomerset.gov.uk or (01935) 462570

Purpose of the Report

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

Recommendation

Members are asked to:-

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

Audit Committee Forward Plan

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

Items marked in italics are not yet confirmed.

Background Papers: *None*

AUDIT COMMITTEE - FORWARD PLAN 2015/16

Committee Date	Responsible Officer
<p>27 August 2015</p> <ul style="list-style-type: none"> • Treasury Management – First quarter monitoring report • Internal Audit – First quarter update • Annual Governance Statement Action Plan • Update report and Certification Work Plan • Debt Write Offs Report • Register of staff interests – Annual Review 	<p>Karen Gubbins</p> <p>Jo George Donna Parham Donna Parham Amanda Card Ian Clarke</p>
<p>30 September 2015 (NEW DATE)</p> <ul style="list-style-type: none"> • Treasury Management Practices • Approve Annual Statement of Accounts • Approve Summary of Accounts • Audit Findings Report • <i>External Audit - Value for Money (VFM) conclusion to include an update of the Council's financial resilience and a comparison of how well similar councils are doing</i> • Mid-year review of Treasury Strategy – Needs to go on to Full Council 	<p>Karen Gubbins Amanda Card Amanda Card Donna Parham Donna Parham</p> <p>Karen Gubbins</p>
<p>22 October 2015</p>	
<p>26 November 2015</p> <ul style="list-style-type: none"> • Treasury Management – Second quarter monitoring report • Annual Audit Letter • Internal Audit – second quarter and half year update • Annual Governance Statement Action Plan • Risk Management Update 	<p>Karen Gubbins</p> <p>Donna Parham Jo George</p> <p>Donna Parham Gary Russ</p>
<p>17 December 2015 TBC</p> <ul style="list-style-type: none"> • Certification and Update report 	<p>Donna Parham</p>
<p>28 January 2016</p> <ul style="list-style-type: none"> • Annual Fraud Programme 	<p>Tom Chown/Lynda Creek</p>
<p>25 February 2016</p> <ul style="list-style-type: none"> • Treasury Management Strategy and Prudential Indicators for 2015/16 – Needs to go to Full Council in March • Annual Governance Statement Action Plan • Treasury Management – Third quarter monitoring report • Internal Audit – third quarter update • External Audit – Certification of Housing Benefit Subsidy Claim 	<p>Karen Gubbins</p> <p>Donna Parham Karen Gubbins</p> <p>Donna Parham Donna Parham</p>

<p>24 March 2016</p> <ul style="list-style-type: none">• Risk Management Update• Health, Safety, and Welfare (Annual Report)• Internal Audit Plan – approve 16/17 plan• Internal Audit - Charter• External Audit – Audit Plan	<p>Gary Russ Pam Harvey Jo George Jo George Donna Parham</p>
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Agenda Item 8

Risk Management Update (Confidential Item)

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

Confidential - Exclusion of Press and Public

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

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

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

Agenda Item 9

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

Document is Restricted