

South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 27th August 2015

10.00 am

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

(disabled access is available at this meeting venue)



The public and press are welcome to attend.

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

This Agenda was issued on Wednesday 19 August 2015.

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

Ian Clarke, Assistant Director (Legal & Corporate Services)

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



INVESTORS IN PEOPLE

Audit Committee Membership

The following members are requested to attend the meeting:

Chairman: Derek Yeomans
Vice-chairman: Tony Lock

Jason Baker
Mike Beech
Mike Best

Carol Goodall
Val Keitch
Graham Middleton

David Norris
Colin Winder

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 27 August 2015

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meeting held on 23rd July 2015.

2. Apologies for absence

3. Declarations of Interest

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

4. Public question time

5. Date of the next Audit Committee Meeting

The next scheduled meeting of the Audit Committee will be held on **Wednesday 30th September 2015** at 10.00am in the Main Committee Room.

Items for Discussion

6. Treasury Management Performance Quarter 1 to June 2015. (Pages 6 - 17)

7. Progress of External Auditors Grant Thornton (Pages 18 - 31)

8. 2015/16 SWAP Internal Audit Quarter 1 Update (Pages 32 - 42)

9. Audit Committee Forward Plan (Pages 43 - 44)

Agenda Item 6

Treasury Management Performance to June 2015

Assistant Director: Donna Parham – Finance and Corporate Services
Service Manager: Amanda Card - Finance
Lead Officer: Karen Gubbins, Principal Accountant - Exchequer
Contact Details: Karen.gubbins@southsomerset.gov.uk or (01935) 462456

Purpose of Report

1. To review the treasury management activity and the performance against the Prudential Indicators for the three months ended 30th June 2015.

Recommendations

2. The Audit Committee are asked to:
 - Note the Treasury Management Activity for the three-month period ended 30th June 2015.
 - Note the position of the individual prudential indicators for the three-month period ended 30th June 2015.

The Investment Strategy for 2015/16

3. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Council reports six monthly to Full Council against the strategy approved for the year. The scrutiny of treasury management policy, strategy and activity is delegated to the Audit Committee.
4. Treasury management in this context is defined as:

"The management of the local authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks".
5. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.
6. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.
7. In order to diversify the authority's investment portfolio which is largely invested in cash, investments will be placed with a range of approved investment counterparties in order to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return. Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and higher yielding asset classes during 2015/16. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved

Interest Rates 2015/16

8. Base rate began the financial year and remains at 0.5%.
9. Our advisors are forecasting that the outlook is for official interest rates to remain at 0.5% until June 2016, as shown below:

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Official Bank Rate													
Upside risk			0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00

Investment Portfolio

10. The table below shows the Council's overall investments as at 30th June 2015:

	Value of Investments at 01.04.15 £	Value of Investments at 30.06.15 £	Fixed/ Variable Rate
Investments advised by Arlingclose			
Money Market Fund (Variable Net Asset Value)	1,001,247	1,001,247	Variable
Property Fund	3,363,303	3,363,303	Variable
Total	4,364,550	4,364,550	
Internal Investments			
Certificates of Deposit	4,512,371	5,501,647	Fixed
Corporate Bonds	11,271,639	13,670,622	Fixed
Floating Rate Notes (FRNs)	9,972,584	9,958,534	Variable
Short Term Deposits (Banks)	7,500,000	11,000,000	Variable
Short Term Deposits (Other LAs)	8,000,000	6,000,000	Variable
Money Market Funds (Constant Net Asset Value) & Business Reserve Accounts	3,720,000	3,580,000	Variable
Total	44,976,594	49,710,803	
TOTAL INVESTMENTS	49,341,144	54,075,353	

Returns for 2015/16

11. The returns to 30th June 2015 are shown in the table below:

	Actual Income £'000	% Rate of Return
Investments advised by Arlingclose		
Payden Money Market Fund (VNAV)	2	
Property Fund (CCLA)	40	

Total	42	4.25%
Internal Investments		
Certificates of Deposit (CD's)	9	
Corporate Bonds	39	
Floating Rate Notes (FRNs)	18	
Fixed Term Deposits	27	
Money Market Funds (CNAV) & Business	5	
Reserve Accounts		
Total	98	0.76%
Other Interest		
Miscellaneous Loans	2	
Total	2	
TOTAL INCOME TO 30TH JUNE 2015	140	1.01%
PROFILED BUDGETED INCOME	115	
FORECAST SURPLUS FOR YEAR END	81	

BENCHMARK RATE OF RETURN

12. The table above shows investment income for the year to date compared to the profiled budget. The annual budget is set at £461,320. We currently estimate that the position at the end of the financial year will be an overall favourable variance in the order of £81,300. This is assuming SSDC receive a dividend of 3p per unit each quarter for its investment in the property fund, however if there is a dip in the economy this could affect the forecasted return.
13. The outturn position is affected by both the amount of cash we have available to invest and the interest base rate set by the Bank of England. Balances are affected by the timing of capital expenditure and the collection of council tax and business rates.

Investments

14. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15. New investments can be made with the following institutions:
- Other Local Authorities;
 - AAA-rated Money Market Funds;
 - Certificates of Deposit (CDs) and Term Deposits with UK Banks and Building Societies systemically important to the UK banking system and deposits with select non-UK Banks (Australian, Canadian and American);
 - T-Bills and DMADF (Debt Management Office);
 - Bonds issued by Multilateral Development Banks, such as the European Investment Bank;
 - Commercial Paper
 - Other Money Market Funds and Collective Investment Schemes meeting the criteria in SI 2004 No 534, SI 2007 No 573 and subsequent amendments.
15. The graph shown in Appendix A shows the performance of the in-house Treasury team in respect of all investments for the quarter ending 30th June 2015 in comparison to all other clients of Arlingclose.

16. The graph shows that SSDC is in a satisfactory position in terms of the risk taken against the return on investments.

Borrowing

17. An actual overall borrowing requirement (CFR) of £9.7 million was identified at the beginning of 2014/15. As interest rates on borrowing exceed those on investments the Council has used its capital receipts to fund capital expenditure. As at 30th June 2015 the Council had no external borrowing.

Breakdown of investments as at 30th June 2015

Date Lent	Counterparty	Principal Amount	Rate	Maturity Date
5 May 15	Lancashire County Council	1,000,000	0.50	5 Nov 15
6 Jan 14	Greater London Authority	2,000,000	1.03	6 Oct 15
29 May 15	Barclays Bank Plc	1,000,000	0.53	4 Sep 15
28 Nov 14	Lancashire County Council	1,000,000	0.60	28 Aug 15
20 Jan 15	Salford City Council	2,000,000	0.50	20 Jul 15
10 Jun 15	Santander	1,000,000	0.55	11 Sep 15
9 Mar 15	United Overseas Bank Ltd	2,000,000	0.58	9 Sep 15
1 Apr 15	Nationwide Building Society	1,000,000	0.52	10 Jul 15
1 Apr 15	Barclays Bank Plc	1,000,000	0.52	3 Jul 15
17 Apr 15	Bank of Scotland	1,000,000	0.57	17 Jul 15
5 May 15	DBS Bank Ltd	2,000,000	0.58	5 Nov 15
26 May 15	Rabobank International	1,000,000	0.58	26 Nov 15
29 May 15	Bank of Scotland	1,000,000	0.57	28 Aug 15
	Corporate Bonds/Eurobonds			
10 Dec 13	GE Capital UK Funding	1,038,020	1.42	18 Jan 16
17 Jan 14	Places for People Capital Markets	603,877	2.67	27 Dec 16
17 Jan 14	Places for People Capital Markets	459,287	2.67	27 Dec 16
7 Apr 14	Commonwealth Bank of Australia	517,020	1.00	14 Dec 15
8 Apr 14	Nordea Bank AB	515,835	0.98	15 Dec 15
2 Jun 14	Volkswagen International Finance NV	501,460	0.98	20 Aug 15
4 Aug 14	Leeds Building Society (Covered)	560,713	2.13	17 Dec 18
8 Sep 14	Rabobank Nederland NV	828,485	1.05	10 Sep 15
30 Sep 14	Volkswagen International Finance NV	501,460	0.98	20 Aug 15
30 Sep 14	European Investment Bank	521,067	0.64	8 Jul 15
22 Oct 14	Yorkshire Building Society (Covered)	1,729,543	1.56	12 Apr 18
5 Mar 15	Volkswagen International Finance	1,015,107	0.70	23 Oct 15
5 Mar 15	Westpac Banking Corporation	1,007,119	0.74	23 Dec 15
17 Apr 15	Heathrow Funding Ltd	1,109,810	0.85	31 Mar 16
7 May 15	Daimler AG	501,440	0.88	10 Dec 15
5 Jun 15	European Investment Bank	2,105,188	0.66	7 Sep 16
12 Jun 15	Prudential Plc	155,191	0.96	16 Nov 15
	Certificates of Deposit (CDs)			
9 Feb 15	Standard Chartered	1,001,051	0.66	7 Aug 15
27 Mar 15	Nordea bank AB	1,000,209	0.56	25 Sep 15
23 Apr 15	Credit Suisse AG London	2,000,162	0.56	31 Jul 15
29 Apr 15	Standard Chartered	1,000,150	0.68	29 Oct 15
6 May 15	Nordea Bank AB	500,075	0.56	6 Nov 15
	Floating Rate Notes (FRNs)			

25 Nov 13	HSBC Bank PLC	1,004,169	0.82	16 May 16
3 Apr 14	Yorkshire Building Society *Covered*	1,005,441	0.98	23 Mar 16
22 Oct 14	Abbey National Treasury Services *Covered*	1,034,829	0.71	5 Apr 17
21 Nov 14	Barclays Bank Plc *Covered*	1,000,341	0.68	15 Sep 17
6 Mar 15	BMW Finance NV	1,903,208	0.61	23 Jul 15
25 Mar 15	Lloyds Bank Plc *Covered*	2,006,200	0.64	16 Jan 17
29 Apr 15	Toronto Dominion *Covered*	1,002,572	0.66	20 Nov 17
26 Jun 15	Nationwide Building Society *Covered*	1,001,774	0.68	17 Jul 17
	Pooled Funds & Money Market Funds			
	Payden Fund VNAV	1,001,247	0.87	
	CCLA Property Fund	3,363,303	5.37	
	Handelsbanken	2,000,000	0.45	
	Federated Money Market Fund	500,000	0.45	
	Blackrock Money Market Fund	1,080,000	0.43	
	TOTAL	54,075,353		

* Note: Money Market Funds are instant access accounts so the rate displayed is a daily rate

Prudential Indicators – Quarter 1 monitoring

Background:

18. In February 2015, Full Council approved the indicators for 2015/16, as required by the Prudential Code for Capital Finance in Local Authorities. The Local Government Act 2003 allowed local authorities to determine their own borrowing limits provided they are affordable and that every local authority complies with the code.

Prudential Indicator 1 - Capital Expenditure:

19. The revised estimates of capital expenditure to be incurred for the current year compared to the original estimates are:

	2015/16 Original Estimate £'000	Expected Outturn £'000	2015/16 Variance £'000	Reason Variance for
Approved capital schemes	5,568	5,960	392	Slippage from previous years
Reserves	404	2,985	2,581	Slippage from 2014/15 into 2015/16
Total Expenditure	5,972	8,945	2,973	

20. The above table shows that the overall estimate for capital expenditure has increased.

Prudential Indicator 2 - Ratio of Financing Costs to Net Revenue Stream:

21. A comparison needs to be made of financing capital costs compared to the revenue income stream to support these costs. This shows how much of the revenue budget is committed to the servicing of finance.

Portfolio	2015/16 Revised Estimate £'000	Expected Outturn £'000	2015/16 Variance £'000	Reason for Variance
Financing Costs*	(338)	(395)	(57)	Better return on the Property fund is expected but this is dependent on the economy
Net Revenue Stream	17,390	17,737	347	Carry forwards approved of £303k and £44k contribution from the Somerset Rivers Authority
%*	(1.9)	(2.2)		

*figures in brackets denote income through receipts and reserves

22. The financing costs include interest payable, notional amounts set aside to repay debt, less, interest on investment income. The figure in brackets is due to investment income outweighing financing costs significantly for SSDC but is nevertheless relevant since it shows the extent to which the Council is dependent on investment income.

Prudential Indicator 3 - Capital Financing Requirement:

23. The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. Estimates of the year-end capital financing requirement for the authority are:

	2015/16 Original Estimate £'000	Expected Outturn £'000	2015/16 Variance £'000	Reason for Variance
Opening CFR	9,484	9,447	(37)	
Capital Expenditure	5,192	7,435	2,243	See explanation for Prudential Indicator 1 above
Capital Receipts*	(5,046)	(5,960)	(914)	
Grants/Contributions*	(146)	(1,475)	(1,329)	
Minimum Revenue Position (MRP)	(123)	(148)	(25)	One lease has been amended to be repaid over a shorter period hence an increase in the current years MRP
Closing CFR	9,361	9,299	(62)	

*Figures in brackets denote income through receipts or reserves.

Prudential Indicator 4 – Gross Debt and the Capital Financing Requirement:

24. The Council is also required to ensure that any medium term borrowing is only used to finance capital and therefore it has to demonstrate that the gross external borrowing does not, except in the short term exceed the total of capital financing requirements over a three year period. This is a key indicator of prudence.

	2015/16 Original Estimate £'000	2015/16 Qtr 1 Actual £'000	2015/16 Variance £'000	Reason for Variance
Borrowing	0	0	0	
Finance Leases	248	186	(62)	Amendment to the MRP has reduced the amount outstanding on the finance leases
Total Debt	248	186	(62)	

25. Total debt is expected to remain below the CFR.

Prudential Indicator 5 - Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

26. The Council must set three years of upper limits to its exposure to the effects of changes in interest rates. As a safeguard, it must ensure that its limit would allow it to have up to 100% invested in variable rate investments to cover against market fluctuations. For this purpose, term deposits of less than 365 days are deemed to be variable rate deposits. Fixed rate deposits are investments in Eurobonds, Corporate Bonds and term deposits exceeding 365 days.

	2015/16 % Limit	2015/16 Qtr 1 Actual %	2015/16 Variance %	Reason for Variance
Fixed	80	9.45	(70.55)	Within limit
Variable	100	90.55	(9.45)	Within limit

27. The Council must also set limits to reflect any borrowing we may undertake.

	2015/16 % Limit	2015/16 Qtr 1 Actual %	2015/16 Variance %	Reason for Variance
Fixed	100	0	100	SSDC currently has no borrowing
Variable	100	0	100	SSDC currently has no borrowing

28. The indicator has been set at 100% to maximise opportunities for future debt as they arise.

Prudential Indicator 6 - Upper Limit for total principal sums invested over 364 days:

29. SSDC must also set upper limits for any investments of longer than 364 days. The purpose of this indicator is to ensure that SSDC, at any time, has sufficient liquidity to meet all of its financial commitments.

Upper Limit for total principal sums invested over 364 days	2015/16 Maximum Limit £'000	2015/16 Qtr 1 Actual (Principal amount)	Reason for Variance

		£'000	
Between 1-2 years	25,000	6,000	Within limit
Between 2-3 years	20,000	3,000	Within limit
Between 3-4 years	10,000	2,000	Within limit
Between 4-5 years	10,000	0	Within limit
Over 5 years	5,000	0	Within limit

30. The table above shows that the Council adopts a policy of safeguarding its investments by minimising investments that are redeemable more than five years ahead.

Prudential Indicator 7 – Credit Risk:

31. The Council considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution and its sovereign
- Sovereign support mechanisms
- Credit default swaps (where quoted)
- Share prices (where available)
- Economic Fundamentals, such as a country's net debt as a percentage of its GDP
- Corporate developments, news articles, markets sentiment and momentum
- Subjective overlay

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Prudential Indicator 8 - Actual External Debt:

32. This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities (this represents our finance leases). This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2015	£'000
Borrowing	0
Liabilities arising from finance leases	334
Total	334

Prudential Indicator 9 - Authorised Limit for External Debt:

33. The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy. Borrowing will arise as a consequence of all the financial transactions of the Council not just arising from capital spending.

34. This limit represents the maximum amount that SSDC may borrow at any point in time during the year. If this limit is exceeded the Council will have acted ultra vires. It also gives the Council the responsibility for limiting spend over and above the agreed capital programme. A ceiling of £12 million was set to allow flexibility to support new capital projects over and above the identified borrowing requirement.

	2015/16 Estimate	2015/16 Qtr 1 Actual	2015/16 Variance	Reason for Variance
	£'000	£'000	£'000	
Borrowing	11,000	0	(11,000)	SSDC currently has no external borrowing
Other Long-term Liabilities (Finance Leases)	1,000	186	(814)	Within limit
Total	12,000	186	(11,814)	

Prudential Indicator 10 – Operational Boundary for External Debt:

35. The operational boundary sets the limit for short term borrowing requirements for cash flow and has to be lower than the previous indicator, the authorised limit for external debt. A ceiling of £10 million was set.

	2015/16 Estimate	2015/16 Qtr 1 Actual	2015/16 Variance	Reason for Variance
	£'000	£'000	£'000	
Borrowing	9,200	0	(9,200)	SSDC currently has no external borrowing
Other Long-term Liabilities (Finance Leases)	800	186	(614)	Within limit
Total	10,000	186	(9,814)	

Prudential Indicator 11 - Maturity Structure of Fixed Rate borrowing:

36. This indicator is relevant to highlight the existence of any large concentrations of fixed rated debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest changes in any one period. When we borrow we can take a portfolio approach to borrowing in order to reduce interest rate risk. This indicator is shown as the Council has set limits in anticipation of future borrowing.

Maturity structure of fixed rate borrowing	2014/15 Actual	2015/16 Qtr 1 Actual	Lower Limit	Upper Limit
	%	%	%	%
Under 12 months	0	0	0	100
12 months and within 24 months	0	0	0	100
24 months and within 5 years	0	0	0	100
5 years and within 10 years	0	0	0	100

10 years and within 20 years	0	0	0	100
20 years and within 30 years	0	0	0	100
30 years and within 40 years	0	0	0	100
40 years and within 50 years	0	0	0	100
50 years and above	0	0	0	100

As the council doesn't have any fixed rate external borrowing at present the above upper and lower limits have been set to allow flexibility.

Prudential Indicator 12 - Incremental Impact of Capital Investment Decisions:

37. SSDC must show the effect of its annual capital decisions for new capital schemes on the council taxpayer. Capital spend at SSDC is financed from additional receipts so the figure below actually shows the possible decreases in council tax if all capital receipts were invested rather than used for capital expenditure.

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Decrease in Band D Council Tax	0.07	0.17	0.17

Prudential Indicator 13 - Adoption of the CIPFA Treasury Management Code:

38. This indicator demonstrates that the Council has adopted the principles of best practice.

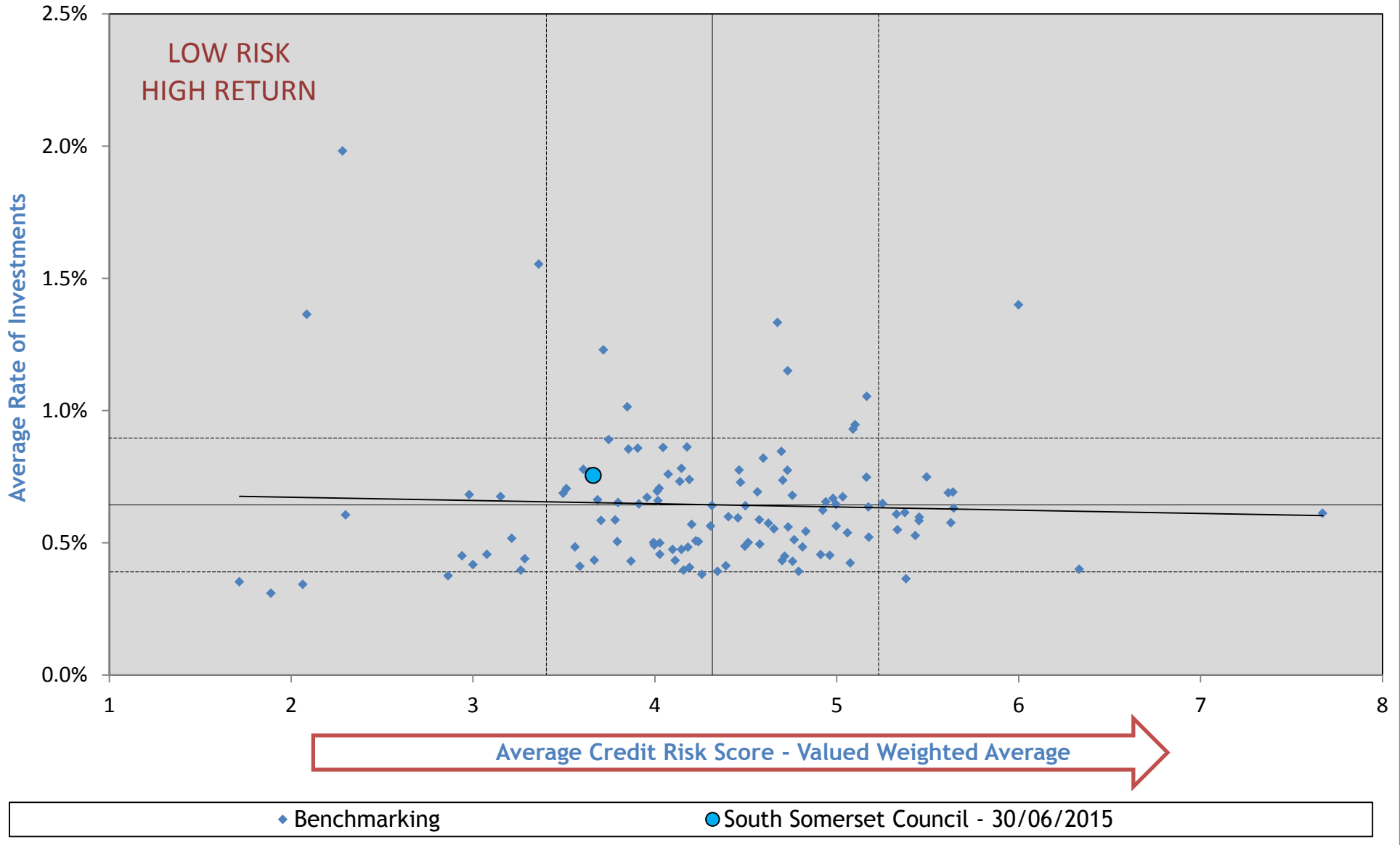
Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 18 th April 2002.

Conclusion

39. The council is currently within all of the Prudential Indicators and is not forecast to exceed them.

Background Papers: Prudential Indicators Working Paper, Treasury Management Strategy Statement 2015/16, Quarter 1 2015/16 Capital Programme.

Average Rate vs Credit Risk (value-weighted)



Agenda Item 7

Progress of External Auditors Grant Thornton

Assistant Director: Donna Parham – Finance and Corporate Services
Service Manager: Amanda Card - Finance
Lead Officer: Donna Parham – Finance and Corporate Services
Contact Details: Donna.Parham@southsomerset.gov.uk or (01935) 462225

Purpose of Report

This report introduces an update on the work of our external auditors Grant Thornton.

Recommendations

The Audit Committee is asked to:

- Note the attached report.

Introduction

Considering reports from Grant Thornton is included within the remit of the Audit Committee under its terms of reference as follows:

“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 has been taken”

“To consider the reports of external audit and inspection agencies and seek assurance from management that action has been taken”

The Report

The report from Grant Thornton is attached at Appendix A.

Financial Implications

None as a consequence of this report.

Background Papers

None

Audit Committee Update for South Somerset District Council

Year ended 31 March 2015

August 2015

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Elizabeth Cave

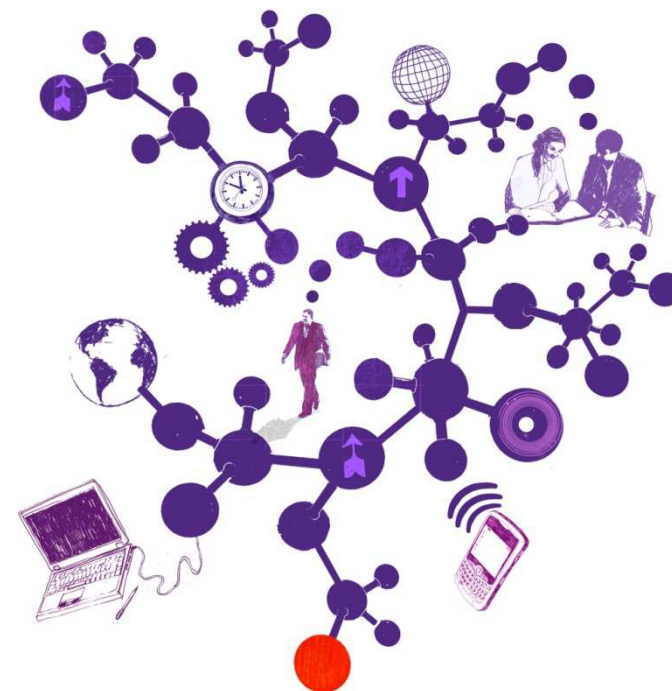
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business 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

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England
- Creating a sustainable financial future, summary findings from our local government finance roundtable

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at August 2015

Work	Planned date	Complete?	Comments
<p>2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements</p>	March 2015	Yes	The audit plan was presented as a separate item on the Audit Committee agenda on 25 March 2015.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • initial risk assessment to support the Value for Money conclusion 	January to March 2015	Yes	Our interim audit work has been completed and we summarised the findings in the audit plan referred to above.
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion 	July to September 2015	Not yet due	The audit commenced on 4 August and is continuing as planned.

Progress at August 2015

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion We are required to assess whether the Council has proper arrangements in place for: <ul style="list-style-type: none">• securing financial resilience• challenging how it secures economy, efficiency and Effectiveness	July to September 2015	Not yet due	Work is ongoing.
2014/15 certification work This work is expected to cover housing benefits scheme claim	June to November 2015	Not yet due	

All Aboard? - Local Government Governance Review 2015

Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

Governance of the organisation – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

Governance in working with others – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

Governance of stakeholder relations – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through Many other agencies . This implies a greater role for scrutiny and a need to make sure local public sector Bodies' arrangements are a transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



Rising to the challenge

Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Local Government New Burdens

Local government issues

The National Audit Office (NAO) published its review of new burdens on local government on 5th June 2015.

In 2011, the government reaffirmed its commitment to the New Burdens Doctrine (the Doctrine). The Doctrine set out how the government would ensure that new requirements that increased local authorities' spending or reduced their income did not lead to excessive council tax increases. The Doctrine commits the government to assess and fund extra costs for local authorities from introducing new powers, duties and other government-initiated changes.

The NAO report considers the new burdens regime, how it is managed and overseen and the DCLG's arrangements for new burdens assessments. It concludes that:

- government departments have embraced the new burdens Doctrine and the DCLG's guidance has promoted consistent assessment and encouraged consultation with local government on the impact of new requirements;
- however, the government is not sufficiently open about which new burdens are assessed or the outcomes of assessments; and
- the DCLG has not promoted post implementation reviews to ensure funding is adequate.

The NAO also concludes that the DCLG needs to use intelligence from new burdens regime better, to improve its understanding of the pressures affecting local authorities' financial sustainability.

Understanding your accounts – Member guidance

Accounting and audit issues

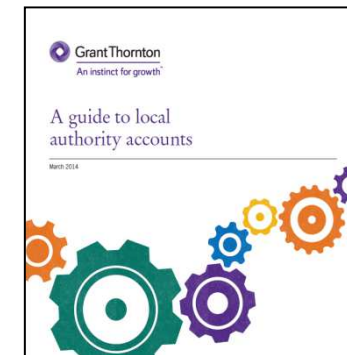
Local authority Audit Committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand.

In 2014 we prepared a guide for Members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help Members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position. Any new members to the Audit Committee may find this guide helpful.

The guide considers the:

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in a surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at the year end; and
- other statements and additional disclosures

Hard copies of our guide are available from your Engagement Lead or Audit Manager.



Provision for Business Rates Appeals

Accounting and audit issues

Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.

Earlier closure and audit of accounts

Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management.

Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Auditors are already working on bringing forward more testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

Some authorities currently produce their financial statements ahead of the current deadline, or have plans to do so in 2014/15, and some audits are completed before 31 July.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.



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Agenda Item 8

2015/16 SWAP Internal Audit Quarter 1 Update Report

Head of Service: Gerry Cox, Chief Executive - SWAP
Lead Officer: Jo George, Assistant Director
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Purpose of the Report

This report has been prepared for the Audit Committee to review the progress made on the 2015/16 Annual Internal Audit Plan.

Recommendation

To note the progress made.

Background

The Audit Committee agreed the 2015/16 Internal Audit Plan at its March 2015 meeting. This is the first quarter update report to inform the Audit Committee of progress against the plan for April to June 2015.

Appendix A - Detailed 1st Quarter Report
Appendix B - Annual Audit Plan Progress Table
Appendix C - Audit Assurance Definitions

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: None

APPENDIX A



South Somerset District Council

Report of Internal Audit Activity
Quarter 1 Update, 2015-16

Contents

The contacts at SWAP in connection with this report are:

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Our audit activity is split between:

- **Operational Audit**
- **Key Controls, Finance**
- **Key Controls, Income**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Special Reviews**

Role of Internal Audit

The Internal Audit service for South Somerset District Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for internal audit. The Partnership is also guided by both the Institute of Internal Audit Standards and the Public Sector Internal Audit Standards (PSIAS).

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
- Annual Review of Key Financial System Controls
- Annual Review of Main Income Stream System Controls
- Cross Cutting Fraud and Governance Reviews
- IT Audit Reviews
- Other Special or Unplanned Reviews

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer following consultation with Directors, Assistant Directors, Service Managers and External Audit. This year’s Audit Plan was approved by the Audit Committee at its meeting in March 2015. Since March, a number of minor scheduling changes have been made to the audit plan. An updated list of all audits planned for 2015/16 and their status at the end of Quarter 1 is detailed in [Appendix B](#).

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

Quarter 1 Outturn:

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

Quarter 1 Outturn:

Audit Assignments undertaken in the Quarter

- **Operational Audits**

Internal Audit Work Programme

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Annual Audit Plan 2015/16. 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 “control assurance” opinions together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in [Appendix C](#).

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent a less than significant risk to the Council’s operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Operational Audits

Operational Audits are a detailed evaluation of a Service’s control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated. In Quarter 1 there were 2 Operational audits scheduled, one of which have commenced and the other was swapped for an audit scheduled for Qtr 3 (NDR - New Business Rates System);

Audit Area	Audit Area	Audit Area
Aged Debt Management (Now due in Qtr 3)	NDR – New Business Rates System	Civil Contingencies & Disaster Recovery Themed Audit

Quarter 1 Outturn:

Audit Assignments undertaken in the Quarter

- **Key Controls; Finance**

Work has been ongoing in the period to complete outstanding 2014/15 audits:

- Car Park Enforcement – Final - Reasonable Assurance:
- Choice Based lettings – In progress
- Leisure Centres (Contract Compliance) – draft report stage

2 follow up audits have been completed in the period for the 2014/15 audits receiving partial assurance:

- Printing and Copying
- StreetScene Enforcement

Quarter 1 Outturn:

Audit Assignments undertaken in the Quarter

- **Key Controls; Main Income Stream Audits**

Key Controls, Finance Audits

In 2014/15 it was agreed by the Audit Committee to replace Key Control Audits with Operational and Governance Audits. That reflected the positive assurance opinions awarded in relation to Key Control Audits over the previous few years along with an appetite to explore other risks and processes at the Council.

Key Controls, Main Income Stream Audits

In previous years a significant number of audit days were allocated to undertake a separate audit of each of the Councils main income streams. This is because shortfalls in income have a significant impact on the budget and are considered higher risk areas.

For 2014/15 it was felt that as Substantial and Reasonable assurance had been provided for most of the income areas that a combined audit requiring less days was possible. An audit of Key Income Stream Management is scheduled for Quarter 2 in 2015/16.

Quarter 1 Outturn:

Audit Assignments undertaken in the Quarter

- **Governance, Fraud and Corruption Audits**

Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk.

There were 3 Governance audits scheduled for Quarter 1.

Audit Area	Opinion	Audit Area	Opinion
Expenses & Reimbursements Fraud Prevention	Draft stage	Yeovil Crematorium and Cemetery Annual Return	Non Opinion
Boden Mill and Chard Regeneration Scheme Statement of Accounts	Non Opinion		

Quarter 1 Outturn:

Audit Assignments undertaken in the Quarter

- Information Systems
- Special Reviews

Information Systems

Information Systems – IT audits provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given.

There was 1 IT Audits scheduled for Quarter 1, which is currently in progress:

- Mobile and Remote Working

Two further IT Audits' are scheduled with one due in Quarter 2 and one due in Quarter 3 as detailed in Appendix B.

Special Reviews

I am pleased to report that since April 2015 there have been no irregularities reported to SWAP that have required investigation on behalf of SSDC.

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

Future Planned Work

This is detailed in [Appendix B](#) and is subject to any changes in agreement with the S151 officer.

Conclusions

For the audits completed to report stage, each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the Categorisation of Recommendations section of [Appendix C](#).

The Committee will be aware that in June 2015, SWAP were pleased to provide an Audit Opinion for the Annual Governance Statement for 2014/15 that gave Reasonable Assurance. Work carried out to date in Quarter 1 largely supports this level of assurance for 2015/16 to date.

There have been no significant Corporate Risks identified from the work completed so far in Quarter 1.

Our approach to the audits for 2015/16 reflects this positive assurance and we are seeking to undertake more challenging and cross-cutting reviews rather than traditional service reviews that we have done over recent years, given that these areas have now proven themselves to have adequate and often good internal controls.

A list of all audits planned for 2015/16 and their status as at 12th August 2015 are detailed in [Appendix B](#).

South Somerset District Council Audit Plan Progress 2015/16 - Qtr 1 Update (as at 12 Aug)

APPENDIX B

Audit Type	Audit Title	Quarter	Status	Opinion	No. of recs	Major - Recommendations - Minor				
						5	4	3	2	1
Follow Up	Printing & Copying Follow Up	1	Final	Non Opinion	0	0	0	0	0	0
Follow Up	Streetscene Enforcement Follow Up	1	Final	Non Opinion	0	0	0	0	0	0
Governance, Fraud &	Expenses & Reimbursements Fraud Prevention	1	Draft		0	0	0	0	0	0
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Final	Non Opinion	0	0	0	0	0	0
ICT	Mobile and Remote Working_SSDC	1	In Progress		0	0	0	0	0	0
Governance, Fraud &	Yeovil Cemetery & Crematorium Annual Accounts	1	Final	Non Opinion	0	0	0	0	0	0
Operational	Aged Debt Management	1	Moved to Qtr 3		0	0	0	0	0	0
Operational	Civil Contingencies & Disaster Recovery Themed Audit	1	In Progress		0	0	0	0	0	0
Governance, Fraud &	Lean Thinking Benefit Realisation	2			0	0	0	0	0	0
ICT	Telephony	2			0	0	0	0	0	0
Operational	Yeovil Innovation Centre	2	In Progress		0	0	0	0	0	0
Operational	Council Tax Collection	2			0	0	0	0	0	0
Operational	Private Sector Housing - Environmental Health	2	In Progress		0	0	0	0	0	0
Operational	S106 Discharge of Planning Obligations	2			0	0	0	0	0	0
Operational	Key Income Stream Management	2			0	0	0	0	0	0
Operational	Housing & Council Tax Benefit	2			0	0	0	0	0	0
Governance, Fraud &	Leisure Centre / Hub Contract Compliance	3			0	0	0	0	0	0
Governance, Fraud &	Contract Compliance - PPR Compliance	3			0	0	0	0	0	0
ICT	Physical and Environmental Controls	3			0	0	0	0	0	0
Operational	NDR - New Business Rates System	3	In Progress - Moved to Qtr 1		0	0	0	0	0	0
Operational	New Payroll System	3			0	0	0	0	0	0
Operational	Asset Register & Land Record Management	3			0	0	0	0	0	0
Governance, Fraud &	Imprest Accounts	4			0	0	0	0	0	0
Governance, Fraud &	Risk Strategy & TEN Risk Management	4			0	0	0	0	0	0
Operational	Property Services	4			0	0	0	0	0	0
Operational	Ninesprings Cafe	4			0	0	0	0	0	0
Governance, Fraud &	Mobile and Remote Working_H&S	4			0	0	0	0	0	0

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.

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.

Agenda Item 9

Audit Committee Forward Plan

Assistant Director: Donna Parham, Finance and Corporate Services
Lead Officer: Anne Herridge, Democratic Service 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
30 September 2015 (NEW DATE) <ul style="list-style-type: none"> • Annual Governance Statement Action plan • Certification Work Plan and Update report • 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 	Donna Parham Donna Parham Karen Gubbins Amanda Card Amanda Card Donna Parham Donna Parham Karen Gubbins
21st October 2015 (NEW DATE) <ul style="list-style-type: none"> • 	
26 November 2015 <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 	Karen Gubbins Donna Parham Jo George Donna Parham Gary Russ
17 December 2015 TBC <ul style="list-style-type: none"> • Certification and Update report • 	Donna Parham
28 January 2016 <ul style="list-style-type: none"> • Annual Fraud Programme • Debt Write Offs Report • Register of staff interests – Annual Review 	Tom Chown/Lynda Creek Amanda Card Ian Clarke
25 February 2016 <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 	Karen Gubbins Donna Parham Karen Gubbins Donna Parham Donna Parham
24 March 2016 <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 	Gary Russ Pam Harvey Jo George Jo George Donna Parham