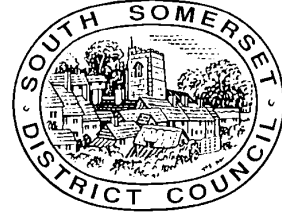


**South Somerset District Council**

*Notice of Meeting*



# Audit Committee

*Making a difference where it counts*

**Thursday 22nd June 2017**

**10.00 am**

**Council Chamber B, Council Offices,  
Brympton Way, Yeovil BA20 2HT**

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



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The following members are requested to attend the meeting:

**Chairman:** Derek Yeomans  
**Vice-chairman:** Tony Lock

Jason Baker  
Mike Beech  
Mike Best

Carol Goodall  
Val Keitch  
Graham Middleton

David Norris  
Colin Winder

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

This Agenda was issued on Wednesday 14 June 2017.

Ian Clarke, *Director (SupportServices)*

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



INVESTORS IN PEOPLE

## **Information for the Public**

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

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

The terms of reference of the Audit Committee are:

### **Internal Audit Activity**

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

### **External Audit Activity**

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

### **Regulatory Framework**

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

### **Financial Management and Accounts**

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;

14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;
15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

### **Overall Governance**

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

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

Agendas and minutes of this committee are published on the Council's website at [www.southsomerset.gov.uk](http://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 June 2017

## Agenda

### *Preliminary Items*

**1. Minutes**

To approve as a correct record the minutes of the previous meeting held on 25<sup>th</sup> May 2017.

**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 X date in the Main Committee Room, Brympton Way, Yeovil.

### *Items for Discussion*

**6. Internal Audit Annual Report and Opinion (Pages 5 - 23)**

**7. Internal Audit Plan 2016/17 Review and Progress 2017/18 (Pages 24 - 42)**

**8. 2017/18 SWAP Internal Audit Charter (Pages 43 - 49)**

**9. Risk Registers for the Westlands Projects (Pages 50 - 58)**

**10. Treasury Management Performance Outturn 16-17 (Pages 59 - 72)**

**11. 2016/17 Annual Governance Statement (Pages 73 - 80)**

**12. Review of Internal Audit (Pages 81 - 84)**

**13. Audit Committee Forward Plan (Pages 85 - 86)**

# Agenda Item 6

## **Internal Audit Annual Report and Opinion**

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

### **Purpose of the Report**

This report provides an update on the position of the Internal Audit Plan at the end of 2016/17 and also provides Internal Audits overall Opinion on the systems of internal control at South Somerset District Council.

### **Recommendation**

To note the content of the Internal Audit Annual Report and Opinion.

### **Background**

The Audit Committee agreed the original 2016/17 Internal Audit Plan at its March 2016 meeting. A report on plan progress was provided in November 2016 (Half Year) and in February 2017 (for quarter three).

### **Financial Implications**

There are no financial implications associated with these recommendations.

**Background Papers:** None

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# South Somerset District Council

Report of Internal Audit Activity

Annual Opinion Report 2016/17

Page 6

# Contents

## The contacts at SWAP in connection with this report are:

**Gerry Cox**  
Chief Executive  
Tel: 01935 385906  
[gerry.cox@southwestaudit.co.uk](mailto:gerry.cox@southwestaudit.co.uk)

**David Hill**  
Director of Planning  
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[david.hill@southwestaudit.co.uk](mailto:david.hill@southwestaudit.co.uk)

**Moya Moore**  
Assistant Director  
Tel: 01935 385906  
[moya.moore@southwestaudit.co.uk](mailto:moya.moore@southwestaudit.co.uk)

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## Summary

**The Assistant Director is required to provide an opinion to support the Annual Governance Statement.**



### Purpose

The Accounts and Audit Regulations (England) 2015 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- Disclose any qualifications to that opinion, together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.



## Summary

**The Assistant Director is required to provide an opinion to support the Annual Governance Statement.**



### Background

The Internal Audit service for South Somerset District Council is provided by the 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). The Partnership is also guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness through the work based on the Annual Plan agreed by Senior Management and this Committee. This report summarises the activity of SWAP for the 2016/17 year.

**The Assistant Director is required to provide an opinion to support the Annual Governance Statement.**



## Annual Opinion

Over the year SWAP have found Senior Management of South Somerset District Council to be supportive of SWAP findings and responsive to the recommendations made. In addition, there is a good relationship with Management whereby they feel they can approach SWAP openly in areas where they perceive potential problems as well as welcome the opportunity to take on board recommendations for improvement.

Only 1 audit in the year has received partial assurance, the others being awarded reasonable or substantial assurance ratings. Several pieces of advisory work have also been completed in the year at the request of SSDC Management which is a strong indicator of the appetite to engage with Internal Audit to and establish best practice. Where high priority findings have been identified, overall these have been appropriately addressed, confirming the responsive nature of management.

During the year three audits were removed from the plan by Management without replacement. In one case (Culture) this was because alternative sources of assurance were available, making a further audit of this surplus to requirements. The other 2 audits (Elections and Scheme of Delegation) were removed at managements request owing to other Service commitments. The loss of these days has been taken into account when considering the annual audit opinion, and the impact has been mitigated by them not being high risk areas. We have no cause for concern in these areas and have agreed to revisit these two areas as part of the 2017/18 plan.

I have considered the balance of 2016/17 audit work and outcomes against this environment, and am able to offer reasonable assurance in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. Whilst I have certain concerns regarding some aspects of the control environment, I do not consider there to be any areas of significant corporate concern, provided they are kept under periodic review. This is particularly important owing to personnel changes within the Council. To this end, SWAP have agreed with the Chief Executive to attend

# Summary of Audit Work 2016/17

SLT meetings quarterly to maintain the necessary communication channels with management.

## Our audit activity is split between:

- Operational Audits
- Key Control Audits
- Governance, Fraud & Corruption Audits
- IT Audits
- Special Reviews
- Follow-up



## Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits agreed for inclusion in the Annual Audit Plan 2016/17 and the final outturn for the financial year. In total, 16 will be delivered, with 8 Healthy Organisation themes covered in one report. 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.

Of the 16 reviews in the revised 2016/17 audit plan, they are broken down as follows:

- Operational Audits 9
- Healthy Organisation (to be 1 incorporated in one report)
- IT 1
- Key Control 1
- Follow-up 1
- Certification 3

# Summary of Audit Work 2016/17

## Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.



## Significant Corporate Risks

Appendix A sets out the definition of the 4 Risk Levels applied to any corporate risks we identify.

The below audit risk was scored as a corporate risk within the Data Protection review completed during the year:

Risks	Auditors Assessment
Reputational damage or financial penalties arising from non-compliance by data processors.	Medium

Further details are available about this audit in the Quarter 4 Update report.

# Summary of Audit Work 2016/17

## SWAP Performance - Summary of Audit Opinions

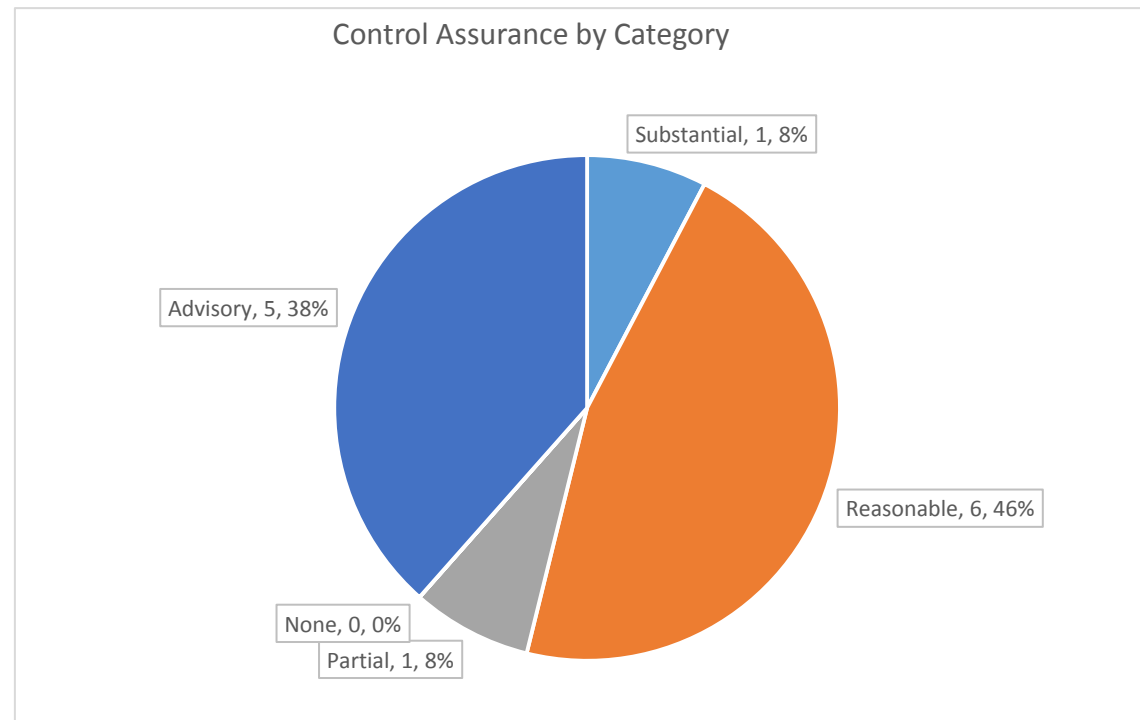
At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None
- Advisory (no opinion)



## Summary of Audit Opinion

At the time of writing this report 3 audits had yet to reach Final reporting stage (Corporate Health & Safety and Healthy Organisation are at Draft Stage and LED is still in progress). The following diagram therefore includes information for completed audits only and an update on the outstanding audits will be provided as part of the next Audit update. For the 1 audit in progress there are no significant issues to bring to your attention from the testing completed so far. For comparison, in 2015/16 there were 3 Substantial Assurance Audits, 12 Reasonable Assurance Audits and 1 Partial Assurance Audit.



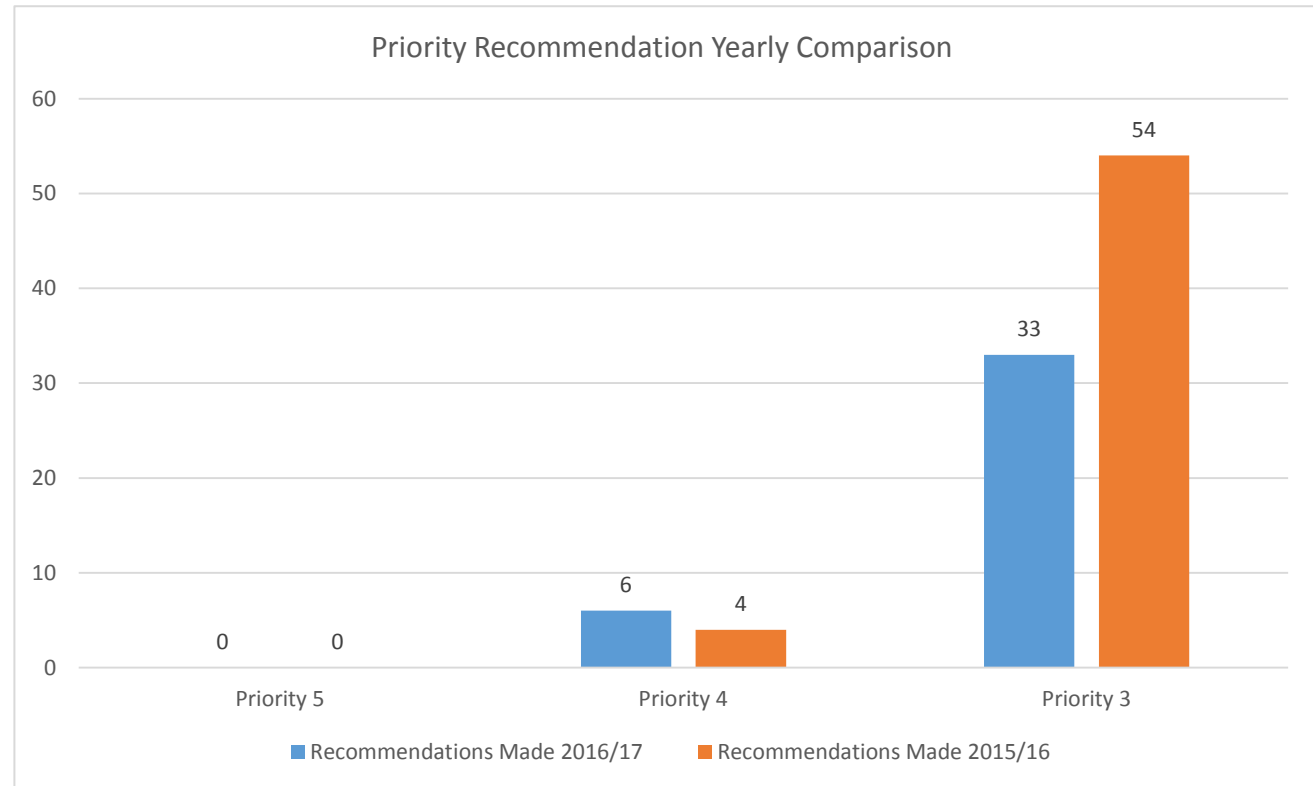
# Summary of Audit Work 2016/17

## SWAP Performance - Summary of Audit Recommendations by Priority

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



## Priority Actions



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### 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

Throughout the year, SWAP has strived to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost. This has included the communication and circulation of industry bulletins (such as Corporate Plan for Public Sector Audit Appointments 2015-18) and fraud prevention alerts wherever possible. We will also share the outcomes of any benchmarking undertaken across our SWAP Partner base. SWAP also aim to share the results of emerging areas of risk, or the findings from relevant audit reviews undertaken at our Partners, to enable the sharing of best practice and comparison of common findings. Examples of where we have collated and shared information to add value include:

We provided SSDC with examples of risk management strategies and policies provided by SWAP Partners to assist in the Council's Transformation process.

We have shared a report on comparisons in the different methodologies used for setting fees and charges across SWAP Partners.

A review of Audit Committee work plans has been shared across SWAP Partners.

SWAP Partners provided examples of Equality Impact Assessments which was disseminated.

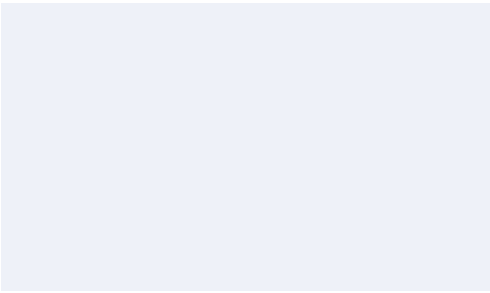
A comparison of land charges was completed and shared with SWAP Partners.

A report was circulated which compared Housing Benefits processing performance across SWAP Partners.

Further, throughout the course of the year, the following value was added through the following assurance audits completed:

- Advice during handover periods to a new contract lead officer
- Inclusion of specialist areas within the audit scope

## Plan Performance 2016/17



- Sharing of best practice / benchmarking for specific assignments
- Providing specialist advice within the IT Skills Audit.



The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



## SWAP Performance

SWAP now provides the Internal Audit service for 24 public sector organisations. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for South Somerset District Council for the 2016/17 year (as at 2 June 2017) are as follows;

Performance Target	Average Performance
<p><b><u>Audit Plan – Percentage Progress</u></b>                      Final, Draft and Discussion                      In progress</p>	<p>94%                      6%</p>
<p><b><u>Draft Reports</u></b>                      Issued within 5 working days</p>	<p>84%                      (Average Days of 3)                      (2015/16 83%)</p>
<p><b><u>Final Reports</u></b>                      Issued within 10 working days of                      discussion of draft report</p>	<p>91%                      (Average Days of 5)                      (2015/16 69%)</p>
<p><b><u>Quality of Audit Work</u></b>                      Customer Satisfaction Questionnaire</p>	<p>81%                      (2015/16 83%)</p>

**The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.**



### SWAP Performance

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

An extract from the recent review confirming this has been included at Appendix C for information.

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

<b>Substantial</b>	▲ ★ ★ ★	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.
<b>Reasonable</b>	▲ ★ ★ ★	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.
<b>Partial</b>	▲ ★ ★ ★	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.
<b>None</b>	▲ ★ ★ ★	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
Follow Up	Property Services	3	Final	Advisory	0	0	0	0	0	0
Follow up	Risk Management	1	Removed – Deferred to 17/18	N/A	0	0	0	0	0	0
ICT	IT Skills Audit	1	Final	Advisory	0	0	0	0	0	0
Operational	Culture	1	Removed	N/A	0	0	0	0	0	0
Certification	Yeovil Cemetery & Crematorium Annual Accounts	1	Final	Advisory	0	0	0	0	0	0
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Final	Advisory	0	0	0	0	0	0
Operational	Safeguarding	2	Final	Reasonable	4	0	0	1	3	0
Healthy Organisation	Healthy Organisation - Corporate Governance, Financial Management, Risk Management, Performance Management, Commissioning & Procurement, Programme & Project Management, Information Management, People & Asset Management	2	Draft	Medium	x					
Operational	Delivering Cost Savings & Increasing Income	2	Final	Reasonable	1	0	0	1	0	0
Operational	Land Charges	2	Final	Reasonable	4	0	0	4	0	0
Operational	Key Income Streams	3	Final	Reasonable	4	0	0	4	0	0
Operational	Corporate Health & Safety	3	Draft	Reasonable	0	0	0	0	0	0

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
Key Control	Key Financial Control Audit	3	Final	Reasonable	6	0	0	6	0	0
Operational	Local Council Tax Support Scheme	3	Final	Substantial	3	0	0	3	0	0
Operational	Scheme of Delegation	3	Removed – Deferred to 17/18	N/A	0	0	0	0	0	0
Operational	Leisure East Devon	4	In Progress		0	0	0	0	0	0
Operational	Data Protection	4	Final	Partial	14	0	6	8	0	0
Operational	Elections	4	Removed – Deferred to 17/18	N/A	0	0	0	0	0	0
Operational	Lufton Vehicle Workshop	4	Final	Reasonable	5	0	0	5	0	0
Grant Certification	Regeneration	4	Final	Advisory	0	0	0	0	0	0

The below is the key summary from the recent External Quality Assessment of SWAP Internal Audit Activity, carried out by the Devon Audit Partnership:

As requested by Gerry Cox, Chief Executive of SWAP, Devon Audit Partnership conducted an external quality assessment of the internal audit activity of the South West Audit Partnership (SWAP). The principal objectives of the quality assessment were to assess the internal audit activity's conformance to The Institute of Internal Auditors' (IIA's) International Standards for the Professional Practice of Internal Auditing (Standards), evaluate the internal audit activity's effectiveness in carrying out its mission (as set forth in its charter to its partners), and identify opportunities to enhance its management and work processes.

It is our overall opinion that the internal audit activity generally conforms with the Standards and Code of Ethics. For a detailed list of conformance with individual Standards, please see Attachment A. We have identified some opportunities for further improvement, details of which are provided in this report, but none of these issues represent a failure to meet with the Standards.

The IIA's Quality Assessment Manual suggests a scale of three ratings, "Generally Conforms," "Partially Conforms," and "Does Not Conform." "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. "Partially Conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

SWAP is a well-established provider of professional internal audit services to a number of public sector organisations. The internal audit activity meets the Standards and SWAP management regularly look to ways to improve the service they provide (e.g. by developing the "healthy organisation" approach) and add value to all of their partners and clients. A well-developed Quality Assurance Improvement Plan is in place that captures areas for development and provides a good record of progress against targets. Consequently, our comments and recommendations are intended to build on an already efficient and effective internal audit provider.

# Agenda Item 7

## **Internal Audit Plan 2016/17 Review and Progress 2017/18**

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

### **Purpose of the Report**

This report provides an update on the position of the Internal Audit Plan at the end of 2016/17 (Quarter 4) and review the progress made on the 2017/18 Internal Audit plan (Quarter 1).

### **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 2016/17 and 2017/18.

### **Financial Implications**

There are no financial implications associated with these recommendations.

*Background Papers:* None

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# South Somerset District Council

## Report of Internal Audit Activity

Plan Progress 2016/17 Quarter 4 and 2017/18 Quarter 1

# Contents

## The contacts at SWAP in connection with this report are:

**Gerry Cox**  
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**David Hill**  
Director of Planning  
Tel: 01935 385906  
[david.hill@southwestaudit.co.uk](mailto:david.hill@southwestaudit.co.uk)

**Moya Moore**  
Assistant Director  
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**The Assistant Director is required to provide an opinion to support the Annual Governance Statement.**



### Audit Opinion

The Accounts and Audit Regulations (England) 2015 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- Disclose any qualifications to that opinion, together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

A separate report has been presented to the Audit and Governance Committee to satisfy this requirement and Members are asked to note its content. The opinion provided in that report is Reasonable Assurance in respect of the areas reviewed during the year.

## Internal Audit Plan Progress 2016/17 & 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 to be 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 Plan Progress 2016/17 & 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 2016/17 and 2017/18 Plan.

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 on pages 8 and 9 of this document.

In the period Quarter 4 and Quarter 1 the following audits have been completed from the 2016/17 Audit Plan:

- Safeguarding (Reasonable)
- Regeneration – Grant Certification (Substantial)
- Key Income Streams (Reasonable)
- Key Financial Controls (Reasonable)
- Local Council Tax Support System (Substantial)
- Lufton Vehicle Workshop (Reasonable)
- IT Skills (Advisory)
- Data Protection (Partial)

Only 1 audit is in progress at the time of writing this report and a verbal update will be provided to the committee on this:

- Leisure East Devon (originally scheduled for Quarter 4) In progress

A further 2 audits remain in Draft stage, awaiting responses from Management to the recommendations and findings raised:

- Corporate Health & Safety

## Internal Audit Plan Progress 2016/17 & 2017/18

- Healthy Organisation

Work has commenced on the following 2017/18 audits, scheduled for Quarter 1 (all in progress):

- Yeovil Cemetery & Crematorium Annual Accounts
- Cyber Security
- Records Management
- Organised Crime Checklist

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' have been summarised in Appendix D.

However, in circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised in Appendix C. These items will remain on this schedule for monitoring by the Committee until the necessary management action is taken and appropriate assurance has been provided that the risks have been mitigated / addressed.

### 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”.

As we complete our operational audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. Examples in Quarter 4/ Quarter 1 include the following:

- A comparison of land charges was completed and shared with SWAP Partners.
- A report was circulated which compared Housing Benefits processing performance across SWAP Partners.

# Internal Audit Plan Progress 2016/17

The Assistant Auditor for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



## SWAP Performance

SWAP now provides the Internal Audit service for 24 public sector organisations. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for South Somerset District Council for the 2016/17 year (as at 2 June 2017) are as follows;

Performance Target	Average Performance
<p><b><u>Audit Plan – Percentage Progress</u></b>                      Final, Draft and Discussion                      In progress</p>	<p>94%                      6%</p>
<p><b><u>Draft Reports</u></b>                      Issued within 5 working days</p>	<p>84%                      (Average Days of 3)                      (2015/16 83%)</p>
<p><b><u>Final Reports</u></b>                      Issued within 10 working days of                      discussion of draft report</p>	<p>91%                      (Average Days of 5)                      (2015/16 69%)</p>
<p><b><u>Quality of Audit Work</u></b>                      Customer Satisfaction Questionnaire</p>	<p>81%                      (2015/16 83%)</p>



**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 4 to ensure internal audit resources are focused on the key risks faced by the Council. All changes are made in agreement or at the request of the Section 151 Officer:

- Elections – This audit was lost without replacement due to cancellation by Management at short notice. The service was unable to accommodate an audit at that time and we have agreed to consider this area again as part of the 2017/18 audit plan, in liaison with the Section 151 Officer.
- Scheme of Delegation - This audit was lost without replacement due to cancellation by Management at short notice. The service was unable to accommodate an audit at that time (same service as above). In addition to this, the timing of the audit proved to be less than satisfactory due to the stage in the Transformation Programme. Having discussed this audit with the Chief Executive, we have agreed to consider this area again as part of the 2017/18 audit plan, in liaison with the Section 151 Officer.
- Risk Management Follow Up- this was deferred until Quarter 1 of 2017/18 due to client staff sickness and transfer of management oversight responsibilities as part of the Transformational Change program. We have confirmed however that responsibility has been reassigned and the Risk Manager attended the Audit Committee in April 2017 to provide an update on current matters. This audit was replaced with some grant certification work relating to the remedial works at Whatley Gasworks site.

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

<b>Substantial</b>	▲ ★ ★ ★	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.
<b>Reasonable</b>	▲ ★ ★ ★	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.
<b>Partial</b>	▲ ★ ★ ★	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.
<b>None</b>	▲ ★ ★ ★	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
<b>2016/17</b>										
Follow Up	Property Services	3	Final	Advisory	0	0	0	0	0	0
Follow Up	Risk management	1	Removed – Deferred to 17/18	N/A	0	0	0	0	0	0
ICT	IT Skills Audit	1	Final	Advisory	0	0	0	0	0	0
Operational	Culture	1	Removed	N/A	0	0	0	0	0	0
Operational	Yeovil Cemetery & Crematorium Annual Accounts	1	Final	Advisory	0	0	0	0	0	0
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Final	Advisory	0	0	0	0	0	0
Operational	Safeguarding	2	Final	Reasonable	4	0	0	1	3	0
Healthy Organisation	Healthy Organisation - Corporate Governance, Financial Management, Risk Management, Performance Management, Commissioning & Procurement, Programme & Project Management, Information Management, People & Asset Management	2	Draft	Medium	x					
Operational	Delivering Cost Savings & Increasing Income	2	Final	Reasonable	1	0	0	1	0	0
Operational	Land Charges	2	Final	Reasonable	4	0	0	4	0	0
Operational	Key Income Streams	3	Final	Reasonable	4	0	0	4	0	0
Operational	Corporate Health & Safety	3	Draft	Reasonable	0	0	0	0	0	0
Key Control	Key Financial Control Audit	3	Final	Reasonable	6	0	0	6	0	0

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor				
						Recommendation				
						5	4	3	2	1
Operational	Local Council Tax Support Scheme	3	Final	Substantial	3	0	0	3	0	0
Operational	Scheme of Delegation	3	Removed – Deferred to 17/18	N/A	0	0	0	0	0	0
Operational	Leisure East Devon	4	In Progress		0	0	0	0	0	0
Operational	Data Protection	4	Final	Partial	14	0	6	8	0	0
Operational	Elections	4	Removed – Deferred to 17/18	N/A	0	0	0	0	0	0
Operational	Lufton Vehicle Workshop	4	Final	Reasonable	5	0	0	5	0	0
Grant Certification	Regeneration	4	Final	Advisory	0	0	0	0	0	0
	<b>2017/18</b>									
Follow Up	Risk Management Follow Up	2	Not Started		0	0	0	0	0	0
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Not Started		0	0	0	0	0	0
Operational	Yeovil Cemetery & Crematorium Annual Accounts	1	In Progress		0	0	0	0	0	0
Operational	Records Management	1	In Progress		0	0	0	0	0	0
ICT	Cyber security	1	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
Advice	Risk Management Support	1	Not Started		0	0	0	0	0	0
Operational	Licensing	1	Not Started		0	0	0	0	0	0
Governance, Fraud & Corruption	Fraud Audit	2	Not Started		0	0	0	0	0	0
Governance, Fraud & Corruption	Organised Crime checklist	2	In Progress		0	0	0	0	0	0
Key Control	Key Controls Provision	3	Not Started		0	0	0	0	0	0
Governance, Fraud & Corruption	Fraud Audit	3	Not Started		0	0	0	0	0	0
Operational	LED Contract Compliance	3	Not Started		0	0	0	0	0	0
Operational	Programme and Project Management	3	Not Started		0	0	0	0	0	0
Operational	Procurement Review	3	Not Started		0	0	0	0	0	0
Operational	Key Income Streams	4	Not Started		0	0	0	0	0	0
Operational	S106/ CIL	4	Not Started		0	0	0	0	0	0
Operational	Accountability	4	Not Started		0	0	0	0	0	0
Operational	Business Continuity Key Service Test	4	Not Started		0	0	0	0	0	0
Operational	Housing Benefit Claims/Subsidy	4	Not Started		0	0	0	0	0	0
Operational	Tourism	4	Not Started		0	0	0	0	0	0

Schedule of potential significant risks identified from Internal Audit work in the period Quarter 4

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action	Manager’s Update (Date)
Data Protection – Data Processors	See Appendix D					

Summary of key points related to ‘Partial Assurance’ reviews (Priority 4 and above)

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Audit Title	Significant Audit Findings	Key Actions Agreed by Service	Dates of Agreed Implementation	Date of programmed follow up
Data Protection – Data Processors	<p>No contract was found for the Out of Hours Service provided by data processor Dean Helpline</p> <p>This is a breach of the Data Protection Act and if the ICO became aware it could result in heavier penalties being imposed on the Authority.</p>	<p>The Civil Contingencies Manager has agreed to put a formal agreement in place between the Authority and the Deane Helpline Service, covering all necessary data protection responsibilities and obligations including liaison with the Fraud and Data Team as necessary.</p>	Oct 2017	Qtr 3
Data Protection – Data Processors	<p>From sample testing, where contracts did exist, they were often found to contain insufficient data processor requirements and/or had not been signed.</p> <p>The Authority may be unable to demonstrate it has taken reasonable steps to ensure the safety of personal data handled by Data Processors, resulting in larger fines and greater reputational damage.</p>	<p>The Fraud and Data Manager has agreed to issue a reminder to all service managers that they should liaise with her when drafting any contracts with Data Processors, to ensure that all relevant clauses are included.</p>	End May 2017	Qtr 3
Data Protection – Data Processors	<p>Section 9.11 of the Authority’s constitution requires that a copy of all contracts should be lodged with the Legal Team who should then catalogue and maintain a central repository in a fire proof storage area. Our testing found that this was not happening.</p>	<p>The Procurement and Risk Manager has agreed to arrange for a copy of all significant contracts, including low value contracts where there are significant risks in terms of DPA compliance, to be lodged with the legal team for retention within the central</p>	Jul 2017	Qtr 3



Audit Title	Significant Audit Findings	Key Actions Agreed by Service	Dates of Agreed Implementation	Date of programmed follow up
	<p>Contracts may be hard to or impossible to locate as responsible officers change posts or leave. In the event of a major incident such as a fire/flood, paper based contracts may be permanently lost.</p> <p>The Authority may be unable to enforce contractual obligations including those relating to data protection or demonstrate that reasonable steps were taken to ensure the data protection requirements were met.</p>	<p>repository.</p> <p>The Procurement and Risk Manager has also agreed to ensure that all service areas are aware of this requirement.</p>		
Data Protection – Data Processors	<p>Some existing contracts do not include a Data Processing Agreement.</p> <p>The council may be exposed to Data Processing risks related to data disposal, use of personal data and other data restrictions.</p>	<p>The Fraud and Data Manager has agreed to issue a reminder to all Contract Managers that where contracts are renewed or it is agreed to roll them forward, that data protection issues are covered.</p>	End of May 2017	Qtr 3
Data Protection – Data Processors	<p>Some contracts have been extended yet no record of approval of this has been retained.</p> <p>The Council may be exposed to reputational damage in the event the letting of a contract on an unapproved extended term is challenged.</p>	<p>The Procurement and Risk Manager has agreed to issue a reminder to all Service Managers, stating that where contracts are to be extended beyond their natural term, advice is taken from the Procurement and Risk Manager on the legality of the extension (which may otherwise be unlawful), and written confirmation and authority for this extension should, as a point of good</p>	July 2017	Qtr 3

Audit Title	Significant Audit Findings	Key Actions Agreed by Service	Dates of Agreed Implementation	Date of programmed follow up
		practice, be drawn up and held with the contract documentation in the Deed Room		
Data Protection – Data Processors	<p>The Council cannot show that reasonable steps have been taken to ensure Data Protection requirements have been met for individuals employed on a secondment basis or contractors who are for Tax and NI purposes treated as employees.</p> <p>If they are data processors rather than employees then the authority is in breach of the DPA.</p> <p>There is an increased risk of fines and reputational damage if these individuals are responsible for data breaches.</p>	<p>The HR Manager/Housing and Welfare Manager have agreed to confirm the status of these officers (within the context of Data Protection legislation). If it is determined that individuals are employed on a secondment basis or are considered employees, confirmation should be sought that data protection induction and training has been carried out. If the individuals are considered private contractors, a written contract covering data protection issues should be used.</p>	End May 2017	Qtr 3

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# Agenda Item 8

## **2017/18 SWAP Internal Audit Charter**

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

### **Purpose of the Report**

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

### **Recommendation**

That the Audit Committee approves the Internal Audit Charter.

### **Background**

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

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

### **Financial Implications**

There are no financial implications associated with these recommendations.

**Background Papers:** None

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# Internal Audit Charter



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

# Internal Audit Charter

## **Purpose**

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

## **Approval**

This Charter was last reviewed by the Audit Committee on 27<sup>th</sup> April 2017.

## **Provision of Internal Audit Services**

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

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Section 151 Officer in consultation with the Chief Executive of SWAP.

## **Role of Internal Audit**

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

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

## **Responsibilities of Management and of Internal Audit**

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

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

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

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

### ***Internal Audit***

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

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<sup>2</sup> In this instance Management refers to the Management Team

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS); SWAP has been independently assessed and found to be in Conformance with the Standards.

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

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

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

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

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

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

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

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

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

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether South Somerset District Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;

- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy;
- at the specific request of management, internal audit may provide consultancy services provided:
  - the internal auditors independence is not compromised
  - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
  - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
  - management understand that the work being undertaken is not internal audit work.

### **Planning and Reporting**

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

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

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

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Section 151 Officer and to other relevant line management.

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

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

## SWAP Engagement Protocol

### Background

It is important that the audit experience is useful to our partner organisations, one where the outcomes are seen to add value, even if that value is to provide assurance that internal controls are working effectively.

The Annual Internal Audit Plan is developed to focus on the high or emerging risks and any anticipated challenges facing the Authority. Once the audit plans are approved by the Audit Committee SWAP needs to deliver the Audits throughout the year. Sufficient resource is available as long as no significant delays are seen. SWAP are limited in their ability to 'carry' additional resources to respond to delays or difficulties in progressing annual plans.

On occasions, audits are deferred at the last moment by Partner services or services are not ready for the audit, this is occurring too often and causing difficulty in our resource planning. Audits that are unnecessarily protracted or delayed can reduce the value added in that some of the findings may become out of date or irrelevant; the impetus to address control weakness may be lost.

To help address this matter we recommend the following process, outlining the roles and obligations of SWAP and those of the Partner Organisation.

### Roles and Obligations

SWAP	Partner Organisation
Meet with key stakeholders to determine annual plan.	Agree areas for inclusion in plan and preferred quarters.
Prepare annual plan and ensure approved by Audit Committee.	Agree and approve annual plan.
If notified of a change to the plan schedule new review into the work programme.	If the partner organisation identified new risks notify SWAP and agree changes to the annual plan to include a new review.
One month before each quarter SWAP will write to all service managers subject to an audit in the quarter to set initial meeting dates.	Acknowledge audit and accept initial meeting request, if not possible and audit needs to be deferred the reason MUST be relayed to SWAP within one week.
If an audit can't be performed SWAP must agree a replacement audit with the client officer, any time already utilised will be deducted from the replacement audit.  If a replacement cannot be found the audit time may be lost without replacement	The Client officer will agree an audit to bring forward along with the remaining days available for delivery.
Discuss the below during initial meetings:  Objective, Scope, Risks and Controls, Data Requirements, Staff availability, Timescales and close	Agree proposed programme. Ensure all data requirements are provided and any background evidential information in advance of fieldwork.



SWAP	Partner Organisation
out meeting date.	
Prepare a Terms of Reference outlining objective and scope of review.	Terms of Reference to be signed as agreed and returned within one week
If scope is too wide for current budget but necessary discuss with client officer where the additional time will come from.	Client officer to approve additional time require and where this will come from.
Start fieldwork, ensuring any significant issued are raised and discussed at the time of finding.	Make all evidence and data requirements available in a timely manner.
Delays in receiving data or evidence to be escalated through a SWAP Assistant Director and if required through the client officer	Senior Managers/Client Officer will endeavour to ensure data and evidence is provided in a timely manner.
A discussion document will be sent out before the close out meeting to agreed contacts.	Will note discussion document and prepare for close out meeting.
The close out meeting will address any matters that need clarifying and obtain general agreement to audit opinion findings and recommended actions.	Will accept the audit opinion. Findings and recommended actions and/or highlight areas of disagreement for discussion and resolution.
If the close out meeting has to be cancelled by either party, they will provide as much notice of this and possible and be responsible for rescheduling an alternative date within two weeks of the original scheduled date.	
Issue a formal draft to agreed wider audience within one week of the close out meeting.	Respond to the draft report, completing action plan within two weeks of receipt of draft report.
Issue final report following receipt of draft with completed responses to agreed contacts.  If draft response not received in two weeks this will be escalated to SWAP Assistant Director and partner client officer. If no response within four weeks final report to be issued with note saying actions to be agreed.	Take responsibility for the final report and implement agreed actions.

# Agenda Item 9

## **Risk Registers for the Westlands Projects**

*Director:* Clare Pestell, Commercial Services and Income Generation

*Lead Officers:* Adam Burgan

*Contact Details:* Adam.burgan@southsomerset.gov.uk or (01935) 845911

### **Purpose of the report**

Members of the Audit Committee requested that an updated copy of the “Risk Register” for the Westlands project is presented at a future meeting.

### **Recommendations**

The Audit Committee is asked to note the risk register as attached.

### **Introduction**

The review of risk 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”

### **The Risk Register**

The risk register as attached is monitored through the respective Board and as a result there may be some questions around context and detail. If Members wish to ask more detail around any of the risks as set out before the meeting please contact:

Clare Pestell on 01935 462565 or [clare.pestell@southsomerset.gov.uk](mailto:clare.pestell@southsomerset.gov.uk)

Adam Burgan on 01935 845911 or [adam.burgen@southsomerset.gov.uk](mailto:adam.burgen@southsomerset.gov.uk)

### **Financial Implications**

There are no financial implications attached to the Audit Committee reviewing the documents.

### **Background Papers**

None.

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# Westlands Leisure Complex

## PROJECT RISK REGISTER

**CONFIDENTIAL - Subject to Project Team Review**

Version: 0.6 - 7 Feb 2017

Owners	
SJ	Steve Joel
CP	Clare Pestell
LW	Laurence Willis
SS	Sylvia Seal
RP	Ric Pallister
GG	Garry Green
AP	Alex Parmley
LP	Lynda Pincombe
AB	Adam Burgan
BW	Ben Warman
SW	Sean Welsh
IC	Ian Clarke
NH	Nicky Hix

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1	WLC	Organisation	Delays in SSDC Decision Making.	Increases cost to Leonardo and SSDC. Increases risk of unoccupied facility damage.	RP	5	5	4	25	20	Project Board to understand associated costs and manage risk.	On-going	C	3	1	2	3	6
2	WLC	Organisation	Delays in obtaining Finmeccanica / Leonardo approvals.	Increases cost to Leonardo and SSDC. Increases risk of unoccupied facility damage.	SJ	5	5	4	25	20	1) Project Board establish clear proposal. 2) Leonardo to pre-brief Finmeccanica CE to facilitate decision.	Complete	C	0	4	4	0	0
Page 51	WLC	Organisation	Finmeccanica approval not provided.	Design cost risk - circa £25K.	SJ	3	4	1	12	3	1) Prioritise detailed design work. 2) Push for early decision.	Complete	C	0	4	4	0	0
	4	WLC	Legal	Delays in the negotiating the legal documents.	Leonardo set deadline of 31st May 2016.	IC	5	5	4	25	20	1) Develop contract exchange conditions / back stop clauses. 2) Encourage Leonardo to progress lease work whilst awaiting F / L decision to help minimise their cost exposure.	Complete	C	0	5	4	0
5	WLC	Organisation	Insufficient internal project team design and refurbishment capacity.		SJ	5	5	4	25	20	Contract in design and refurbishment project management expertise.	Complete	C	0	0	4	0	0
6	WLC	Organisation	No procurement plan in place.		SJ / GG	3	5	5	15	15	1) Project team to review options with GR. 2) PB to agree plan.	Complete	C	0	5	5	0	0
7	WLC	Organisation	Delays in obtaining key stage approvals.		SJ	5	4	4	20	20	1. Project Board meetings structured around key stage approval dates.	Complete	C	3	2	2	6	6
8	WLC	Organisation	Loss of organisational capacity.	VS, DP and SJ are leaving the organisation. This leaves a significant gap in the knowledge, expertise and capacity required to successfully deliver the business plan. Next to transformation, this represents the biggest risk to SSDC in 2017-18.	AP	5	2	8	10	40	1) Risk is CEO responsibility.	On-going	A	3	4	4	12	12
9	WLC	Organisation	Loss of key staff.	Holiday, sickness, departure or need to focus on other corporate projects.	VS	5	1	8	5	40	1) Build in PB / PT resilience. 2) Monitor at Project Board Meetings.	On-going	L	3	2	6	6	18



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10	Sport	Finance	SE Improvement Fund Stage 1 Application unsuccessful.	Funding secured of £492,463.	SJ	5	8	8	40	40	1) Gain support from SE South West. 2) Gain support from Clubs / NGBs. 3) Test Checklist and EOI Submission with SE SW. 4) Review Other Funding Sources. 5) Prioritise Sport Hall and Squash Court Works, Phase Pavilion Works.	Complete	C	0	8	8	0	0
Page 52	Sport	Finance	SE Improvement Fund Stage 2 Application unsuccessful.	Funding secured of £492,463.	SJ	5	8	8	40	40	1) Test Stage 2 Application Submission with SE SW. 2) Prepare Stage 2 Peer Review Meeting - 5th April 2016. 3) Review Other Funding Sources. 4) Prioritise Sport Hall and Squash Court Works, Phase Pavilion Works.	Complete	C	0	8	8	0	0
	12	Sport	Finance	Unbanked S106 contributions may not be received prior to commencement of works.	Majority have now been received and paid. £28,342 outstanding, and a further £63,832 which will become available in the course of 2017-18.	LP	5	8	8	40	40	1) LP to review sums received monthly. 2) Review other funding opportunities. 3) Structure works contract to reflect cash available. 4) Plan future improvements to allow enhancements as sums come through.	Ongoing	A	7	2	8	14
13	Sport	Finance	Need to agree variation with YHG to enable S106 sum from Greenhill Rd, Yeovil development to be used for project.	Sum amounts to £23,441.	LP	1	8	4	8	4	1) NW to seek variation agreement from YHG to use at Westlands.	Complete	C	0	0.5	0.5	0	0
14	Sport	Finance	No finance for health and fitness equipment.	Equipment purchased for £115,000 exc VAT. Internal Loan policy to be applied during Feb 2017 given the high cost of leasing.	SJ	5	8	8	40	40	1) Resource Technogym equipment through 5 year lease. Add costs to Business Plan. 2) Seek for LED to operate.	Complete	L	0	4	4	0	0
15	WLC	Finance	Failure to deliver or comply with grant obligations.		SM	3	8	8	24	24	1) Assess grant conditions. 2) Review grant condition risks as part of PB risk register review.	Complete	L	0	8	8	0	0
16	WLC	Finance	Lack of clarity or accuracy in project budget.		CP	5	8	8	40	40	1. Finance update in every project team/board meeting. 2. Clarity about spend authorisations.	On-going	A	3	8	4	24	12
17	WLC	Finance	Risk of losing S106 monies due to time periods.	Exercise complete. S106 sums will be transferred upon approval of Lease.	LP	1	8	8	8	8	1) LP to review sums time periods. 2) Add to risk register where relevant.	Complete	C	0	1	1	0	0
18	WLC	Finance	Budget estimated, still subject to detailed design process.	Detailed design process complete for the Complex and Sporting Facilities. Stage 2 of Tender process complete.	PB	3	8	4	24	12	1) Appoint Designer(s) post FC decision. 2) Design scheme to budget. 3) PB to approve design and cost report.	Complete	C	0	4	4	0	0



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19	WLC	Design	Design proposal may not meet user group expectations.	Uptake small scale testing events with existing users groups.	SJ	5	8	4	40	20	1) Form user group. 2) Consult as part of design process. 3) Ensure group understands budget parameters.	Complete	C	0	4	2	0	0
20	WLC	Design	AW delay or refuse design proposals through lease controls.	Designs all approved as part of Lease.	SJ	3	4	8	12	24	1) Consult and involve Leonardo in the design process.	Complete	C	0	4	4	0	0
21	Sport	Planning	New pavillion / rifle club would be subject to planning approval.	Application to be submitted once SE grant approved.	SJ	5	8	4	40	20	1) Assess planning requirements of proposals with Development Control. 2) Add to project programme.	Complete	C	0	4	4	0	0
22	WLC	Finance	Budget based on untendered cost estimates.	Adopted 2 Stage Tender Process to control costs and accelerate Value Engineering element of the Programme.	SJ / GG	5	8	4	40	20	1) Tender work. 2) Prioritise final scope to deliver to agreed budget.	Complete	C	3	8	2	24	6
23	WLC	Finance	Vandalism or thefts during the closure period increase scope of works.	Risk reduced now practical completion reached. However, on going low risk as works completed.	AB	5	4	8	20	40	1) Discuss mitigations with AW. 2) Publicise security measures to deter.	On-going	A	5	4	2	20	10
24	WLC	Finance	Project cost over-runs.	Fixed price tender. Maintain 5% contingency.	VS	1	8	4	8	4	1) Accountant to lead budget monitoring process for PT / PB. 2) Maintain cost risk options register to contain costs within available resources.	On-going	A	3	8	4	24	12
25	WLC	Finance	Clubs / user groups decide they cannot afford hire charges after works commence.	Prices agreed.	LP	5	2	2	10	10	1) Agree hire contracts prior to commencement of works.	Complete	C	0	2	2	0	0
26	WLC	Planning	Failure to achieve planning permission.		SJ	3	2	8	6	24	1. Submit revised planning application.	Complete	C	0	2	8	0	0
27	WLC	Legal	Failure to comply with the terms of the Leonardo lease.		IC	1	2	8	2	8	1) Schedule regular meetings to keep Leonardo updated through development phase of the project.	On-going	L	1	1	4	1	4
28	WLC	Procurement	Failure to agree bar fit out deal as part of alcohol supply contract.	SSDC budget assumes bar fit out will be finished through 3 year alcohol supply deal. Contract to cover WLC and the Octagon. There is very strong interest from Suppliers.	AB	1	4	4	4	4	1) Combine WLC and Octagon (will be largest contract in the area). 2) Tender early.	Complete	C	0	4	4	0	0



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29	WLC	Procurement	Failure to appoint suitable contractors.	6 Stage 1 Tender submissions. 2 shortlisted for Stage 2.	GG	5	1	8	5	40	1) Identify contractors. 2) Raise awareness of contract. 3) Ascertain willingness to submit tenders prior to invitation to tender. 4) Suitable contractors selected for type of works involved. Financial analysis to be carried out on receipt of tenders	Complete	C	0	0.5	0.5	0	0
30	WLC	Procurement	Appointed contractors cannot deliver to required schedule.	35wk Programme Stated. Project plan has been revised accordingly. Final programme will be negotiated at Stage 2 with preferred contractor.	GG	3	4	2	12	6	Required times scales and programme of works identified within twender documents. Contractor to submit his own programme if different to that stated on return of tender.	Complete	C	0	2	2	0	0
31	WLC	Procurement	Failure to appoint service suppliers.		PH	5	2	2	10	10	Instigate pre-contract meetings to establish points of communications and establish critical path programming.	Complete	C	2	1	1	2	2
32	WLC	Procurement	Tender price inflation.		SJ	5	8	8	40	40	1. Clear project budget. 2. Value engineer works to contain costs within available resources.	Complete	C	3	4	4	12	12
33	WLC	Construction and H&S	Insufficient resourcing from contractors.	Delay in completing works, impacting new bookings.	GG	3	2	2	6	6	Tender details and drawings identified works required, timescales and penalties involved.	On-going	L	1	1	1	1	1
34	WLC	Construction and H&S	Inclement weather.	Delay in programme for roof replacement and new pavillion. Other works unaffected.	GG	3	2	2	6	6	Details of inclement weather to be recorded. Contractor allowed extension of time at no additional cost to all parties	On-going	L	1	2	2	2	2
35	WLC	Construction and H&S	Dispute with contractors threatening delivery.	Delay in programme	GG	3	4	2	12	6	Project risks and environment details stated in tender documents.	On-going	L	1	2	2	2	2
36	WLC	Construction and H&S	Delay in supplying retractable seating.	20 week lead in time. Tender process complete. Preferred Contractor Identified.	AB	3	4	2	12	6	Chosen contactor needs to be chosen on ability to deliver on time	Complete	C	0	2	2	0	10
37	WLC	Construction and H&S	Contractor liquidation.	Default in contractor completing works. Alternative contractor to be appointed	GG	3	8	4	24	12	Financial standing of contractors checked prior to invite to tender. Payments made monthly for works done in arrears	On-going	L	1	2	2	2	10
38	WLC	Construction and H&S	Failure to sign up lease delays work.		IC	5	2	2	10	10	1) Obtain licence / letter of intent approval to enable works to proceed. 2) Complete new lease agreements.	Complete	C	0	2	2	0	10





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39	WLC	Construction and H&S	Delays in club / user group 'decant' delays work.	Premises need to be emptied prior to works commencing.	LP	5	2	2	10	10	1) Assess decant issues. 2) Set up decant programme and agreements with clubs / user groups. 3) Oversee decant on site.	Complete	C	0	2	2	0	10
40	WLC	Construction and H&S	Accident on site stops site works.		GG	3	8	8	24	24	1) Design complies with CDM regulations. 2) Health and safety aspects considered as part of tender process. H & S issues monitored throughout process.	On-going	L	1	4	4	4	4
Page 55	WLC	Construction and H&S	Works on site undercover an unexpected problem.	Asbestos, building regulation and fire assessment issues have been identified.	PB	5	2	4	10	20	1) Condition surveys completed across all site areas. 2) Contingency provision.	On-going	L	1	4	4	4	4
	WLC	Construction and H&S	Asbestos contamination on site is more extensive than initially thought.	Last roof cut scheduled for stage ventilation.	GG	3	8	2	24	6	1) Asbestos survey completed. 2) Works assessed and costed. 3) Contingency provision.	On-going	L	1	4	4	4	4
43	WLC	Construction and H&S	Security on site of tools, plant and machinery.		GG	3	1	1	3	3	Contractor to assess requirements as part of tender process.	On-going	L	1	1	1	1	1
44	WLC	Construction and H&S	Contractor communication during construction phase	Delay in programme completion, issues with users or members of the public.	GG	3	4	2	12	6	Management and supervision team in place. Contractor responsible for communications with sub contractors and suppliers.	On-going	L	1	4	2	4	2
45	WLC	Construction and H&S	Vandalism during construction.		GG	3	8	2	24	6	Monitor contractor site security arrangements.	On-going	L	3	8	4	24	12
46	WLC	Construction and H&S	BT fail to deliver 1Gb fibre link		BW	5	1	4	5	20	1. Order early. 2. Track deliver.	Complete	C	0	1	4	0	0
47	WLC	Construction and H&S	Kitchens need to be recommissioned. Further work may be required should issued be identified by the actering team.	Commissionign test to be completed in Feb 2017.	SW	3	2	4	6	12	LC to arrange commissioning.	Complete	C	0	2	4	0	0
48	WLC	Licence	Police object to the Licence.	Prevents alcohol being sold, results in business plan being unviable.	SW	5	8	8	40	40	SW to consult all parties, submit licence and broker conditions.	Complete	C	0	8	8	0	0



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49	WLC	Operational	Handover date uncertain.	Currently being finalised through Stage 2. Business plan estimates need to be matched to programme.	SJ / AB	5	8	8	40	40	1) Prepare and test programme. 2) Financially re-model BP transition year to reflect programme.	Complete	C	0	4	4	0	0
50	WLC	Operational	Leonardo may seek to transfer site to SSDC earlier under 'Letter of Intent' whilst legals progress.	May mitigate vandalism.	SJ / IC	7	4	4	28	28	1) Assess implications of Leonardo seeking to transfer the risk. 2) Assess options and prepare plans. 3) Consider timing and terms that would be acceptable for SSDC.	Complete	C	0	4	4	0	0
Page 56	WLC	Operational	Accuracy of supplied information.	Period of closure presents more significant challenge.	SJ	5	8	2	40	10	1) Allocate contingency within BP.	Complete	C	0	4	4	0	0
	WLC	Operational	Leonardo negotiation and settlement for Sodexo owned assets has not been concluded.	Concluded as part of the Lease. Valued at circa £200K.	SJ	5	8	2	40	10	1) Review Sodexo inventory only seeking assets our operating plan requires. 2) Confirm requirements to Leonardo. 3) Monitor Leonardo negotiation and its financial impact to SSDC.	Complete	C	0	8	2	0	0
53	WLC	Operational	Extent of revenue impact stemming from prolonged closure.	Period of risk now passed	SJ	7	8	8	56	56	1) Sign up clubs prior to works commencement. 2) Establish marketing plan. 3) Launch website. 4) Deliver campaigns in tandem with works.	Complete	C	0	8	2	0	0
54	WLC	Operational	Extent of revenue impact associated with the phased refurbishment could be greater than forecast.	Finalise once Lease and Stage 2 Tenders is agreed.	SJ	5	4	2	20	10	1) Mobilise operation according to programme. 2) Build programme penalties into works contracts. 3) Assess mitigation options to minimise costs.	On-going	L	3	4	2	7	6
55	WLC	Operational	Secure insufficient artists during the first post refurbishment year.	Less ticket sale income.	AB	5	8	1	40	5	1) Seek to contract artists as soon as Letter of Intent agreed.	Ongoing	L	1	8	1	8	1
56	WLC	Operational	Facility levy receipts are less than expected.	Levy scheme fully implemented and performing well. Impacts loan repayment.	AB	3	8	1	24	3	1) Introduce scheme to start Sept 2016. 2) Maintain healthy loan to receipt ratio. 3) Include WLC as part of S106 / CIL regime. 5) Monitor introduction and ticket sale receipts monthly.	Complete	C	0	8	1	0	0
57	WLC	Reputation	Failure to deliver enhancements and transformation residents expect.	Reactions have been very positive on the Sport and Fitness Centre, and tours to date.	VS	5	1	1	5	5	1) Manage expectations through website. 2) Allow residents / hirers to explore design room by room. 3) Clear project plan. 4) Contingency budget.	Complete	C	0	1	1	0	0
58	WLC	Reputation	Failure to deliver the project and meet requirements of SE.		LP	3	1	4	3	12	1. Board meeting monitoring.	On going	L	1	1	1	1	1





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59	WLC	Political	Poor communication to Members.		SS	1	1	4	1	4	1) Sylvia to keep Cllrs abreast of progress through Policy Panel Meetings. 2) DX report 4 Monthly. 3) Area South / YTC Report 4 Monthly. 5) Ward Member update bi-monthly.	On-going	L	1	0.5	2	1	2
60	WLC	Communicate	Failure to communicate to Clubs / Sections.	Use agreements, prices and licences now in place.	LP	3	0.5	2	2	6	1) Form User Forum. 2) Hold regular User forum updates.	Complete	C	0	0.5	2	0	0
Page 57	WLC	Communication	Failure to communicate properly to members of the Project Team and Project Board.		SJ	3	2	2	6	6	1. Regular project team and project board meetings. 2. Project highlight reports. 3. Baseline information system.	On-going	L	1	2	2	2	2
	WLC	Communication	Failure to communicate properly to Ward Members.		SJ	1	0.5	1	1	1	1. Bi-monthly update reports.	On-going	L	1	0.5	0.5	1	1
63	WLC	Communication	Failure to communicate properly to Area South Committee and Yeovil Town Council.		SJ	3	1	1	3	3	1. Update and Advise 4 Monthly.	On-going	L	1	1	1	1	1
64	WLC	Communication	Negative perception on spending money on an area people feel should not be supported.		AB	3	1	2	3	6	1. Deliver project to budget and schedule. 2. Maintain high external profile.	On-going	L	1	0.5	1	1	1
65	WLC	Finance	AW refuses to accept annual accounts and therefore the £35k contribution is not received	Invoice issued. Payment expected within next 60 days.	NH	7	8	8	56	56	Example now an Appendix to the lease and cost headings now agreed	On-going	L	3	8	2	24	6
66	WLC	Finance	Over time SSDC will lose the contributions from the Town and Parish Councils, and AW as the profit generates a profit		NH	7	8	8	56	56	Example now an Appendix to the lease and cost headings now agreed. Will need to review spend each year and keep business plan up to date to ensure if contributions are lost that the complex has a sustainable profit. Have factored in a reduction by year 4.	On-going	A	5	8	2	40	10
67	WLC	Finance	If AW enact the break clause SSDC may not have sufficient funding to repay the loan.		NH	9	8	8	72	72	Changes made in the side agreement mean that SSDC will not have to calculate this as per their published accounts. This risk will be minimised through the final Financial Statement and will require ongoing monitoring in order to minimise any financial difference between the cap and return from AW if the break is acted upon.	On-going	A	7	8	8	56	56



# Westlands Leisure Complex

## PROJECT RISK REGISTER

**CONFIDENTIAL - Subject to Project Team Review**

Version: 0.6 - 7 Feb 2017

Owners	
SJ	Steve Joel
CP	Clare Pestell
LW	Laurence Willis
SS	Sylvia Seal
RP	Ric Pallister
GG	Garry Green
AP	Alex Parmley
LP	Lynda Pincombe
AB	Adam Burgan
BW	Ben Warman
SW	Sean Welsh
IC	Ian Clarke
NH	Nicky Hix

Status	C	Mitigation measures complete - risk no longer exists.
	L	No issues materialising - risk under control.
	A	There are issues arising - but risk is under control.
	R	Significant issue exists - risk not under control and needs attention.

Revised Rating Analysis (Defined by Matrix Worksheet)	Low Risk 0-7
	Medium Risk 8-20
	High Risk > 20

PROBABILITY	Very High	9
	High	7
	Medium	5
	Low	3
	Very Low	1

IMPACT	Cost	Time	Rating
	£20,000 +	> 2mths	8
	£10,000 - £20,000	1 - 2 mths	4
	£5,000 - £10,000	2wk - 1 mth	2
	£2,500 - £5,000	1 - 2 wks	1
	£0 - £2,500	0 - 1 wk	0.5

ID	Facility	Category	Description of Risk	Comments	Owner	Prob.	Impact		Rating		Mitigation Actions	To Action by (date)	Status	Revised Analysis					
							Cost	Time	Cost	Time				Prob.	Impact		Revised Rating		
															Cost	Time	Cost	Time	
Page 58	68	WLC	Finance	The business plan is not realised over time	CP	5	8	8	40	40	The Business Plan is based on past figures and data received from running the center. This has been supplemented by SSDC knowledge of running the Octagon and SSDC sports facilities. By year 3 it is expected that overall there will be a surplus of approx £100k - the MTFP reflects an ongoing loss of £62k and therefore the business case could have a considerable reduction in net profit before affecting other SSDC services	On-going	A	3	8	8	24	24	
	WLC	Finance	Financial close not completed before delayed key staff leave.	CEO	7	8	8	56	56	Financial close is unlikely to be completed before the end of May 2017. Mitigation measure currently provides 5 days of key officer time.	On-going	A	7	8	4	56	28		
	70	WLC	Finance	Insurance claim for roof is unsuccessful.	Budget impact £74K.	LC	3	8	8	24	24	Initial claim response is positive, but insurer unlikely to meet full costs. Claim seeks interior aspects as well as roof.	Complete	C	0	8	4	0	0

# Agenda Item 10

## 2016/17 Treasury Management Activity Report

*Director* Ian Clarke, Director - Support Services  
*Service Manager:* Catherine Hood, Finance Manager  
*Lead Officer:* Karen Gubbins, Principal Accountant  
*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 2016/17 financial year as prescribed by the revised CIPFA Code of Practice and in accordance with the Council's Treasury Strategy, Annual Investment Policy and Treasury Management Practices.

### Recommendations

2. The Audit Committee are asked to:
  - Note the treasury management activity for the 2016/17 financial year;
  - Note the position of the individual prudential indicators for the 2016/17 financial year;
  - Note the outlook for the investment performance in 2017/18
  - Recommend the 2016/17 Treasury Management Activity Report to full Council

### Background

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 Council 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.

### External Context (provided by Arlingclose)

#### Economic background:

7. Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the

year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

8. UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.
9. In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.
10. Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.
11. Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December

#### **Financial markets:**

12. Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.
13. After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.
14. Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

## **Credit background:**

15. Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.
16. Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.
17. None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.
18. On the advice of Arlingclose, new investments with Deutsche Bank and Standard Chartered Bank were suspended in March 2016 due to the banks' relatively higher credit default swap (CDS) levels and disappointing 2015 financial results. Standard Chartered was reintroduced to the counterparty list in March 2017 following its strengthening financial position, but Deutsche Bank was removed altogether from the list.
19. In July, following a review of unrated building societies' annual financial statements, Cumberland, Harpenden and Vernon building societies were removed from the Authority's list due to a deterioration in credit indicators. The maximum advised maturity was also lowered for eleven other societies from 6 months to 100 days due to the uncertainty facing the UK housing market following the EU referendum.

## **Investment Activity**

20. The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2016/17, the Authority's investment balance ranged between £48.931 and £75.060 million due to timing differences between income and expenditure.
21. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
22. The Authority's best performing investments in 2016/17 were its £5m of externally managed pooled property funds. This generated income of £209,091 averaging 5.08% used to support services in the year. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly

reviewed. In light of their strong performance and the Authority's latest cash flow forecasts, investment in these funds has been maintained for the 2017/18 financial year.

## Interest Rates 2016/17

23. Base rate began the financial year at 0.5% but this was reduced to 0.25% in August.
24. Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short/medium term than previously expected.
25. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a low possibility of a drop to close to zero.

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.15
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.23

## Investment Portfolio

26. The table below shows the Council's portfolio of investments at the start and end of the 2016/17 financial year;

	Value of Investments at 01.04.16 £	Value of Investments at 31.03.17 £	Fixed/ Variable Rate
<b>Investments advised by Arlingclose</b>			
Money Market Fund (Variable Net Asset Value)	997,565	1,004,326	Variable
Property Fund	4,494,168	5,349,196	Variable
<b>Total</b>	<b>5,491,733</b>	<b>6,353,522</b>	
<b>Internal Investments</b>			
Certificates of Deposit	5,513,212	4,020,207	Fixed
Corporate Bonds	6,706,395	8,693,672	Fixed
Floating Rate Notes (FRNs)	10,025,398	10,018,545	Variable
Long Term Deposits (Other LAs)	0	3,000,000	Fixed
Short Term Deposits (Banks)	9,000,000	6,000,000	Variable
Short Term Deposits (Other LAs)	11,000,000	14,000,000	Variable
Money Market Funds (Constant Net Asset Value) & Business Reserve Accounts	1,490,000	1,000,000	Variable
<b>Total</b>	<b>43,735,005</b>	<b>46,732,424</b>	
<b>TOTAL INVESTMENTS</b>	<b>49,226,738</b>	<b>53,085,946</b>	

## Returns for 2016/17

27. The returns to 31st March 2017 are shown in the table below:

	<b>Actual Income £'000</b>	<b>% Rate of Return</b>
<b>Investments advised by Arlingclose</b>		
Payden Money Market Fund (VNAV)	8	
Property Fund (CCLA)	209	
Total	<b>217</b>	<b>4.26%</b>
<b>Internal Investments</b>		
Certificates of Deposit (CD's)	51	
Corporate Bonds	90	
Floating Rate Notes (FRNs)	62	
Fixed Term Deposits	158	
Money Market Funds (CNAV) & Business	22	
Reserve Accounts		
Total	<b>383</b>	<b>0.80%</b>
<b>Other Interest</b>		
Miscellaneous Loans	29	
Total	<b>29</b>	
<b>TOTAL INCOME TO 31<sup>st</sup> MARCH 2017</b>	<b>629</b>	<b>1.54%</b>
<b>BUDGETED INCOME</b>	<b>496</b>	
<b>SURPLUS</b>	<b>133</b>	

28. The table above shows investment income for the year compared to the budget. The figures show a surplus over budget of £133,000. The original Treasury Management budget of £496,020 was derived by forecasting an average rate of return of 0.89% based on an average investment portfolio of £55.6m.

29. We currently hold £5m nominal value in the CCLA fund, this converts to 1,884,515 units and £1m in Payden which converts to 98,990.299 shares.

30. 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 revenue and capital expenditure and the collection of council tax and business rates.

## Investments

31. 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 2016/17.

32. The graph shown in appendix A shows the performance of the in-house Treasury team in respect of all investments for the quarter ending 31st March 2017 in comparison to all other clients of Arlingclose.

33. The graph shows that SSDC is in a very good position in terms of the risk taken against the return on investments.

### **Borrowing**

34. An actual overall borrowing requirement (Capital Financing Requirement (CFR)) of £9.3 million was identified at the beginning of 2016/17. As interest rates on borrowing exceed those on investments the Council has used its capital receipts to fund capital expenditure. As at 31st March 2017 the Council had no external borrowing, with the borrowing requirement being financed using cash held in balances and reserves thus avoiding the need to take on physical debt..



### Breakdown of investments as at 31<sup>ST</sup> March 2017

Date Lent	Counterparty	Nominal Amount	Rate %	Maturity Date
8 Mar 17	United Overseas Bank Ltd	2,000,000	0.55	7 Mar 18
28 Feb 17	Bank of Scotland	1,000,000	0.90	28 Feb 18
13 Dec 16	North Tyneside Council	2,000,000	0.48	12 Dec 17
24 Mar 17	Bank of Scotland	1,000,000	0.80	23 Mar 18
8 Feb 17	Santander	1,000,000	0.70	8 Aug 17
11 Nov 16	Northumberland County Council	1,000,000	1.00	11 Nov 20
31 Jan 17	Plymouth City Council	2,000,000	0.30	21 Apr 17
9 Feb 17	Liverpool City Council	2,000,000	0.92	11 Nov 19
30 Jan 17	Santander	1,000,000	0.70	28 Jul 17
7 Feb 17	Telford & Wrekin Council	3,000,000	0.40	7 Jun 17
28 Feb 17	Monmouthshire County Council	1,000,000	0.50	27 Feb 18
1 Mar 17	Salford City Council	2,000,000	0.42	1 Sep 17
15 Mar 17	Leeds City Council	2,000,000	0.35	15 Jun 17
30 Mar 17	Central Bedfordshire Council	2,000,000	0.38	23 May 17
	<b>Certificates of Deposits</b>			
03 May 16	Bank of Montreal	500,000	0.83	2 May 17
05 May 16	Toronto Dominion	1,000,000	0.91	4 May 17
16 Aug 16	Toronto Dominion	1,000,000	0.55	16 May 17
11 Oct 16	Canadian Imperial Bank of Commerce	1,000,000	0.53	10 Oct 17
18 Oct 16	Canadian Imperial Bank of Commerce	500,000	0.61	18 Oct 17
	<b>Corporate Bonds</b>			
4 Aug 16	Leeds Building Society *Covered*	500,000	2.13	17 Dec 18
22 Oct 16	Yorkshire Building Society *Covered*	1,500,000	1.56	12 Apr 18
18 Aug 16	Svenska Handelsbanken	1,000,000	0.60	29 Aug 17
20 Oct 16	Santander UK Plc *Covered*	1,000,000	1.04	14 Apr 21
20 Oct 16	Coventry Building Society *Covered*	500,000	0.62	19 Apr 18
17 Nov 16	BMW Finance	1,000,000	0.63	2 Oct 17
25 Nov 16	Daimler AG	1,000,000	0.72	1 Dec 17
10 Nov 16	National Australia Bank *Covered*	1,000,000	1.10	10 Nov 21
27 Mar 17	Cooperative Rabobank	675,000	0.52	1 Nov 17
	<b>Floating Rate Notes (FRN's)</b>			
22 Oct 14	Abbey National Treasury Services *Covered*	1,000,000	0.72	5 Apr 17
21 Nov 14	Barclays Bank Plc *Covered*	1,000,000	0.68	15 Sep 17
29 Apr 15	Toronto Dominion *Covered*	1,000,000	0.66	20 Nov 17
26 Jun 15	Nationwide Building Society *Covered*	1,000,000	0.68	17 Jul 17
7 Mar 16	Commonwealth Bank of Australia *Covered*	1,000,000	0.87	24 Jan 18
16 May 16	Bank of Nova Scotia *Covered*	1,000,000	0.82	2 Nov 17
23 Sep 16	Barclays Bank Plc *Covered*	2,000,000	0.47	15 Sep 17
16 Jan 17	Lloyds Bank Plc *Covered*	1,600,000	0.63	16 Jan 20
16 Jan 17	Lloyds Bank Plc *Covered*	400,000	0.62	16 Jan 20
	<b>Pooled Funds &amp; Money Market Funds</b>			
	Federated	500,000	0.40	
	Invesco Aim	500,000	0.36	
	Payden Fund VNAV	1,000,000	0.82	
	CCLA Property Fund	5,000,000	5.08	
	<b>TOTAL</b>	<b>52,175,000</b>		

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

*\*Covered\* bonds are investments that are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in*

## Prudential Indicators – 2016/17

### Background:

35. In February 2016, Full Council approved the indicators for 2016/17, as required by the Prudential Code for Capital Finance in Local Authorities. The Local Government Act 2003 allows 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:

36. The actual capital expenditure incurred for 2016/17 compared to the revised estimate was:

	2015/16 Outturn £'000	2016/17 Original Estimate £'000	2016/17 Outturn £'000	2016/17 Variance £'000	Reason for Variance
Approved capital schemes	2,084	7,382	6,187	(1,195)	The variance against the original estimate is due to the reduction in loan to the SWP of £203k and re-profiling of spend to future years within the rest of the programme.
<b>Total Expenditure</b>	<b>2,084</b>	<b>7,382</b>	<b>6,187</b>	<b>(1,195)</b>	

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

37. A comparison needs to be made between financing capital costs and 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 Outturn £'000	2016/17 Revised Estimate £'000	2016/17 Outturn £'000	2016/17 Variance £'000	Reason for Variance
Financing Costs	(424)	(489)	(512)	(23)	Additional investment income from the Property Fund (CCLA)
Net Revenue Stream	17,782	16,904	17,782	878	The original estimate was picked up from an early report of the MTFs which was subsequently changed. The actual budget approved at Full Council was £17,291. The increase is due to carry forwards
%*	(2.4)	(2.9)	(2.9)		

\*figures in brackets denote income through receipts and reserves

38. The financing costs include interest payable and 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:

39. The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The year-end capital financing requirement for the council is shown below:

	2015/16 Outturn £'000	2016/17 Original Estimate £'000	2016/17 Outturn £'000	2016/17 Variance £'000	Reason for Variance
Opening CFR	9,447	9,299	9,343	43	
Capital Expenditure	3,227	8,067	8,675	608	See explanation for Prudential Indicator 1 above
Capital Receipts*	(2,084)	(7,382)	(6,187)	1,195	
Grants/Contributions*	(1,143)	(685)	(2,488)	(1,803)	
Minimum Revenue Position (MRP)	(170)	(87)	(113)	(26)	
Additional Leases taken on during the year	66	0	109	109	Additional leases taken out for vehicles at the beginning of 2016/17
<b>Closing CFR</b>	<b>9,343</b>	<b>9,212</b>	<b>9,339</b>	<b>127</b>	

\*Figures in brackets denote income through receipts or reserves.

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

40. 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 net external borrowing does not, except in the short term, exceed the total of capital financing requirements over a three year period.

	2015/16 Outturn £'000	2016/17 Revised Estimate £'000	2016/17 Outturn £'000	2016/17 Variance £'000	Reason for Variance
Borrowing	0	0	0	0	
Finance Leases	230	99	227	128	Additional finance leases taken out on vehicles at the end of 2015/16 and the beginning of 2016/17 before a decision was made to fund future purchase of vehicles through the use of internal receipts
<b>Total Debt</b>	<b>230</b>	<b>99</b>	<b>227</b>	<b>128</b>	

41. Total debt is expected to remain below the CFR for the foreseeable future.

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

42. 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 Actual %	2016/17 % Limit	2016/17 Actual %	2016/17 Variance %	Reason for Variance
Fixed	4.14	80	14.37	(65.63)	Within limit
Variable	95.86	100	85.63	(14.37)	Within limit

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

	2015/16 Actual %	2016/17 % Limit	2016/17 Actual %	2016/17 Variance %	Reason for Variance
Fixed	0	100	0	100	SSDC currently has no external borrowing
Variable	0	100	0	100	SSDC currently has no external borrowing

44. 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:**

45. 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 Actual (Principal amount) £'000	2016/17 Maximum Limit £'000	2016/17 Actual (Principal amount) £'000	Variance £'000	Reason for Variance
Between 1-2 years	5,000	25,000	2,500	(20,000)	Within limit
Between 2-3 years	2,000	20,000	4,000	(18,000)	Within limit
Between 3-4 years	0	10,000	1,000	(10,000)	Within limit
Between 4-5 years	0	10,000	2,000	(10,000)	Within limit
Over 5 years	0	5,000	0	(5,000)	Within limit

46. 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:

47. 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:

48. 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.

<b>Actual External Debt as at 31/03/2017</b>	<b>£'000</b>
Borrowing	0
Other Long-term Liabilities (Finance Leases)	227
<b>Total</b>	<b>227</b>

## Prudential Indicator 9 - Authorised Limit for External Debt:

49. 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 for each year.

	<b>2015/16 Actual £'000</b>	<b>2016/17 Original Estimate £'000</b>	<b>2016/17 Actual £'000</b>	<b>2016/17 Variance £'000</b>	<b>Reason for Variance</b>
Borrowing	0	11,000	0	(11,000)	SSDC currently has no borrowing
Other Long-term Liabilities	230	1,000	227	(773)	Within limit
<b>Total</b>	<b>230</b>	<b>12,000</b>	<b>227</b>	<b>(11,773)</b>	

### Prudential Indicator 10 – Operational Boundary for External Debt:

50. 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 for each of the next three years was set.

	2015/16 Actual £'000	2016/17 Original Estimate £'000	2016/17 Actual £'000	2016/17 Variance £'000	Reason for Variance
Borrowing	0	11,000	0	(11,000)	SSDC currently has no borrowing
Other Long-term Liabilities	230	1,000	227	(773)	Within limit
<b>Total</b>	<b>230</b>	<b>12,000</b>	<b>227</b>	<b>(11,773)</b>	

### Prudential Indicator 11 - Maturity Structure of Fixed Rate borrowing:

51. This indicator is relevant when we borrow, then 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	2016/17 Upper Limit %	2016/17 Lower Limit %	2016/17 Actual %	2015/16 Variance %
Under 12 months	100	0	0	Not applicable
12 months and within 24 months	100	0	0	Not applicable
24 months and within 5 years	100	0	0	Not applicable
5 years and within 10 years	100	0	0	Not applicable
10 years and within 20 years	100	0	0	Not applicable
20 years and within 30 years	100	0	0	Not applicable
30 years and within 40 years	100	0	0	Not applicable
40 years and within 50 years	100	0	0	Not applicable
50 years and above	100	0	0	Not applicable

### Prudential Indicator 12 - Incremental Impact of Capital Investment Decisions:

52. 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 Actual £	2016/17 Actual £
Decrease in Band D Council Tax	0.07	0.12

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

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

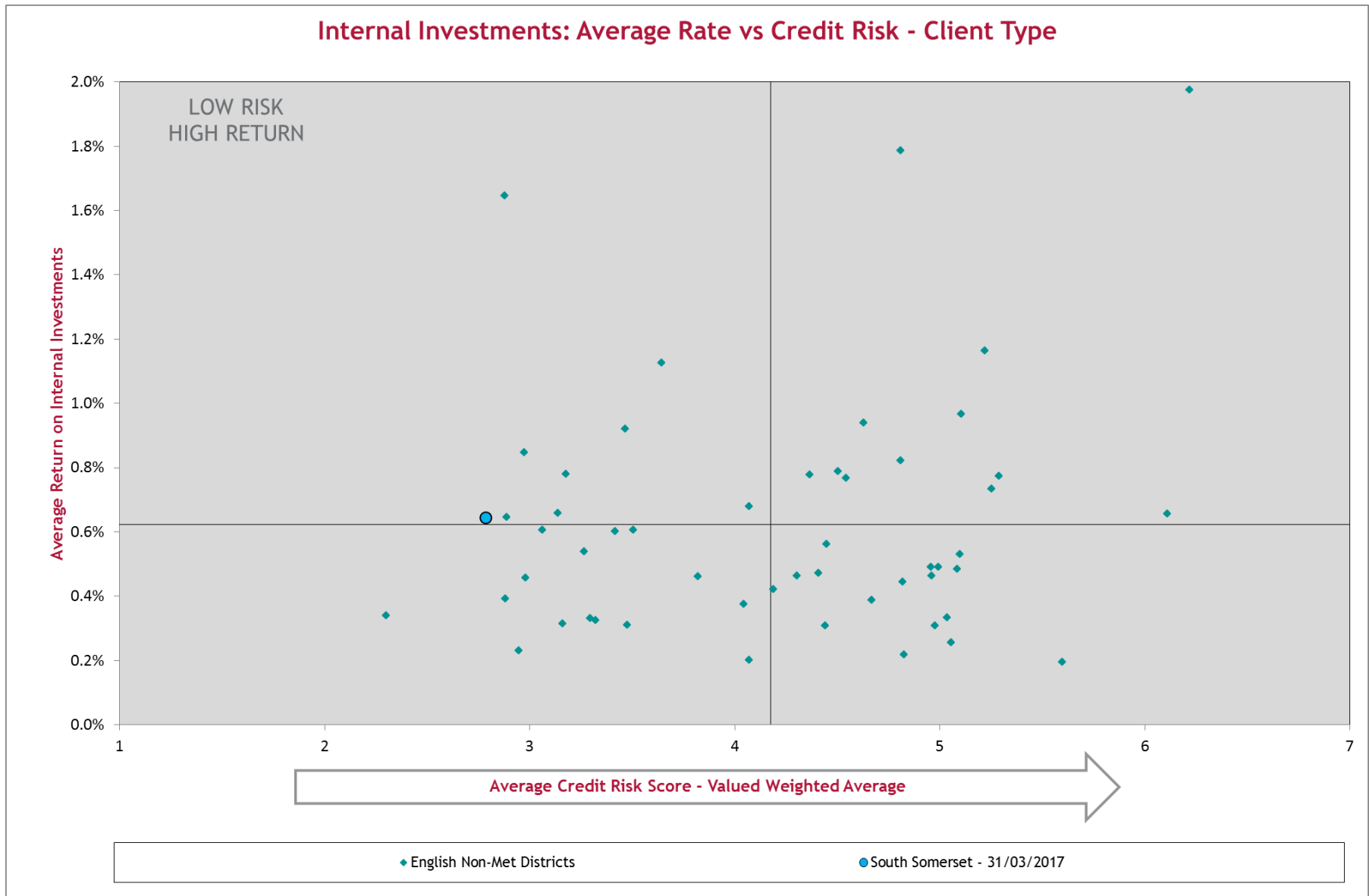
Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 18 <sup>th</sup> April 2002.

**Conclusion**

54. The council operated within all of the Prudential Indicators during 2016/17.

Background Papers: Prudential Indicators Working Paper, Treasury Management Strategy Statement 2016/17, Capital Outturn 2016/17.

**Appendix A**





# Agenda Item 11

## **2016/17 Annual Governance Statement**

*Executive Portfolio Holder:* Ric Pallister – Leader of the Council  
*Chief Executive* Alex Parmley  
*Service Head:* Paul Fitzgerald – S151 Officer  
*Contact Details:* Paul.Fitzgerald@southsomerset.gov.uk or 01935 462226

### **Purpose of the Report**

This report has been prepared for the Audit Committee to approve the Annual Governance Statement (AGS) for 2016/17.

### **Recommendation**

Audit Committee approves the 2016/17 Annual Governance Statement.

### **Background**

As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. One of the Council's requirements in demonstrating this is to produce an Annual Governance Statement (AGS).

The Chartered Institute of Public Finance and Accountancy (CIPFA) provide guidance on the processes for the establishment, operation and review of the system of internal control. Their guidance also provides help on the format and content of the AGS.

### **Annual Governance Statement**

Regulation 6, of Accounts and Audit (England) Regulations 2015 includes a requirement to publish an Annual Governance Statement (AGS). The regulations require authorities to carry out in each financial year a review of the effectiveness of their system of internal control and may include an Annual Governance Statement in the annual accounts. This is to provide assurance that SSDC has a sound internal control framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives.

The statement also reflects the compliance with the "Statement on the Role of the Chief Finance Officer in Local Government (2016) and the CIPFA statement of the Role of the Head of Internal Audit (2010)." This is evidenced within the Annual Governance Statement where the authority meets with best practice.

The Annual Governance Statement is required to be signed by the Leader of the Council and the Chief Executive.

The Statement also reflects Public Sector Internal Audit Standards (PSIAS). The Standards also require a Quality Assurance and Improvement Programme which has been included within the Review of Internal Audit and will be monitored by the Audit Committee.

In producing the Annual Governance Statement, reports from SSDC's external auditors, South West Audit Partnership, a review of the effectiveness of internal audit, the annual review of the Assistant Director of SWAP, and a review of all Statements of Operational Service Internal Controls have been undertaken. The review has been completed by the Senior Leadership Team (SLT) comprising the Chief Executive, Directors (including the Monitoring Officer), and the S151 Officer.

There are no significant issues to be addressed. Significant issues are issues that would be highlighted through the Corporate Governance Group (the functions of this group have now been absorbed into SLT since April 2017), the S151 Officer, by Internal Audit as a risk score of 5, or highlighted through the work of External Audit. The action included within the Annual Governance Statement will further strengthen the control framework.

### **Financial Implications**

There are no financial implications associated with these recommendations.

**Background Papers:** *Annual Governance Statement 2016/17*

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# ANNUAL GOVERNANCE STATEMENT

## Scope of responsibility

SSDC is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

SSDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, SSDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

SSDC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework “*Delivering Good Governance in Local Government*”. A copy of the authority’s code can be obtained on request. This statement explains how SSDC has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 46, which requires all relevant bodies to prepare an annual governance statement.

## The purpose of the governance framework

The governance framework comprises the systems and process, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process that is designed to:

- identify and prioritise the risks to the achievement of SSDC’s policies, aims and objectives;
- evaluate the likelihood and potential impact of those risks being realised;
- managing the risks efficiently, effectively and economically.

The governance framework has been in place at SSDC for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

## **The governance environment**

The key elements of SSDC's governance arrangements are outlined in the Local Code of Corporate Governance. The main areas and the key areas of evidence of delivery are as follows:

### **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

- The Council Plan sets out the priority areas for South Somerset District Council.
- Annual accounts are published on a timely basis to communicate the council's activities and achievements, its financial position and performance.
- Guidance has been produced to facilitate partnership working and a Partnership Register published and updated annually.
- All reports to be considered for approval must show a clear outline of purpose so the community can understand each committee report. All reports must have a clear outline of financial implications before consideration by members.

### **Members and officers working together to achieve a common purpose with clearly defined functions and roles**

- The three statutory officers (Head of Paid Service, Monitoring Officer and s151 Officer) regularly meet as a Corporate Governance Group. The Monitoring Officer and s151 Officer report directly to the Head of Paid Service and are members of the senior Management Board.
- Regular weekly meetings between the Leader and Chief Executive in order to maintain a shared understanding of roles and objectives.
- Protocols developed and enforced to ensure effective communication between members and officers in their respective roles.
- Regular meetings are held between the Executive members and senior management.
- There is a clear scheme of delegation for officers and members within the Constitution.
- The s151 Officer leads the promotion and delivery of good financial management through Management Board, Corporate Performance Team, attendance at committees, is the lead officer for the Audit Committee, and specialist workshops and training. The s151 Officer has line management responsibility for finance staff.

### **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- The financial management of the Council is conducted in accordance with the rules set out in Part 4 of the Constitution.

- The Council maintains an Internal Audit Service through the South West Audit Partnership (SWAP) that operates to standards specified by the Chartered Institute of Internal Auditors (CIIA) and the CIPFA statement of the Role of the Head of Internal Audit (2010) but with some delegation within SWAP.
- There is a countywide code of conduct and this is regularly reviewed by the Standards Committee.
- There is a voluntary Standards Committee in place with an agreed constitution containing its terms of reference.
- Regular communication is made through Staff Awareness Sessions, Insite (our intranet), Transformation Tuesday bulletins, and Team Brief. Targeted communication is also applied ad hoc e.g. all-staff briefings on progress of the Council's Transformation Programme.
- A Management Charter has been introduced and signed by all Managers and compliance is reviewed through Staff Appraisal and Development Reviews.
- A Staff Charter has been introduced.
- The Council received an IIP (Investors In People) gold award in March 2015.

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

- The Council has adopted a Constitution that sets out how it operates, how decisions are taken and the procedures to follow.
- The District Executive facilitates decision-making and its Sub Committees, four Area Committees and meetings are open to the public except where personal or confidential matters are disclosed.
- Portfolio Holders can make decisions under delegated authority and these are fully publicised. Senior officers can also take decisions under delegated authority.
- Regulation Committee determines planning applications that are referred from Area Committees.
- The Council publishes a Forward Plan that provides details of key decisions to be made by the Council and its committees.
- Area Committees also hold regular workshops where local issues are identified and discussed.
- The Council has an approved a Risk Management Policy that identifies how risks are managed.
- Responsible officers are required to maintain their part of the Risk Register.
- All Assistant Directors have the following included within their job descriptions, "Lead the service(s) in a full and comprehensive understanding of risk, risk assessment and risk management as it relates to the operational areas relevant to the service(s)."

- Any Internal Audit actions showing the highest risk score of 5 will be outlined annually and monitored within the Annual Governance Statement.

### **Developing the capacity and capability of members and officers to be effective**

- The Council looks to develop skills on a continuing basis to improve performance of officers through the Staff Development and Appraisal Review process including the use of training and development plans.
- Succession planning encourages participation and development for members and officers.
- Through a comprehensive member training and development programme.
- An induction programme is in place for all new staff and newly elected members.
- Clear job descriptions and personal specifications are in place for all roles.
- The s151 Officer and four of the finance team are qualified accountants with several years' experience. The finance function has sufficient resources within the Establishment to perform its role effectively.

### **Engaging the local people and other stakeholders to ensure robust public accountability**

- Area Committees ensure further local accountability and local access.
- Budget consultation has been carried out for specific savings plans and equalities assessments carried out on each proposal.
- A summarised Statement of Accounts is published each year explaining the key financial areas to the public.

### **Review of effectiveness**

SSDC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Group\*, Management Board and the Corporate Performance Team, who have responsibility for the development and maintenance of the governance environment, the annual report from the Head of Internal Audit (SWAP), and also by comments made by the external auditors and other review agencies and inspectorates.

*\*Note: the Corporate Governance Group responsibilities have been absorbed into Senior Leadership Team (SLT) meetings from April 2017.*

The process that has been applied to maintaining and reviewing the effectiveness of the governance framework includes:

- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are adequate. The Council reviews the constitution annually through its Standards Committee.

- The Council has a Scrutiny Committee that can call in any decision made by an Executive Committee before implementation. This enables them to consider whether or not the decision is appropriate. Pre-decision scrutiny has evolved to aid in the decision making process.
- The Audit Committee reviews the Annual Statement of Accounts, the Review of the Effectiveness of Internal Audit, and the Annual Governance Statement. It monitors the performance of internal audit quarterly and agrees the Internal and External Audit Plans. It reviews specific parts of the Constitution and makes recommendations on any amendments to full Council.
- The Audit Committee has a call in role for any service that receives a “partial” or “no assurance” audit opinion and monitors that action plans are completed through regular reports from the Service Manager and Assistant Director / Director.
- Internal Audit through SWAP is responsible for monitoring the quality and effectiveness of systems of internal control. The Audit Service has a Charter approved by the Audit Committee and there are no restrictions on the scope of their work. A risk model is used to formulate the plan and it is approved by the Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the Service Manager with copies to the relevant Assistant Director, Assistant Director – Finance and Corporate Services (S151 Officer), Assistant Director – Legal and Corporate Services, and Chief Executive\*. All audit reports include an ‘opinion’ that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports include recommendations for improvement that are detailed in an action plan that is agreed with the service manager.

\*Note: Following the senior leadership restructure, reports will in future be submitted to the Service lead, relevant Director, Director for Support Services (Monitoring Officer), and S151 Officer. Significant matters will be reported to the Chief Executive and other Directors as members of SLT.

- Internal Audit (SWAP) has adopted and works to the Standards of the Institute of Internal Auditors and is further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).
- For performance management, a monitoring and reporting system is in place reporting quarterly to the Executive Committee.
- The Council’s Financial Procedure Rules are kept under review and revised periodically – the last review was approved in February 2015.
- Each Manager and Assistant Director is required to review their adherence to the governance framework and demonstrate compliance through reviewing and signing a Statement of Internal Operational Control. Each return is assessed by the S151 Officer for compliance and any apparent organisational improvements are included in the Governance Action Plan.
- Audit Committee has been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We have been advised on the implications of the results of the **review of the effectiveness of the governance framework** by the Audit Committee and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined below:

### **Actions for 2016/17**

The Annual Governance Statement for 2016/17 included the following actions:

- A refresh of the **Risk Management Strategy**
- A Management Team review of **Service Planning** requirements

These actions have not significantly progressed during 2016/17 with management resources focussed on other priorities.

### **Significant governance issues**

There are no significant governance issues to report for 2016/17.

### **Actions for 2017/18**

The Council has agreed a new senior leadership structure during 2016/17, with changes coming into effect from April 2017. During 2017/18 the Council will also progress with the implementation of its new Future Operating Model, which will include a complete restructure of management and staff organisation and new ways of working. Governance arrangements will need to be reviewed as part of transformation to ensure our risk management and systems of internal control remain fit for purpose.

Ref	Action	Responsible Officer	Target Completion Date
1	Review of the Risk Management Strategy to include consideration of transformation and commercial income generation priorities.	Director of Strategy and Commissioning	March 2018
2	Management Team review of Service Planning requirements reflecting new ways of delivering service activities under the new Future Operating Model.	Director of Strategy and Commissioning	March 2018
3	Review of governance arrangements to ensure these are updated to reflect the transformed council and its services	Director of Support Services	March 2018

### **Signed on behalf of SSDC:**

Alex Parmley  
Chief Executive

CLr Ric Pallister  
Leader



# Agenda Item 12

## Review of Internal Audit

*Director:* Ian Clarke, Support Services  
*Lead Officer:* Paul Fitzgerald, S151 Officer  
*Contact Details:* Paul.fitzgerald@southsomerset.gov.uk or 07774 335746

### Purpose of Report

To inform the Audit Committee of the recent review of the effectiveness of Internal Audit, delivered through SWAP (South West Audit Partnership) during 2016-17.

### Recommendations

Audit Committee notes the findings of the review.

### Background

The South West Audit Partnership (SWAP) is a company wholly owned by its local authority partners that provides the Internal Audit service to 24 public sector organisations, as well as a number of related bodies such as the Somerset Waste Partnership.

Internal audit forms a part of the corporate governance and internal control framework that provides accountability to stakeholders on all areas of the Council Plan. Their opinion on the adequacy and effectiveness of the Council's internal control framework forms a part of the evidence used in preparing the corporate Annual Governance Statement (AGS) for 2016-17, which will be published as part of the Council's Statement of Accounts in July 2017.

There are several statutory requirements regarding Internal Audit:

- The Accounts and Audit (England) Regulations 2015 require authorities to review the effectiveness of the system of Internal Audit. They also state "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." (*part 5*)
- Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the proper administration of those affairs." CIPFA has defined "proper administration" in that it should include "compliance with the statutory requirements for accounting and internal audit"
- The CIPFA Statement on the Role of the Chief Finance Officer in Local Government states that the Chief Finance Officer (CFO) must:
  - Ensure an effective internal audit function is resourced and maintained;
  - Ensure that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control;
  - Support the authority's internal audit arrangements: and;
  - Ensure that the Audit Committee receives the necessary advice and information, so that both functions can operate effectively.

Therefore it is important that the findings of the review of the effectiveness of the system of Internal Audit are considered by the Audit Committee as a part of the consideration of the system of internal control. This review has to be carried out by someone independent of SWAP.

### **Compliance with PSIAS and Local Government Application Note**

The Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note set out how an internal audit function should be fulfilled. The main focus is the internal audit service itself, but the Standards also refer to the wider elements of the “system of internal audit”, including the importance of the direct relationship between Internal Audit and the Audit Committee. The Standards cover:

- Purpose, authority, and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality Assurance and Improvement Programme;
- Managing the Internal Audit Activity;
- Nature of Work;
- Engagement Planning;
- Performing the Engagement;
- Communicating Results;
- Monitoring Progress.

The Audit Charter for 2016-17 was approved by the Audit Committee in March 2016 to comply with these requirements. SWAP has a Quality Assessment Improvement Plan in place following a review undertaken independently by the Devon Audit Partnership last year.

### **The Review of SWAP**

South Somerset District Councils’ review of Internal Audit has been carried out by the S151 Officer. The findings have been reported to the Senior Leadership Team on 12 June 2017 as part of the overall evaluation and supporting evidence for the Annual Governance Statement. The following criteria were used in the evaluation:

- Annual report and opinion of the Head of Internal Audit;
- Audit plan and monitoring reports;
- Reports on significant findings;
- Key performance measures and service standards;
- Reports by the Council’s External Auditor covering the extent of reliance placed on internal audit work on key financial systems.

It was found that overall the team performed well and that this view was supported by the comments of external auditors and client satisfaction. The table below shows some of the overall performance of the service during the year compared to the previous two years:

<b>Performance Measure</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Levels of satisfaction from feedback questionnaires	77%	83%	81%
Audits and reviews completed in year compared to the plan (all at least at final	90% (19 out of 21)	76% (21 out of 26)	94% (15 out of 16)

draft stage)			
Total completed audits and reviews	21 (2 in progress)	21 (5 in progress)	15 (2 in progress)
Cost of audit service to SSDC	£104,140	£104,140	£91,140
Number of actions for improvements agreed by managers	79	58	42

The table shows that the satisfaction with the audits carried out at SSDC is 81%, and is above the target set by the SWAP Board where 80% is 'good'.

### Service Standards

In assessing SWAP's performance it is important to review the standards of service and that each authority is afforded the same standards and also senior officer time. The following table outlines the minimum standards and whether these have been delivered for South Somerset District Council:

Service Standard	Expected Standard	Delivery of Standard
Attendance by SWAP Assistant Director at Audit Committee	At least 4 times per annum	Yes
Liaison meetings with S151 Officer and Audit Manager	6 times per annum	Yes
Agreement of Audit Plan: - Prepared for Management Board/S151 - Prepared for Audit Committee - Audit Plan monitoring reports	By mid-January each year By end January each year 4 times per annum including Annual Report	Yes Yes Yes
Agreement of Audit Charter	By 31 <sup>st</sup> March prior to reporting year by Audit Committee	Yes
To assist with member/officer training in audit and governance	Once per annum	A Training session was held with the Audit Committee in March 2016 and March 2017 about the year ahead/ key issues facing audit/any changes in SWAP. Two member training days were also held in October 2016 at Buckfast Abbey and Haynes Motor Museum, designed as a networking and training event. SWAP has also run a Strategic Risk Workshop with the Management Board to help them identify their strategic risks.

### 2016/17 Action Plan

The following shows progress against the actions to be completed in 2016/17:

Actions Arising from	Progress
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Last Review	
To update and maintain the Quality Assurance and Improvement Programme	In progress - The QAIP is reviewed periodically by SWAP Senior Management Team and by the SWAP Board of Directors. The Plan is kept under review on a regular basis. Many actions have now been addressed or formed a part of the Marketing Plan. The one remaining action to carry forward will be the review of Key Performance Indicators.

### Opinion on the Effectiveness of Internal Audit

It is the opinion of the S151 Officer and the Senior Leadership Team that the system of internal audit is effective.

### Actions to be Completed in 2017/18

The SWAP QAIP contains actions in progress, which will be reported at the next review:

Actions Arising from This Review	Progress
To update and maintain the Quality Assurance and Improvement Programme	Responsible = SWAP Chief Executive Completion Date = March 2018 At the next meeting of the Board on 22nd June 2017, it is proposed that the Board partakes in a facilitated discussion to come up with some key quality improvement actions for the Company, and to complete the review of Key Performance Indicators.

### Financial Implications

There are no financial implications to SSDC arising from the review of the effectiveness of internal audit. The agreed actions can be delivered within existing SWAP budget.

# Agenda Item 13

## **Audit Committee Forward Plan**

*Service Head: Paul Fitzgerald – S151 Officer*  
*Lead Officer: Kelly Wheeler, Democratic Services Officer*  
*Contact Details: Kelly.wheeler@southsomerset.gov.uk or 01935 462038*

### **Purpose of the Report**

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

### **Recommendation**

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

### **Audit Committee Forward Plan**

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

Items marked in italics are not yet confirmed.

***Background Papers:***      *None*

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## Audit Committee – Forward Plan

Committee Date	Item	Responsible Officer
27 Jul 17	<ul style="list-style-type: none"> <li>• External Audit - Annual Findings Report</li> <li>• External Audit – VFM Conclusion</li> <li>• Going Concern Assessment report</li> <li>• Approve Annual Statement of Accounts</li> <li>• Approve Summary of Accounts</li> <li>• Health, Safety and Welfare (Annual Report)</li> </ul>	Paul Fitzgerald Paul Fitzgerald Paul Fitzgerald Karen Gubbins Karen Gubbins Pam Harvey
24 Aug 17	<ul style="list-style-type: none"> <li>• Treasury Management – First Quarter monitoring report</li> <li>• Internal Audit – First Quarter Update</li> <li>• Debt Write Offs report</li> </ul>	Karen Gubbins  Moya Moore Paul Fitzgerald
28 Sep 17	<ul style="list-style-type: none"> <li>• Treasury Management Practices</li> <li>• Annual Fraud Programme</li> </ul>	Karen Gubbins Lynda Creek
26 Oct 17	<ul style="list-style-type: none"> <li>• Mid-year review of Treasury Strategy – <b>Needs to go on to Full Council</b></li> </ul>	Karen Gubbins
23 Nov 17	<ul style="list-style-type: none"> <li>• Treasury Management – Second Quarter monitoring report</li> <li>• Internal Audit – second Quarter update</li> <li>• Annual Audit Letter</li> </ul>	Karen Gubbins  Moya Moore Paul Fitzgerald