

South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 22nd March 2012

10.00 a.m.

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

The public and press are welcome to attend.

Disabled Access is available at this meeting venue.



If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Andrew Blackburn** on Yeovil (01935) 462462
email: andrew.blackburn@southsomerset.gov.uk

This Agenda was issued on Wednesday, 14th March 2012

Ian Clarke, Assistant Director (Legal & Corporate Services)



2007-2008
*Neighbourhood and
Community Champions:
The Role of Elected Members*

2006-2007
*Improving Rural Services
Empowering Communities*

2005-2006
Getting Closer to Communities

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



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Audit Committee Membership

Chairman Derek Yeomans
Vice-Chairman Ian Martin

John Calvert Roy Mills
John Dyke John Richardson
Marcus Fysh Colin Winder
Tony Lock

South Somerset District Council – Corporate Aims

Our key aims are: (all equal)

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

Members' Questions on Reports prior to the Meeting

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

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Information for the Public

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

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

The terms of reference of the Audit Committee are:

Internal Audit Activity

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

External Audit Activity

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

Regulatory Framework

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

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

Overall Governance

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

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

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

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

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

Audit Committee

Thursday 22nd March 2012

Agenda

Preliminary Items

1. **To approve as a correct record the Minutes of the previous meeting held on 23rd February 2012**
2. **Apologies for Absence**
3. **Declarations of Interest**

In accordance with the Council's Code of Conduct, which includes all the provisions of the statutory Model Code of Conduct, members are asked to declare any personal interests (and whether or not such an interest is "prejudicial") in any matter on the agenda for this meeting. A personal interest is defined in paragraph 8 of the Code and a prejudicial interest is defined in paragraph 10.

4. **Public Question Time**

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Items for Discussion

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| 5. | Update on the Future of the Audit Commission..... | 1 |
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5. Update on the Future of the Audit Commission

Strategic Director: Mark Williams, Chief Executive
Assistant Director: Donna Parham (Finance and Corporate Services)
Lead Officer: Donna Parham (Finance and Corporate Services)
Contact Details: donna.parham@southsomerset.gov.uk or 01935 462225

Purpose of the Report

This report updates the Audit Committee on government plans for the future of external audit of Local Authorities.

Recommendation

To note the report.

Background

The government announced in August 2010 that the Audit Commission would be abolished and that local authorities would in future appoint their own external auditors. A consultation paper outlining how this would be achieved was then sent to each public body. The Audit Committee approved SSDC's response to the consultation on the 28th April 2011. The consultation and subsequent decision was that the current work of the commission would be outsourced as one procurement exercise for three or five years before local authorities would have the ability to appoint their own auditors.

Report

The Commission has announced the award of contracts to four firms for five years, as follows:

Firm	Contract areas
DA Partnership	North East & North Yorkshire
Ernst & Young	Eastern
	South East
Grant Thornton	North West
	West Midlands
	London (South), Surrey & Kent
	South West
KPMG	Humberside & Yorkshire
	East Midlands
	London (North)

Therefore Grant Thornton will replace the Audit Commission as external auditors for SSDC for the next five years. There will be some introductory meeting set up in May to meet the new auditors. In the meantime the Audit Commission will continue to audit the 2011/12 accounts with a handover in October 2012 to Grant Thornton. Peter Lappin, the current Audit Manager will attend the meeting to answer any questions members may have.

Financial Implications

The governments' expectation is that overall there will be a saving to public bodies of 40% on fees. However, a proportion of this has already been realised through the Audit Commission and the removal of Comprehensive Area Assessments. Further information will be available when the scale of fees and charges are set in due course.

Background Papers: *Future of Local Public Audit – Consultation April 2011*

Audit Committee– 22nd March 2012

6. Risk Management Update including Partnering (suppliers, other agencies etc.)

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

Purpose of the Report

To update members of the committee on the state and nature of the partnering risk logged onto the risk register now referred to as the TEN risk register.

Recommendations

- (1) That members of the Audit Committee note the contents of the report;
- (2) that members note that ONLY risks that appear on the partnering register managed by the Third Sector and Partnership Manager are noted under partnering risk. All other risks will be embedded in the service risk register and will have a different label or risk tag.

Background

Attached at pages 5-6 is a copy of the risk register for partnering risk within the master risk register, some 13 strategic and significant risks. These are managed on a corporate level by the “Third Sector and Partnership Manager” however the individual risks are managed at a local level by the officer based within the service most connected with the risk. Members of the Audit Committee will be very aware that proactive risk management requires a number of interventions and should be seen as a dynamic process.

Step 1 Identify the risk

Step 2 Assess the risk

Step 3 Develop mitigation or controls

Step 4 Assess risk

Step 5 Apply an action to ensure all above are working and stable.

Clearly as can be seen from the example attached some of the risks do not appear to have actions recorded against them, so there is some concern as to how dynamic our risk management actually is. The system is unable to report on action review dates if its not entered. We are currently checking to see if its possible to have the system report on risk with no controls and no actions entered.

Unfortunately risk associated with commercial suppliers and/or other partner agencies that do not make it onto the corporate risk register cannot at this time be reported on, as they do not have a tag (Partnering risk) to be able to filter them from the whole.

In order to overcome this we are currently checking to see if an ITEMS report can be developed as we had with the previous system. This would allow me to individually select a risk from the various service-based risk registers that I consider contain an element of partnering or third party risk. To assist in this regard the system is being further adapted to have two business units created to cover strategic partnering risk

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(those that appear on the partnering register) and operation or service based partnering risk, as we need to do this to keep the two types of partnering risk separated.

Existing Partnering Risk Register

To be read in conjunction with this report is a copy of the strategic or significant partnering risk register, this has been taken directly from the TEN Risk register and should I hope look and feel similar to the risk report produced in the past from the Magique system.

A couple of risks are missing any actions, however on the whole it is a good report and shows an active and positive engagement with risk management. The Ten Risk register is still very much embryonic and being developed as we go so there is still improvements that can be made at this stage. It is being developed in house so it is much easier to add reports and additional functionality. As an example I hope to be able to bring an additional service based partnering risk report to the committee the next time I am called upon to report on risk.

However, for now I can confirm that I have read through the majority of risks on the system and looked at any that may specifically have a commercial or third party element to the control. A significant number may well depend on external resources to mitigate the risk. A separate report will be run asking officers to move any risk under the service based partnering labels once it is available.

Some further training will take place later in the year with staff in regard to risk mitigation. There is a training weakness based on officers only considering the risk horizon as within the confines of SSDC, and officers must reflect on the supply or communications chain that supports the mitigation they have put in place. As an example there is little point in saying employ additional contractors, if that contractor does not know that we could be calling on them in a given situation.

In summary I can report that officers are engaging with the system positively and well. The Ten risk system works well and it's a real positive step having an in-house resource able to build and adapt the system.

Financial Implications

There will be a saving from the previous system as regards maintenance and support of approximately £1,000.

Background Papers: *None*

Partnership	Risk	Risk Description	Inherent Score	Inherent Classification	Controls	Actions	Residual Score	Residual Classification
Safer Somerset Partnership	R 232 - CDRP Mendip and South Somerset Community Safety Partnership - Purpose and desired outcomes not achieved	Purpose: Policy, strategy, delivery and communication as set out in the Terms of Reference (Local authorities, Police and other statutory agencies, Voluntary sector & Elected members).	14	Medium	C 232.01 - Regular review of partnership targets	A 232.01 - Review strategy and delivery plans	14	Medium
Somerset Waste Partnership	R 280 - Waste Partnership draws too heavily on support services manpower	The waste partnership requires a saving in revenue from support services team. Usually the volume of calls handled in the contact centre equates to 2/3 FTE. Current proposal is to remove £105,000 from Customer Services budget, which equates to 4/5 FTE. This will leave the remaining service critically short of manpower and unable to cope with call volumes. (Update - decision taken not to move staff to a central contact centre)	19	High	C 280.01 - Investigate proposals for Waste Partnership via Somerset Direct	A 280.01 - Review of staffing after SWP completion	6	Low
Somerset Waste Partnership	R 336 - Service Expenditure Over Budget	Waste and Recycling Expenditure Over Budget. While controlled to a major extent by a contract, there are risks due to additional BHs, recycling credits etc	14	Medium	C 336.01 - Budgets are regularly monitored C 336.02 - The South Somerset contribution to the SWP budget was informed by 7-year contract with contractors ECT. This is now extended unit		14	Medium
Somerset Waste Partnership	R 343 - Break up of the Somerset Waste Partnership	Break up of the Somerset Waste Partnership	18	High	C 343.01 - Regular meetings of SWB and Senior Management Group		18	High
Somerset Waste Partnership	R 355 - SWP client fail to deliver	SWP client fail to deliver	6	Low	C 355.01 - Good communication with client group C 355.02 - monitoring of complaints to Corporate Director re SWP client		13	Medium
Somerset Waste Partnership	R 408 - Somerset Waste Partnership - Purpose and outcomes not achieved	Purpose: To provide a combined waste collection and disposal function (SCC, SSDC, TDBC, MDC, WSDC, SDC).	19	High	C 408.01 - Governance arrangements in place via IAA and constitution	A 408.01 - SWP business plan approved by SSDC DX A 408.03 - Report to DX on garden waste delivered district wide A 408.04 - Review outcomes and outputs A 408.05 - SWP business plan brought to DX each year for information A 408.06 - Involve Scrutiny in discussions about Sort it Plus	18	High
South Somerset Together (LSP)	R 410 - LSP is not supported (financially and in kind) by partners and so is ineffective in achieving its purpose and goals	The Local Strategic Partnership for the district, led and coordinated by SSDC, who is responsible for delivering the Sustainable Community Strategy.	14	Medium	C 410.01 - Strong partnership structure. Active performance management of the delivery of the SCS Action Plan	A 410.01 - Operate a strong performance management system (TEN) to help to hold partners to account for delivery against strategy A 410.02 - Monitoring through PMSC and exceptions reporting to Board A 410.03 - Bi annual partnership governance event and improvement plans A 410.04 - SCS adopted and written commitment from all partners	14	Medium

Partnership	Risk	Risk Description	Inherent Score	Inherent Classification	Controls	Actions	Residual Score	Residual Classification
South West Audit Partnership	R 401 - South West Audit Partnership - failure as host authority to provide adequate support	SSDC is the host authority for the South West Audit Partnership with the exception of ICT services. Need to ensure advice is timely and accurate.	19	High	C 401.01 - Qualified Accountant to provide financial information and support	A 401.01 - Review that advice is timely and accurate annually once statements are audited each year A 401.02 - Ensure role is understood and agreed by partners A 401.03 - Review support arrangements A 401.04 - Review that advice is timely and accurate annually once statements are audited each year A 401.05 - Review support arrangements	12	Medium
South West Audit Partnership	R 402 - Providing Audit Services if South West Audit Partnership folds	Partnership stands currently for further year. The risk is that the partnership ceases to exist within this time or no provision is made next year.	18	High	C 402.01 - A Management Board and Members Board C 402.02 - Monitor Continuation of Partnership C 402.03 - Business Plan for 5 years agreed with all partners	A 402.01 - Report for next 5 years and business plan to SWAP joint committee in June 2009 A 402.02 - Management Board will continually review the SWAP Business Plan A 402.03 - Work with East Devon DC to review possible joint arrangements A 402.04 - Management Board will continually review the SWAP Business Plan	2	Very Low
South West Audit Partnership	R 406 - South West Audit Partnership - Purpose and desired outcomes not achieved	Provides an in house auditing function (South Somerset DC, Taunton Deane BC, Mendip DC, West Somerset DC, Sedgemoor DC, Somerset CC, Forest of Dean BC, Weymouth & Portland BC, West Dorset DC & Dorset CC)	13	Medium	C 406.01 - Annual governance report and account meeting with SWAP manager, purpose to review feed back on operational audits C 406.02 - SWAP has reports to the Audit Committee and has direct access to the Audit Committee Chairman C 406.03 - Quarterly report to Corporate Governance Group	A 406.01 - Review outcomes and outputs through review of internal audit and report to audit committee A 406.02 - Review outcomes and outputs through review of internal audit and report to Audit Committee	8	Low
Yeovil Vision	R 334 - key economic partnerships do not deliver projects (Into Somerset and Yeovil Innovation Centre)	Projects to deliver innovation centre for Yeovil and new marketing service for Somerset do not conclude successfully	19	High	C 334.01 - undertake pro active project management and political persuasion to deliver projects	A 334.01 - Present Core report to District Executive in Unison with similar action in all Partner Authorities to agree governance A 334.02 - pro active project management and continuing political engagement	14	Medium
Yeovil Vision	R 335 - To operate the Yeovil Innovation Centre in the absence of a private sector operator coming forward and meet strategic targets	To run the Centre in a manner such that losses are initially minimised and in due course profits to accrue. Also to deliver the identified strategic outputs related to company and job formation and growth and training and development support	20	High	C 335.01 - establish a new business plan identifying potential costs and income C 335.02 - To relocate and re-task the Economic Development Team with the successful running of the Centre	A 335.01 - To pro actively market the centre	13	Medium
Yeovil Vision	R 403 - Yeovil Vision - Purpose and desired outcomes not achieved	Purpose: To deliver the Yeovil Vision (SSDC, Somerset CC, Yeovil TC,). A delivery vehicle has been established with funding from SSDC and Yeovil Town Council. The Area South Development Team now carries out the management and administration of the Yeovil Vision. A new term of reference has been agreed reflecting new funding arrangements and voting rights. A report setting out the strategic direction for the Yeovil Vision has been approved by the Yeovil Vision Board, Yeovil Town Council and the LSP	14	Medium	C .403 - Review if risk is still applicable	A 403.01 - Review project delivery plans	15	Medium

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7. 2011/12 Annual Governance Statement Action Plan

Strategic Director: Mark Williams, Chief Executive
Assistant Director: Donna Parham (Finance and Corporate Services)
Lead Officer: Donna Parham (Finance and Corporate Services)
Contact Details: donna.parham@southsomerset.gov.uk or 01935 462225

Purpose of the Report

This report has been prepared for the Audit Committee to review the progress made on the 2011-12 Annual Governance Statement (AGS) Action Plan.

Recommendations

To note the progress made.

Background

The Audit Committee agreed the action plan in May 2011 at the same time as approving the Annual Governance Statement. As agreed the action plan will be monitored quarterly to ensure progress is made and improvements in governance are acted upon during the year. This will strengthen the overall governance framework and improve the assurances that can be given for the next Annual Governance Statement.

Action Plan

The action plan is attached at pages 8 - 9 and the current status of the each issue is shown. At present all actions are progressing.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: *None*

**SOUTH SOMERSET DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT**

2011/12 ACTION PLAN

No.	Issue	Responsible Officer	Actions	Current Status
1	Ensuring that a robust framework is embedded for the monitoring and collection of S106 contributions	David Norris	The framework put in place for S106 contributions is complete but it will be monitored in 2011/12 for effectiveness	Officer appointed to oversee S106's Monitoring system. Report format/process agreed by DX. Regular reports to Area Committees. Clean bill of health given by Internal Audit and a further check up currently underway.
2.	Ensure awareness and compliance with Information Technology Policies	Roger Brown	Provide further training for staff on Information Technology Policies to ensure all staff are aware and comply with the policies	The majority of staff have attended the first phase of ICT policy awareness sessions, new staff are being picked up at induction stage. *All staff attending DPA awareness sessions (being jointly run with Legal Services) and managers are required to have a service contact for issues, training etc. *There is an online system that is used for staff training. *Policy Manager now live and compliance reporting in place.
3.	Ensure that SSSC meets with the requirements of the Bribery Act 2010	Donna Parham	To consider and introduce/incorporate a policy and training where necessary for staff and elected members on the Bribery Act 2010.	Policy now approved by Audit Committee. Members made aware through Inform. Staff awareness will be checked through the Statement of Operational Service Internal Controls that managers must sign on an annual basis.
4.	Introduce training and awareness refreshers for the Corporate Performance Team on Risk, Local Code of Corporate Governance, and best practice in Service Planning;	Donna Parham	Training to take place through the Corporate Performance Team. This needs to take into account the transfer of the Risk Register to TEN, and a review of the Local Code of Corporate Governance and Service Planning.	Training has taken place with the transfer of the risk register to TEN. Service planning has been revised and simplified and rolled out to Corporate Performance Team
5.	To ensure that there is guidance for members on conduct once the Standards Committee is abolished.	Ian Clarke	To introduce a Voluntary Code of Conduct for elected members following the abolition of the Standards Committee.	There will now still be a compulsory code but the form it will take is not yet known. It will be for local authorities to put in place their own procedures relating to how complaints will be dealt with and the sanctions that could be imposed.

No.	Issue	Responsible Officer	Actions	Current Status
6.	Produce a Fraud and Data Strategy to link all anti-fraud work and improve officer awareness of anti-fraud and whistle blowing policies .	Lynda Creek	Complete the Fraud and Data Strategy to link all anti-fraud work	2nd draft of Strategy being finalised and will then go for consultation before going through the adoption route via committee. Hope to have approved by April 2012 (depending upon other work commitment) and then rolled out to staff alongside updated Fraud etc policy and Whistleblowing Policy

Audit Committee – 22nd March 2012

8. Date of Next Meeting

The next scheduled meeting of the Audit Committee will be held on Thursday, 26th April 2012 at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.