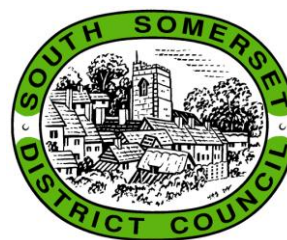


South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 23 May 2013

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, **Anne Herridge** on Yeovil (01935) 462570
Email: anne.herridge@southsomerset.gov.uk

This Agenda was issued on Wednesday 15 May 2013

Ian Clarke, Assistant Director (Legal & Corporate Services)

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



INVESTOR IN PEOPLE

Audit Committee Membership

Chairman Derek Yeomans
Vice-Chairman Ian Martin

John Calvert Roy Mills
John Dyke Terry Mounter
David Norris John Richardson
Tony Lock Colin Winder

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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Member Training – Accounting Policies Statement of Accounts

At the conclusion of the formal Committee meeting, a training session will be held on Accounting Policies Statement of Accounts which should last no longer than an hour. All Committee members are asked to remain and participate in the training.

Information for the Public

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

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

The terms of reference of the Audit Committee are:

Internal Audit Activity

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

External Audit Activity

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

Regulatory Framework

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

Financial Management and Accounts

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

Overall Governance

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

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

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

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

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

Audit Committee

Thursday 23 May 2013

Agenda

Preliminary Items

1. To approve as a correct record the Minutes of the previous meeting held on 25 April 2013
2. Apologies for Absence
3. Declarations of Interest

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

4. Public Question Time

Items for Discussion

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5. External Audit Plan for 2012/13 Accounts and Opinion

Portfolio Holder: Cllr Tim Carroll, Finance and Spatial Planning
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 introduces the Audit Plan for 2012/13.

Recommendation

The Audit Committee is asked to note the Audit Plan for the 2012/13 accounts and opinion.

Introduction

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

“To consider and note the annual external Audit Plan and fees”.

The Audit Plan

The Plan shows the challenges and opportunities the Council faces and the response to those from our external auditors. It shows that the audit will focus on risks and the assessment of those risks and testing that will be carried out by the auditors. It also updates the committee on work carried out to date.

Financial Implications

A budget of £81,650 is allocated in 2013/14 to fund this work. The budget will not be sufficient if there is further work required for instance additional testing on benefit claims.

Background Papers: None

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6. Review of Internal Audit

Portfolio Holder: Cllr Tim Carroll, Finance and Spatial Planning
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 Report

To inform the Audit Committee of the recent review of the effectiveness of the delivery of Internal Audit through SWAP (South West Audit Partnership) during 2012-13.

Recommendations

That the Audit Committee notes the findings of the review.

Background

The South West Audit Partnership (SWAP) is a partnership that provides the Internal Audit service to all of the six Somerset authorities, Dorset County Council, Weymouth and Portland Borough Council, West Dorset District Council, Forest of Dean District Council, East Devon District Council, and Wiltshire Council 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 2012-13, which will be published as part of the Council's Statement of Accounts in September 2013.

There are several statutory requirements regarding Internal Audit:

- The Accounts and Audit (England) Regulations 2011 require authorities to review the effectiveness of the system of Internal Audit. They also state "A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control."
- 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;
- 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 for the findings of the review of the effectiveness of the system of Internal Audit are considered by a committee such as 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 2006 CIPFA Code of Practice for Internal Audit has been superseded by the Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note on the 1st April 2013 that sets 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 2012-13 was approved by the Audit Committee in February 2012 under the previous Code of Practice. All aspects of the Standards will be covered by SWAP through the Audit Charter and reviewed and approved by the Audit Committee on an annual basis.

The Review of SWAP

South Somerset District Councils' review of Internal Audit has been carried out by the Assistant Director – Finance and Corporate Services (the Council's S151 Officer). The findings have been reported to the Corporate Governance Group 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 three years:

Performance Measure	2009/10	2010/11	2011/12	2012/13
Levels of satisfaction from feedback questionnaires	84.39%	86.25%	84.0%	78.1%
Audits and reviews completed in year compared to the plan (all at least at final draft stage)	83% (30 out of 36)	105% (39 out of 37)	91% (41 out of 45)	90% (36 out of 40)
Managed audits completed in year compared to plan	100% (9 of 9)	100% (10 out of 10)	100% (8 out of 8)	100% (8 out of 8)
Total completed audits and reviews	39	49 (1 in progress)	45 (4 in progress)	40 (4 in progress)
Cost of audit service to SSDC	£156,500	£156,500	£128,500	£117,300
Number of actions for improvements agreed by managers	181	170	148	133
Value for Money – average cost of audit day compared to private sector (benchmarking)	SWAP = £280 Private Sector = £320	SWAP = £280 Private Sector = £320	SWAP = £280 Private Sector = £320	SWAP = £280 Private Sector = £299
SWAP outturn on spend compared to budget – (brackets indicate net income)	Budget £0 Actual £(76,117)	Budget £(48,943) Actual £(142,928)	Budget £(26,830) Actual £(99,256)	Budget £(x) Actual £(x)

(X Final Accounts not ready until June 2013; outturn figure currently unavailable)

1. The table shows that the satisfaction with the audits carried out at SSDC at 78.1%. This is lower than expected but has been greatly affected by a low return rate and within that the Creditor Fraud audit received 51%, otherwise overall performance would have been in-line with the previous years.
2. The slight reduction in the number of audits compared to the previous year represents the 9% cut made in reducing the audit plan from 459 to 419 days. This provided a financial saving of £11,200.
3. The average number of actions for improvements per audit has remained at just 3 recommendations compared to an average of 10 in 2007/08. This is in part due to the “call in” procedure from Audit Committee but also shows that the authority has improved in relation to its management of risks and controls. It also reflects the continued quality of SWAP working with managers to bring forward improvements.
4. The outturn position shows that each year the partnership continues to make a net profit from operations. The net income is returned to a reserve specifically set up for SWAP. It was agreed in setting up SWAP as a company limited by

guarantee that 200,000 euros would be transferred to the new company with the remaining reserve distributed back to the local authority partners.

As SWAP is now a company limited by guarantee the Directors of the company will be required to act in the interests of the company. The SWAP partners have therefore agreed to meet twice per year to discuss performance, risk, the review of internal audit, and audit plans separately to the business of managing the company.

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 to be introduced and whether they would have been delivered for South Somerset District Council had they been in place:

Service Standard	Expected Standard	Delivery of Standard
Attendance by Head of SWAP/ Group Audit Manager at Audit Committee.	At least 1 times per annum	1 time in 2012/13
Attendance by Audit Manager at Audit Committee	At least 4 times per annum	1 time in 2012/13 (Note, 10 not 12 meetings in the year)
Attendance by Head of SWAP at Corporate Governance Group	4 times per annum	1 time (Note only 3 meetings held)
Liaison meetings with S151 Officer and Audit Manager	6 times per annum	8 times in 2012/13
Agreement of Audit Plan:		
Prepared for Management Board/S151	By mid January each year	Delivered
Prepared for Audit Committee	By end January each year	Prepared by end January and presented to audit Committee at 23 rd February 2012 meeting.
Audit Plan monitoring reports	4 times per annum including Annual Report	4 times (quarterly report) per annum
Agreement of Audit Charter:		
Prepared for Management Board/S151	By mid January each year	Delayed due to change in governance
Prepared for Audit Committee	By end January each year	Delayed due to change in governance agreed by Audit Committee in March 2013
To assist with member/officer training in audit and governance	Once per annum	Not required in 2012/13

12/13 Action Plan

The following shows progress *in italics* against the actions to be completed in 2011/12:

- To fully implement the Standards of Service outlined and monitor delivery for each partner.

Completed

- To review the governance arrangements for the partnership. SWAP should maintain a register of when the Audit Charter was approved with each partner body. This should include the date of the meeting, a copy of the Charter approved and a copy of the minute approving the Charter;

Completed

Opinion

It is the opinion of the Assistant Director – Finance and Corporate Services and the Corporate Governance Group that the system of internal audit is effective. However, the action plan below reflects a need to implement and monitor the new Public Sector Internal Audit Standards that were introduced on the 1st April 2013:

Actions to be Completed in 2013/14

- SSDC has requested that the Devon Audit Partnership review the annual return and control environment as part of the assurance framework for the statement of accounts. This will be completed over the next few weeks.
- Update the Audit Charter to reflect the new Public Sector Internal Audit Standards (PSIAS) to be approved by the Audit Committee in June 2013.
- To update and maintain the Quality Assurance and Improvement Programme (update attached) and report conformance with the PSIAS in October 2013.

Financial Implications

The financial implications can be found from existing budgets.

Appendix A
SWAP Quality Assessment Improvement Plan (QAIP)

Final Action Plan

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
SWAP has no formal process for benchmarking its costs or performance.	I recommended that the SWAP Management Team devise a process for benchmarking SWAP against other service providers.	3	<p>Through this process we have engaged with like Partnerships and are currently looking at the option of comparing data with them.</p> <p>A Benchmarking exercise has been conducted and reported to the Management Board at their meeting on the 11th December 2012.</p>	Group Audit Manager, Quality and Delivery	December 2012, Complete
Periodic Reviews of SWAP to be regularly completed.	I recommend that the SWAP Management Team agree a time period for regular reviews, currently recommend every five years minimum, with an interim review part way through the agreed period.	3	This Action Plan will be kept under constant review. We envisage completing a full review every three years.	Head of Internal Audit Partnership	On-Going March 2015

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
The Registers for Declaring Interests and Gifts or Hospitality are not reviewed by the SWAP Management Team.	I recommend that the SWAP Management Team periodically review the Gifts and Hospitality Register and sign the document off as an accurate record.	3	The current Register has been reviewed and signed off. This will form part of a quarterly review by the SWAP Management Team.	Head of Internal Audit Partnership	Completed and On-Going
	I also recommend that the SWAP Management Team review the Declaration of Interest Register at least annually to approve all declarations as acceptable and ensuring that adequate processes are in place to manage any potential conflicts.	3	The current Register has been reviewed and we are currently in the process of informing staff of our response to their declaration.	Group Audit Manager, Quality and Delivery	Completed and On-Going
A Register capturing Declarations of Interest is maintained by the PA to the HoIAP. However, there are no annual reminders sent out and as a result the Register is out of date.	I recommend that the SWAP Management Team ensure that annual reminders are sent out to all staff with specific reference to any items individuals may have on the Register to ensure it is current.	3	This has been completed as agreed.	PA to HoIAP	Completed
The Audit Manual has not been regularly reviewed. The process for updating and adding new procedures has become disjointed and	I recommend that the content page of the existing Manual is revisited by the SWAP Management Team to ensure it is relevant, accurate, current	3	Agreed. A Revised date has been agreed for this as we plan to incorporate the Manual into our new web-site and	Head of Internal Audit Partnership	March 2013 September 2013

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
staff do not have access to the whole Manual, only the documents held on the MKi Library	and complete.		Intranet area for staff.		
	I also recommend that the SWAP Management Team ensure that each documented procedure is reviewed for accuracy and currency and that where gaps are identified, a plan is put in place to develop the Manual further.	3	Agreed. As above.	Head of Internal Audit Partnership	March 2013 September 2013
	Whilst waiting for an MKi solution, I recommend that the Head of Internal Audit Partnership ensures that the Audit Procedure Manual is made available to all staff on the shared drive via a shortcut link from their pc desktop.	3	We need some help with the technical solution and will pursue this with or IT Support at SDC. As above.	Head of Internal Audit Partnership	October 2012 September 2013
SWAPs Mission, Vision and Objectives are all captured in the Partnership Business Plan. However, these are not regularly reviewed or presented to staff for	I recommend that the Head of Internal Audit Partnership ensures that awareness of the Mission, Vision and Objectives of SWAP is periodically raised with staff.	3	Promotion of this to staff is now included in the SWAP Communication Strategy . This will also be promoted by HoIAP at staff Away Day 24 th April 2012 – See Agenda	Group Audit Manager, Quality and Delivery Head of Internal Audit Partnership	Completed Completed

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
refreshment.					
Staff Suggestions whilst discussed at Management Team Meetings there is not always evidence to support that they have been 'formally' responded to.	Reported Verbally	2	Staff Suggestions, where agreed, are now included in Management Key Messages and individuals responded to immediately after the Management Team Meeting.	Head of Internal Audit Partnership	Completed
Somerset Waste Partnership and possibly SPTC who do not have agreed IA Charters should at least have a document that outlines External Client Engagements.	I recommend that the Head of Internal Audit Partnership engages with external bodies where an annual opinion is offered to ensure an External Clients Engagement document is introduced and agreed.	3	There are currently two clients this applies to. We have started to draft a suitable document for agreement by these clients. Severn Park Training Centre adopted an Internal Audit Charter some time ago. The Somerset Waste Partnership are just in the process of adopting one.	Group Audit Manager, Quality and Delivery	One Completed and One In Progress October 2012, Complete
While SWAP has a good process for Training, including a Strategy, it does not have a formal process for effectively measuring CPD.	I recommend that the Group Audit Manager, Resources introduces a framework whereby CPD can be demonstrated and monitored.	4	Agreed - Initial enquiries have been made with the IIA.	Group Audit Manager, Resource Management	Completed and On-Going
	I recommend that when devising in-house training courses that	4	Agreed – as and when internal courses are devised.	Group Audit Manager, Resource Management	Completed and On-Going

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	the Group Audit Manager, Resources ensures that they are assessed for CPD value.				
	I recommend that the Group Audit Manager, Resources gives consideration to identifying suitable training for audit staff in relation to technical areas they may be required to audit as this could improve the quality and credibility of the audit service to clients.	3	At the moment we rely on staff carrying out adequate desk review of a service before commencing an audit. We have completed specific training in the past such as SAP. However, we will consider this need further.	Group Audit Manager, Resource Management	December 2012
SWAP does not have a Document Retention Policy.	I recommend that the Head of Internal Audit Partnership ensures that a Document Retention Policy is developed with SWAP which includes the secure disposal of information no longer required.	3	Auditors obtain data securely and electronically. Such data is held within MKi and we will explore with MKi the best options for cleansing this data at regular intervals. A Policy will be developed to reflect this and to comply with regulations and operational need.	Group Audit Manager, Planning and Performance.	December 2012
It is not explicit within the Data Sharing Policy that SWAP will only share data with outside bodies if they receive consent from the	I recommend that the Group Audit Manager, Resources includes a more definite statement within the Data Sharing Policy which confirms	2	These documents have only just been signed. However, changes have already been suggested by the SCC Client Officer and we will incorporate this and the	GAM, Resource Management	28/11/2012

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
relevant Partner.	that SWAP will never share a Partners data without first receiving their consent.		recommended change in the next revision of the document.		
The Staff Questionnaire Returns have highlighted a number of matters that need consideration by the Management Team and a plan devised as to how SWAP will respond to improve some of the issues raised.	I recommend that the SWAP Management Team review the results of the staff questionnaire and focus priority on the four areas identified above.	3	Agreed.	SWAP Management Team	Completed and reflected in actions below
	I also recommend that the SWAP Management Team review the comments made by staff and prepare a response plan for each theme, where appropriate. <i>(One method maybe for Group Audit Managers to be assigned a theme and work with groups of staff to address the points raised).</i>	3	Agreed.	SWAP Management Team	Completed and reflected in actions below
The Client Questionnaire Returns have highlighted a number of matters that	I recommend that the SWAP Management Team review the results of the client	4	Agreed. Meetings have taken place with	SWAP Management Team	October 2012 In Progress

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
need consideration by the Management Team and a plan devised as to how SWAP will respond to improve some of the issues raised.	questionnaire and focus priority on the three areas identified above.		some of the clients who scored lower than a three on their assessment to establish whether there are any underlying issues. Comments will be fed back to Management Team to discuss further.		
	I also recommend that the Head of Internal Audit Partnership ensures that Group Audit Managers follow up all scores assessed below 3 (Good) with individual Client Officers.	4	Agreed. As above.	SWAP Management Team	October 2012 In Progress
	In line conjunction with following up on scores assessed below 3 (Good), I recommend that the Head of Internal Audit Partnership ensures that Group Audit Managers follow up on all comments made with individual Client Officers.	4	Agreed. As above.	SWAP Management Team	October 2012 In Progress
The desk review section of the Initial Meeting Template could be enhanced by including Physical Properties.	Reported Verbally	2	This will be considered at the next review/update of the IMT.	GAM, Quality and Delivery	Completed

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
The HoIAP does not have a Job Description.	I recommend that the Chair of the Management Board, in liaison with the HoIAP draws up a Job Description and Personal Specification for the HoIAP outlining the role and requirements of the post holder; both documents should be formally agreed by the Management Board.	3	TBA	Chair of the SWAP Management Board	TBA
<p>External assessments must be carried out at least once every five years by a qualified independent reviewer or team from outside the organisation. The chief audit executive must discuss with the board:</p> <p>The need for more frequent external assessments; and</p> <p>The qualifications and independence of the external reviewer or review team, including any potential conflict of</p>	<p>I would therefore recommend the following:</p> <p>The Head of Internal Audit Partnership (HoIAP) should use the results of this review to determine whether there is a need for more frequent external assessment.</p>	3	<p>The results of this Assessment have been favourable identifying no failings with regards to the Standards.</p> <p>However, as referred to above we will endeavour to carry out a full Quality Review Assessment every three years.</p>	Head of Internal Audit Partnership	March 2015

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
interest.”					
	As a very minimum it is essential that the HoIAP ensure that the observations and issues arising from this Assessment form the basis of a Quality Assessment Improvement Plan (QAIP).	4	Agreed – this document becomes SWAP’s QAIP.	GAM, Quality and Delivery	Completed
	The HoIAP in conjunction with the Management Board should ensure that the QAIP is developed and reviewed at least annually to ensure continuous improvement.	3	Agreed.	Head of Internal Audit Partnership / SWAP Management Board	On-going
ACTIONS IN RESPONSE TO STAFF FEEDBACK:					
Managing Plans across all Audit Managers seems to be becoming unwieldy. Lack of structure and difficulties in working for a number of AM’s in each quarter.	The Group Audit Manager, Planning and Performance will revisit the planning process and consider the benefits of geographical planning in three areas. Provide quarterly plans as far in advance as possible.	3	The Plan has now been allocated on a geographical basis but will continue to remain flexible to meet the needs of our Partners.	Group Audit Manager, Planning and Performance	Completed and in Progress

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
The increase in internal procedures appears to be leading to inefficiencies.	Group Audit Managers to produce an outline process chart of SWAP procedures to be analysed in detail by Audit Managers to identify areas for potential efficiency.	3		Group Audit Managers and Audit Managers	March 2013
Lack of clarity of strategic direction of SWAP.	Management Team to raise awareness of SWAP's vision, strategy and priorities (see above). MT to provide an overview of Strategy and Budget to Audit Managers Meeting.	4		Head of Internal Audit Partnership	Completed in Progress
Whilst communication has improved there is a perceived lack of understanding of the why decisions have been taken.	Management Team to ensure that when decisions are communicated, an explanation as to the why should be included.	3		SWAP Management Team	Immediate and on-going
General Lack of Awareness of Planning Process.	Group Audit Manager, Resource Management to ensure Induction Programme is updated to include an overview of the Audit Planning Process.	3		Group Audit Manager, Resource Management	Immediate and on-going

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	Group Audit Manager, Planning and Performance to provide an overview of SWAP's Planning Process at the next Away Day.	3		Group Audit Manager, Planning and Performance	October 2012
Perceived Poor IT Performance	Group Audit Manager, Planning and Performance to move the hosting of MKi to Morgan Kai to increase resilience and limit disruption to service.	4		Group Audit Manager, Planning and Performance	Completed
	Group Audit Manager, Quality and Delivery in liaison with the current service host (SDC) to investigate options and solutions for the poor performance of the PANDA Server.	4		GAM, Quality and Delivery	In Progress
New PSIAS to be released by January 2013.	Management Team to provide an overview and make necessary updates to SWAP Charters etc to ensure on-going compliance.	3	This action is in progress; however it has been agreed to revise the target date to June /July to coincide with the Annual Opinion reports.	Management Team	April 2013 June / July 2013

Audit Committee – 23 May 2013

7. 2012/13 Annual Governance Statement

Portfolio Holder: Tim Carroll, Finance and Spatial Planning
Chief Executive Mark Williams, Chief Executive
Assistant Director: Donna Parham, Finance and Corporate Services
Lead Officer: Donna Parham, Finance and Corporate Services
Contact Details: donna.parhamt@southsomerset.gov.uk or (01935) 462225

Purpose of the Report

This report has been prepared for the Audit Committee to approve the Annual Governance Statement (AGS) for 2012/13.

Recommendation

To approve the 2012/13 Annual Governance Statement and framework attached at Appendices A and B.

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 Councils requirements in demonstrating this is to produce an Annual Governance Statement (AGS).

The Chartered Institute of Public Finance and Accountancy (CIPFA) provides 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 4, of the Accounts and Audit Regulations includes a requirement to publish an Annual Governance Statement (AGS). Previously local authorities were required to include a Statement of Internal Control (SIC) with their statement of accounts. The regulations now require authorities to carry out 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 (2010).” This is evidenced within the Annual Governance Statement where the authority meets with best practice.

The Annual Governance Statement will continue to be signed by the Leader of the Council, the Chief Executive, and the Section 151 Officer. The framework used for this review is attached at Appendix A.

The Statement also reflects the new Public Sector Internal Audit Standards (PSIAS) introduced on the 1st April 2013. A revised Audit Charter that reflects these new standards will be presented to Audit Committee in June 2013. 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 July 2010 the Audit Committee approved a revised Local Code of Corporate Governance. This updated the Council's code to reflect best practice. In producing the Annual Governance Statement reports from the Audit Commission, South West Audit Partnership, a review of the effectiveness of internal audit, the annual review of the Group Auditor, and a review of all Statements of Operational Service Internal Controls have been undertaken. The review has been completed by the Corporate Governance Group (the Chief Executive, Monitoring Officer, and S151 Officer). There are no significant issues to be addressed. Significant issues are issues that would be highlighted through the Corporate Governance Group, the S151 Officer, Internal Audit as a risk score of 5 or highlighted through the work of External Audit. The actions included within the Annual Governance Statement include those highlighted at a level 4 risk by Internal Audit as well as a number of actions are planned to further strengthen the control framework. The actions will be monitored and reviewed by the Audit Committee in 2013/14.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: *Annual Governance Statement 2012/13*
 Local Code of Corporate Governance

Appendix A here

ANNUAL GOVERNANCE STATEMENT

Part 1 – 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;
- public money is used economically, efficiently and effectively.
- there is a sound system of governance incorporating the system of internal control.

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 code can be obtained on request. This statement explains how SSDC has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on annual governance.

In addition to this CIPFA has issued its “*Statement on the Role of the Chief Financial Officer in Local Government (2010.)*” The Annual Governance Statement should therefore reflect compliance of the statement for reporting purposes.

Part 2 – 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, cost-effective services.

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 the risks and prioritise the actions to achieving policies, aims and objectives;

- evaluate the likelihood of those risks occurring;
- assessing the impact should those risks occur;
- managing the risks efficiently, effectively and economically.

The governance framework has been in place at SSDC for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

Part 3 – 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.
- An arrangement with East Devon District Council is in place for sharing a Chief Executive through a Section 113 agreement outlining the detail of function and role.
- Protocols developed and enforced to ensure effective communication between members and officers in their respective roles.
- Regular meetings 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 office 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).
- There is a countywide code of conduct and training will be carried out thereafter this will be 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, and Team Brief.
- A Management Charter has been introduced and signed by all Managers and compliance will be reviewed through Staff Appraisal and Development Reviews.
- A Staff Charter will be introduced in 2013/14.

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.
- Clear job descriptions and personal specifications are in place for all roles.
- The S151 Officer and five of the finance team are qualified accountants with several years’ experience. The finance function has sufficient resources 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.

Part 4 – 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 SWAP, the Corporate Governance Group, Management Board and the Corporate Performance Team, who have responsibility for the development and maintenance of the governance environment.

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 an Overview and 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 the action plans are completed through regular reports from the Service Manager and Assistant 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 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, 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.
- Internal Audit (SWAP) is subject to the Public Sector Internal Audit Standards (PSAIS) from the 1st April 2013. This will mean that as external assessment needs to be carried out once every five years. It also requires an action plan to implement improvements and assess the efficiency and effectiveness of internal audit. This will be regularly reviewed by the Audit Committee.
- For performance management, a ‘traffic light’ monitoring and reporting system is in place reporting quarterly to the Executive Committee.
- The Council’s Financial Procedure Rules are kept under continuous review and revised periodically – the last review was approved in April 2011.
- 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 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.

In its review the Authority has assessed its overall governance arrangements as reasonable. This has been assessed through a review of SSDC's governance arrangements as outlined in the diagram at Appendix A.

Part 5 – Significant governance issues

A number of actions are planned to strengthen the control framework and will be monitored by the Audit Committee during 2013/14:

- A refresh of the **Procurement Procedure Rules** to clarify Equalities responsibilities and include Internal Audit recommendations.
- A refresh of the **Risk Management Strategy** and reporting risk management regularly to **Management Board** and **Audit Committee**.
- Complete the **Fraud and Data Strategy** to link all anti-fraud work.
- Retender the **cash collection contract** by September 2013.
- Review **General Account reconciliations** as part of implementation of the **Cash Receipting System**.

The Authority is satisfied that these steps will address the issues highlighted in 2012/13 and further improve governance arrangements at SSDC.

Signed on behalf of SSDC:

Donna Parham
Assistant Director – Finance and Corporate Services

Mark Williams
Chief Executive

Cllr Ric Pallister
Leader

Audit Committee – 23rd May 2013

8. Internal Audit Plan - Review of 2012/13

Head of Service: Gerry Cox, Head of Internal Audit Partnership
Lead Officer: Andrew Ellins, Audit Manager
Contact Details: andrew.ellins@southwestaudit.co.uk

Purpose of the Report

This report provides an update on the position of the Internal Audit Plan at the end of 2012/13 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 2012/13 Internal Audit Plan at its February 2012 meeting. An update was provided in August 2012 (for quarter one), November 2012 (for quarter two) and in February 2013 (for quarter three).

Appendix A - Detailed Internal Audit Annual Report and Opinion for 2012/13

Appendix B - Audit Plan 2012/13 Progress Table

Appendix C - Audit Assurance Definitions

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: Attached as Appendices

Appendix A here (11 pages)

Appendix B here

Appendix C here

Audit Committee – 23 May 2013

9. Audit Committee Forward Plan

Assistant Director: Donna Parham, Finance and Corporate Services
Lead Officer: Anne Herridge, Committee Administrator
Contact Details: Anne.herridge@southsomerset.gov.uk or (01935462570)

Purpose of the Report

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

Recommendation

Members are asked to: -

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

Audit Committee Forward Plan

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

Items marked in italics are not yet confirmed.

Background Papers: *None*

Audit Committee – 23 May 2013

Appendix A

Audit Committee Forward Plan

Meeting Date	Agenda Item	Lead Officer
27 Jun 13	Risk Management Update	Gary Russ
27 Jun 13	Approve Annual Treasury Management Activity Report 2012/13 with recommendation to Full Council	Karen Gubbins
27 Jun 13	External Audit – Audit of financial controls 2012/13	Donna Parham
27 Jun 13	Register of staff interests – Annual Review	Ian Clarke
27 Jun 13	<i>To approve the Internal Audit Charter</i>	<i>Andrew Ellins</i>
27 Jun 13	<i>Swap Governance changes</i>	<i>Andrew Ellins</i>
25 Jul 13	Review of local code of Corporate Governance	Donna Parham
25 Jul 13	Review exemptions given through procurement Procedure Rules 2012/13	Gary Russ
22 August	Treasury Management – First Quarter monitoring report	Amanda Card?
22 August	Internal Audit – First quarter update	Andrew Ellins
22 August	Annual Governance Statement Action Plan	Donna Parham

10. Date of Next Meeting

The next scheduled meeting of the Audit Committee will be held on Thursday, 27 June 2013 at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.

Member Training

Members please note at the conclusion of the formal committee meeting a training session will be held on Accounting Policies Statement of Accounts which should last no longer than an hour. All committee members are asked to remain and participate in the training which will be conducted by Peter Lappin, Audit Manager - Grant Thornton and Amanda Card - Finance Manager
