

South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 22 August 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 Tuesday 13 August 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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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 22 August 2013

Agenda

Preliminary Items

1. **To approve as a correct record the Minutes of the previous meeting held on 27 June 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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Audit Committee – 22nd August 2013

5. Internal Audit Charter Annual Review

Head of Service: Gerry Cox, Chief Executive - SWAP
Lead Officer: Andrew Ellins, Audit Manager
Contact Details: andrew.ellins@southwestaudit.gov.uk

Purpose of the Report

It is a requirement that the Audit Committee approve the Internal Audit Charter annually.

This report has been prepared for the Audit Committee to review the Internal Audit Charter and approve the changes made.

Recommendation

To agree to the Revised Charter.

Background

In the past and in future approval will be sought at the February Audit Committee meeting, however, this year this was delayed to enable the new arrangements for SWAP from 1 April 2013 to be reflected.

The Charter which is attached as Appendix A, remains primarily the same as the Charter approved by Committee last year. The new governance arrangements for SWAP Limited, together with new Public Sector Internal Audit Standards and some changes in role titles have been incorporated into the Charter. These changes have been highlighted for ease of reference.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers:

None

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

The Internal Audit Charter is reviewed each year by the Audit Committee to confirm it remains accurate and up to date. It was last reviewed by the Committee at its meeting on the 23rd February 2012.

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 S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

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

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 Council's 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.

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).

¹ The Standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Audit Committee in this instance represents the Board.

² In this instance Management refers to the Corporate Management Team.

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 Audit Manager also report to the Assistant Director – Finance and Corporate Services as 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;
- appraising the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assisting 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

¹ The Standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Audit Committee in this instance represents the Board.

² In this instance Management refers to the Corporate Management Team.

- 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 Head of Service. 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 S151 Officer and the Monitoring Officer (Assistant Director – Legal and Corporate Services) as well as 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 Audit Manager have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the Council's Chief Executive Officer or the External Audit Manager.

Revised August 2013

¹ The Standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Audit Committee in this instance represents the Board.

² In this instance Management refers to the Corporate Management Team.

Audit Committee – 22nd August 2013

6. 2013/14 SWAP Internal Audit Quarter 1 Update Report

Head of Service: Gerry Cox, Chief Executive - SWAP
Lead Officer: Andrew Ellins, Audit Manager
Contact Details: andrew.ellins@southwestaudit.co.uk

Purpose of the Report

This report has been prepared for the Audit Committee to review the progress made on the 2013/14 Annual Internal Audit Plan.

Recommendation

To note the progress made.

Background

The Audit Committee agreed the revised 2013/14 Internal Audit Plan at its June 2013 meeting. This is the first quarterly update report to inform the Audit Committee of progress against the plan for April to June 2013.

Appendix A - Detailed Quarterly Report
Appendix B - Annual Audit Plan Progress Table
Appendix C - Audit Assurance Definitions

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: None

APPENDIX A



South Somerset District Council

Report of Internal Audit Activity
Quarter 1 Update, 2013-14

Contents

The contacts at SWAP in connection with this report are:

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Head of Internal Audit Partnership

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Our audit activity is split between:

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

Role of Internal Audit

The Internal Audit service for South Somerset District Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for internal audit. The Partnership is also guided by the Internal Audit Charter last approved in February 2012 and submitted again to the Audit Committee in August 2013.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes;

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

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer following consultation with Directors, Assistant Directors, Service Managers and External Audit. This year's Audit Plan was approved by the Audit Committee at its meeting in June 2013, following a revision to the plan approved in February 2013.

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

Quarter 1 Outturn:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

Quarter 1 Outturn:

Audit Assignments undertaken in the Quarter

- Operational Audits

Internal Audit Work Programme

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Annual Audit Plan 2013/14. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “control assurance” opinions together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in [Appendix C](#).

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

Operational Audits

Operational Audits are a detailed evaluation of a Service’s control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

In Quarter 1 there were two Operational audits planned;

- Resource Centre – Contract Compliance
- Fleet Workshop and Stores

The Fleet audit was started towards the end of the quarter and is at Draft report stage. A full update will be provided for the next Update Report.

The Resource Centre audit has been rescheduled for Qtr3 at the request of the Client.

Quarter 1 Outturn:

Audit Assignments undertaken in the Quarter

- **Key Controls; Finance**

Key Controls, Finance Audits

In a change to previous years, it was agreed by the Audit Committee to replace Key Control Audits with Operational and Governance Audits for 2013/14. This reflects the positive assurance opinions that have been awarded in relation to Key Control Audits over the last few years, and an appetite to explore other risks and processes at the Council. A complete list of audits planned for the year 2013/14 is detailed in Appendix B.

Quarter 1 Outturn:

Audit Assignments undertaken in the Quarter

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

Key Controls, Main Income Stream Audits

Main income stream audits remain in the plan. However, there were none planned for Quarter 1.

Two main income stream audits from the 2012/13 Audit Plan were in progress at the time of the last report to the Audit Committee. These have now been completed;

Audit Area	Opinion
Careline Income	▲ ★★ ★ Reasonable
Homelessness Income	▲ ★★ ★ Reasonable

Quarter 1 Outturn:

Audit Assignments undertaken in the Quarter

- **Governance, Fraud and Corruption Audits**

Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will in some cases enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting these reviews at all of our Client sites.

There were two non-opinion audits planned for Quarter 1;

- Boden Mill and Chard Regeneration Scheme Statement of Accounts 2012/13
- Yeovil Crematorium and Cemetery 2012/13 Annual Return

Both of these reviews were ‘signed-off’ by Internal Audit as being fair and accurate.

At the time of the last report to Audit Committee five Governance Audits had yet to be finalised. Two of these have now been completed, with the others at Draft report stage, due to be finalised in the near future.

Audit Area	Opinion	Audit Area	Opinion
Change Management (Draft)	▲ ★ ★ ★ Reasonable	Contract Procurement	▲ ★ ★ ★ Reasonable
Treasury Management Strategies (Draft)	Non Opinion	TEN Risk Management System	▲ ★ ★ ★ Partial
Fraud – Expenses Claims (Draft)	▲ ★ ★ ★ Reasonable		

Quarter 1 Outturn:

Audit Assignments undertaken in the Quarter

- **Information Systems**
- **Special Reviews**

Information Systems

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

In Quarter 1 there was one IT audit planned on ICT Strategy, however, at the request of the Client this audit has been rescheduled for Qtr 3.

Special Reviews

I am pleased to report that since April 2013 there have been no irregularities reported to SWAP that have required investigation.

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

Future Planned Work

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

Conclusions

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

It is not uncommon for audits to be in progress at the end of Quarter 1 as priority is given to finishing off audits in progress from the previous financial year. It is fully expected that when we report the half year position at the end of Quarter 2, we will be able to give a stronger indication of the control environment in 2013/14. Furthermore, the Committee will be aware that in May 2013, SWAP were pleased to provide an Audit Opinion for the Annual Governance Statement for 2012/13 that gave Reasonable Assurance.

Our approach to the audits for 2013/14 reflects this positive assurance and we are seeking to undertake more challenging and cross-cutting reviews rather than traditional service reviews that we have done over recent years, given that these areas have now proven themselves to have adequate and often good internal controls. We shall continue to give ongoing assurance on key controls, but similarly we can do this with less resource than we have previously.

There have been no significant Corporate Risks or High Priority Findings identified from the work completed so far in Quarter 1. A list of all audits planned for 2013/14 and their status at the end of Quarter 1 are detailed in [Appendix B](#).

South Somerset District Council Audit Plan Progress 2013/14 - Qtr 1 Update

APPENDIX B

Audit Type	Audit Title	Quarter	Status	Opinion	No. of recs	Major - Recommendations - Minor				
						5	4	3	2	1
Governance	Boden Mill and Chard Regeneration Scheme Statement of Accounts	Qtr 1	Final	Non Opinion	0	0	0	0	0	0
Governance	Yeovil Crematorium and Cemetery Annual Return	Qtr 1	Final	Non Opinion	0	0	0	0	0	0
Operational	Fleet Workshop and Stores	Qtr 1	Draft	Reasonable	5	0	0	4	1	0
Governance	Fighting Fraud Locally	Qtr 2	In Progress		0	0	0	0	0	0
Governance	Asset Management - Leasing	Qtr 2	In Progress		0	0	0	0	0	0
Governance	Council Tax Reduction Scheme	Qtr 2			0	0	0	0	0	0
Governance	Housing Benefits Fraud Prevention	Qtr 2			0	0	0	0	0	0
Governance	Corporate Procurement Cards	Qtr 2	Discussion		0	0	0	0	0	0
Governance	Unofficial Voluntary Funds	Qtr 2			0	0	0	0	0	0
IT Audits	Event, Incident and Problem Management	Qtr 2			0	0	0	0	0	0
Operational	Town Council Licensing Controls	Qtr 2			0	0	0	0	0	0
Operational	Wincanton Sports Centre Income	Qtr 2	In Progress		0	0	0	0	0	0
Governance	Resource Centre - Contract Compliance	Qtr 3			0	0	0	0	0	0
IT Audits	ICT Strategy	Qtr 3			0	0	0	0	0	0
Governance	Social Networking	Qtr 3			0	0	0	0	0	0
Governance	Business Rates - Managing New Risks and Liabilities	Qtr 3			0	0	0	0	0	0
Governance	Debt Management	Qtr 3			0	0	0	0	0	0
Follow-Up	Better Contract Management - 2012/13 Audits Partial Assurance	Qtr 4			0	0	0	0	0	0
Follow-Up	TEN Risk Management Sysyem - 2012/13 Audits Partial Assurance	Qtr 4			0	0	0	0	0	0
Governance	Cash Receipting and Bank Reconcillation	Qtr 4			0	0	0	0	0	0
Governance	Troubled Families	Qtr 4			0	0	0	0	0	0
Governance	Use of Cash Collection Contractors: Banking (Loomis) and Bailiffs	Qtr 4			0	0	0	0	0	0
IT Audits	Disaster Recovery Planning	Qtr 4			0	0	0	0	0	0
Operational	Payroll Service	Qtr 4			0	0	0	0	0	0
Operational	Careline Income	Qtr 4			0	0	0	0	0	0
Operational	Car Parks Income	Qtr 4			0	0	0	0	0	0
Operational	Goldenstones Income	Qtr 4			0	0	0	0	0	0
Operational	Homelessness Prevention Income	Qtr 4			0	0	0	0	0	0
Operational	Licensing Income	Qtr 4			0	0	0	0	0	0
Operational	Octagon Theatre Income	Qtr 4			0	0	0	0	0	0
Operational	Plant Nursery Income	Qtr 4			0	0	0	0	0	0

Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★★★ I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★★ I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲ I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Audit Committee – 22 August 2013

7. Risk Management Update (Risk registers and monitoring).

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

Purpose of the Report

The purpose of this report is to update members of the Audit Committee on the status of the risk management register and the status of risk management across the council at this time. Members of the Audit Committee will be aware that we have now been running with the new consolidated risk register within the database called TEN for well over a year now. This report seeks to assure members of the committee that we have a robust and challenging risk process in place with I hope and believe a well embedded risk management culture under pinning the risk register. This report will seek to give members a flavour of the activity within the officer group in working with risk management and further demonstrate the better reporting tools and monitoring activity that the new system is developing. In the past too much focus has gone into tweaking the application rather than monitoring risk and risk management understanding. The Procurement and Risk Manager has plans to correct this over the summer, with further training and more significant upgrades to the register.

Members should note this system was not custom made and the risk register had to be built up using all reporting tools from the ground up. There is a continued learning and tweaking of some elements of the system. Many aspects of the recent audit of risk management have reflected on the inconsistencies of some of the reports, however as soon as those anomalies are found they are corrected, the system improves each month.

A recent Internal audit review rated Risk Management at a “partial assurance”, the Audit Committee are required to monitor the application of actions to correct any weakness found by the auditor. Further details on actions to strengthen risk management at the council will be presented to the committee in the coming months in response to the audit report.

In summary the audit has shown up weakness in the following areas.

- Management Board not being made aware of risk profile on a regular basis.
- Confusion over how to use the TEN risk register and inconsistencies with Risk reports.
- A need to update senior management team on the risk Appetite and review if still set at appropriate level.

Recommendation: -

That members:

- 1) Note the report:
- 2) Comment on what aspects of risk management they would like to focus on at the next review.

Report

The SSDC Risk register is set within the TEN data management system and as such has gained greater acceptance and success due to its wide corporate use. The look and feel of the risk register is not very different from working with Equalities or Performance management data, so in many ways, moving the register to the TEN systems has and continues to be positive for all users.

During the previous period Support Services staff alongside the Procurement Officer held 1-2-1 training sessions with Risk owners in order to familiarise them with the system. It did take some considerable time to get to all users; however the training was only going to be relevant and appropriate by working with them on their risk register.

The risk system still accommodates the risk Heat map as used before and is a very good graphical way of expressing the risk profile of the council at a given time. However at this time, TEN is unable to support the drill down feature that was previously used with the old system. A full range of reports are available for risk owners to extract from the system which has recently been modified to allow all risk owners to see all risks and how others are treating similar risk types.

Risk owners can only edit risks to which they have responsibility.

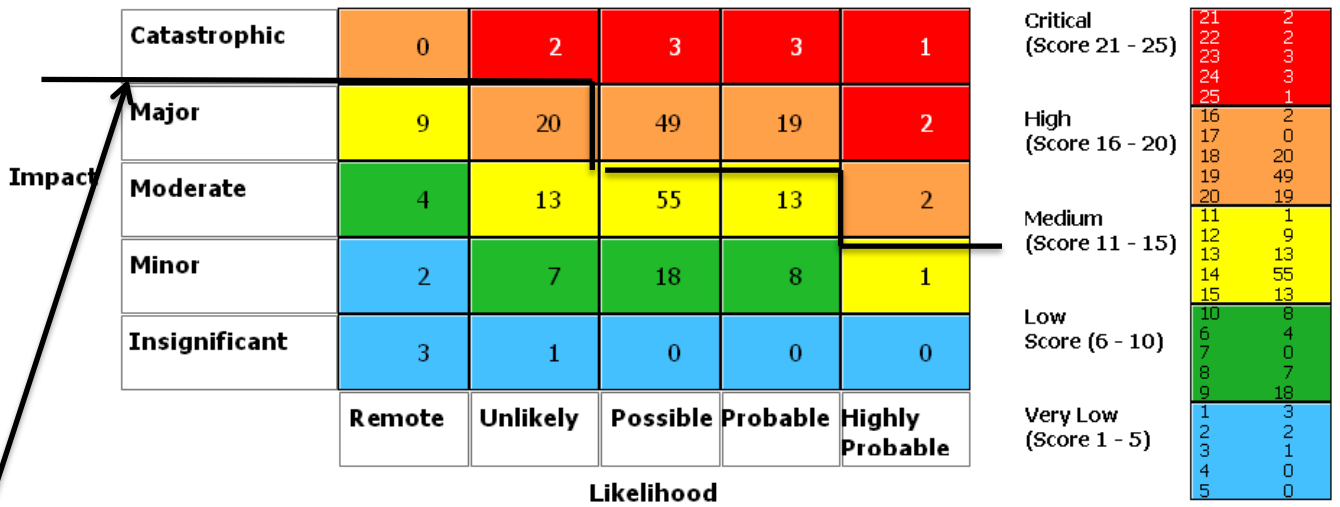
A major stumbling block with the system has been the need for users of the system to affectively create three separate sets of information and then manually link these together. The sets of information have been Risk, Control, Action; this has led to some confusion and missing data. It is hoped that in the autumn of 2013 we may be able to correct this with a major upgrade of the system,

The sample inserted overleaf is a screen shot of the online report and as such a drill down into the risk identified in the various boxes cannot be shown, however the risk details have been inserted for information.

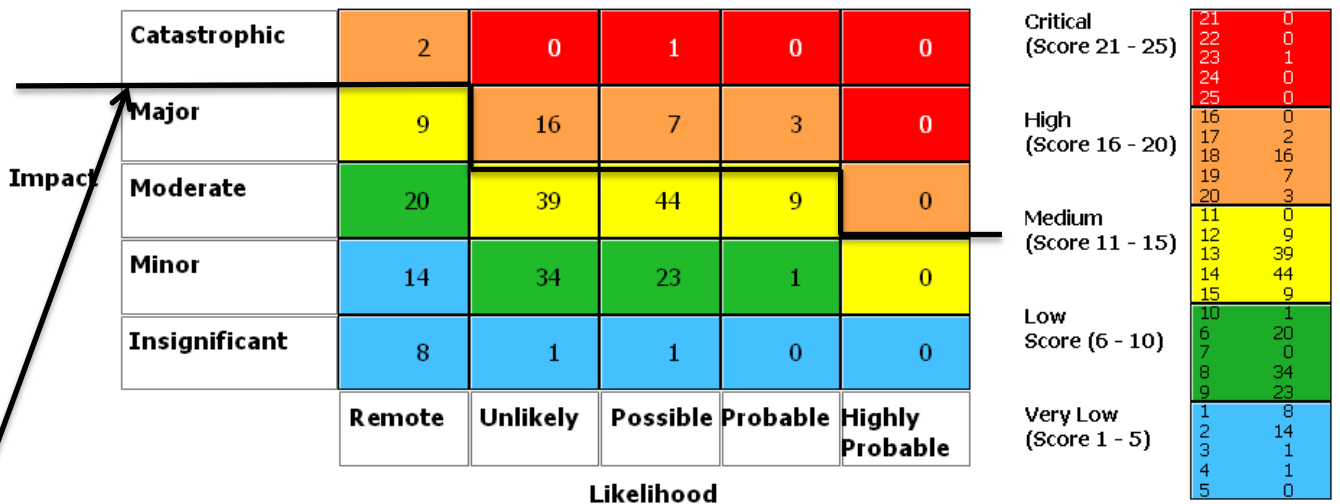
Inserted below is a sample of the risk Heat Map as recorded on the 21st June, Members can clearly see that the residual risk map broadly correlates to the position under **Magique**, although many of the risks are now different.

Current Status Monday, 12th August 2013

Inherent All Risk Heat Map



Residual All Risk Heat Map



Risk Appetite line

•**Risk capacity:** the amount and type of risk an organization is able to support in pursuit of its business objectives. (Burden that directly falls on managers and officers at the council)

•**Risk appetite:** the amount and type of risk an organization is willing to accept in pursuit of its business objectives.

•**Risk tolerance:** the specific maximum risk that an organization is willing to take regarding each relevant risk.

•**Risk target:** the optimal level of risk that an organization wants to take in pursuit of a specific business goal.

•**Risk limit:** thresholds to monitor that actual risk exposure does not deviate too much from the risk target and stays within an organization's risk tolerance/risk appetite. Exceeding risk limits will typically act as a trigger for management action.

Risk Appetite/ above the line

We currently have just one risk scoring at critical or Red (one closed)

R 384 - Management of former landfill site - Birchfield Park.

Birchfield Park is a former landfill site where the following risks could occur without necessary precautions:

- a) High levels of gas adjacent to residential property at Romsey Road.
- b) Gas Extraction plant failure
- c) Unauthorised encampments
- d) Pollution from leachate. The following controls should prevent these major issues from occurring

Engineering & Property Services Critical Critical

We currently have an additional 28 risks identified within the register as Amber or High

See Amber risk report list.

Whilst Risk Management remains a useful and sensible business tool, many officers still appear to struggle to see the worth of using it as a preventative tool. Much more focus by the Procurement and Risk Manager will now need to be applied to risk management to recover us back to where we were a year ago.











Current risk status





Current number of open or active risks is 244
Current number of open or active controls is 432
Current number of open or active actions is 302
Current number of risk due for review 48

Background Papers: Audit Committee – 28th March 2012 Risk management report

Catastrophic Inherent Risk

Risk	Description	Service	Inherent Scoring	Residual Scoring	Risk Owner
R 195 - Catastrophic failure of dam wall at Chard Reservoir and flooding of nearby land and property	The dam wall and reservoir structures at Chard Reservoir are the responsibility of SSDC. Water levels must be monitored and controlled by a manual sluice. If the Dam wall should fail there would be severe flooding of neighbouring land and property.	Countryside	Critical	Medium	Katy Menday
R 209 - Treasury Management Risk	Current risks around treasury Management are through counterparty risk in financial institutions collapsing that SSDC has lent money to. There are also credit rating risks and interest rate risks; this would affect the contribution Treasury Management makes to annual revenue.	Finance	Critical	Medium	Donna Parham
R 237 - Council not sufficiently prepared for outbreak of pandemic flu or other major business continuity issues	The Council has a number of competing priorities for a limited resource in the Emergency Planning, Business Continuity and Health and Safety Service. The possibility of an outbreak of pandemic flu is growing all the time and has the potential to cause extreme disruption to the Council's services and to the wider community.	Civil Contingencies	Critical	High	Pam Harvey
R 279 - Efficient processes in back office are not set	If efficient processes are not set up in the back offices when the front end of the service is delivered to the customer in the front office, customers' requests and queries will stack up leading to increased calls, confusion and angry customers.	Operations & Customer Focus (Directorate)	Critical	Medium	Jason Toogood

R 298 - Financial security regulations for payments not met	PCIDSS (Payment card industry data security standard) controls for credit and debit card payments came into force in 2007. There is a risk that all other service areas that take credit and debit card payments could fall foul of the regulations. Finance, IT and audit team aware of issues. In particular recorded telephone calls will contain details of customers credit and debit card numbers and we need to be assured that Northgate do not store credit/debit card data in the 'back' of Front Office that could be accessed by hacker.	Finance	Critical		High		Donna Parham
R 327 - Ineffective direction of resources	Ineffective direction of resources	Economic Development	Critical		High		David Julian
R 328 - Members withdraw support to Economic Development or regeneration	Members withdraw support to Economic Development or regeneration	Economic Development	Critical		Medium		David Julian
R 346 - Health and Safety of Staff and Public is compromised	The market in Yeovil takes place in a pedestrianized area. Market traders vehicles have access to the market which poses a hazard to pedestrians. There are also electric cables serving the various stalls which pose potential trip hazards as well as the more serious risk of injury or death if defective.	Area Development (South)	Critical		High		Kim Close
R 366 - Homelessness - failure to intervene at an early stage	Failure to intervene at an early enough stage, if it occurs frequently, will lead to increased homelessness and, consequently, increased reliance on B&B or other temporary accommodation. Thus this is both a quality risk but also impinges on finances and reputation (both with public and with central Government)	Health and Wellbeing (AD)	Critical		Medium		Kirsty Larkins















R 384 - Management of former landfill site - Birchfield Park	Birchfield park is a former landfill site where the following risks could occur without necessary precautions: a) High levels of gas adjacent to residential property at Romsey Road. b) Gas Extraction plant failure c) Unauthorised encampments d) Pollution from leachate The following controls should prevent these major issues from occurring	Engineering & Property Services	Critical		Critical		Garry Green
R 412 - Lone workers are vulnerable	Lone workers are vulnerable to accidental injury or death, physical or verbal abuse, or assault. Also possibility of damage or theft of vehicle or other property	Revenues & Benefits	Critical		Medium		Ian Potter

Catastrophic RESIDUAL Risk















Risk	Description	Service	Inherent Scoring	Residual Scoring	Risk Owner
R 384 - Management of former landfill site - Birchfield Park	Birchfield park is a former landfill site where the following risks could occur without necessary precautions: a) High levels of gas adjacent to residential property at Romsey Road. b) Gas Extraction plant failure c) Unauthorised encampments d) Pollution from leachate The following controls should prevent these major issues from occurring	Engineering & Property Services	Critical	Critical	Garry Green









High Risk

Risk	Description	Service	Inherent Scoring	Residual Scoring	Risk Owner
R 1 - Risk of a Serious Data Breach or Security Incident leading to Sanction or Loss of Service	Risk of sanction or fine from the Information Commissioner, Payment Card Industry, loss of connection to the Government Network, loss of ability to process payments.	ICT	High	High	Roger Brown
R 8 - Local Plan Examiner finds plan unsound	Local Plan Examiner finds plan unsound and therefore requires Council to commence Plan work again meaning that the Council is without usable local planning policies for some considerable time	Spatial Policy	High	High	Andy Foyne
R 12 - Maintain an effective, tried & tested emergency plan	The emergency plan details the Councils response to an emergency affecting the Council either directly or indirectly.	Civil Contingencies	High	High	Pam Harvey

R 154 - Loss of Area revenue and capital budgets to support local schemes	Reduced ability to support communities to achieve their own priorities and objectives. Reduced quality of life in rural communities in this area.	Communities (AD)	High		High		Helen Rutter
R 189 - Sampson's Wood, Yeovil - liability of SSDC due to lease conditions on public access woodland surrounded by residences	Sampson's Wood-liability of SSDC due to lease conditions with woodland owner throughout open public access woodland on steep slopes with mature tree stock surrounded by dwellings.	Countryside	High		High		Katy Menday
R 220 - Inability to contact a Building Control Officer out of office hours for emergency call out	Internal Audit reviewed this risk as part of their inspection of Building Control Oct 2010 - see audit doc for recommendations.	Building Control	High		High		Dave Durrant
R 223 - Downturn in Workload and Income due to Competition from Approved Inspectors	Downturn in Workload and Income due to Competition from Approved Inspectors	Building Control	High		High		Dave Durrant
R 237 - Council not sufficiently prepared for outbreak of pandemic flu or other major business continuity issues	The Council has a number of competing priorities for a limited resource in the Emergency Planning, Business Continuity and Health and Safety Service. The possibility of an outbreak of pandemic flu is growing all the time and has the potential to cause extreme disruption to the Council's services and to the wider community.	Civil Contingencies	Critical		High		Pam Harvey
R 263 - Damage to building (including requiring evacuation eg fire)	Damage to building (including requiring evacuation eg fire)	Engineering & Property Services	High		High		Garry Green
R 295 - Secure annual funding for SSCAB	High quality data prepared annually presented to Corporate Grants Committee, to give Councillors confidence that high quality service is being delivered.	Third Sector & Partnerships	High		High		Alice Knight

R 298 - Financial security regulations for payments not met	PCIDSS (Payment card industry data security standard) controls for credit and debit card payments came into force in 2007. There is a risk that all other service areas that take credit and debit card payments could fall foul of the regulations. Finance, IT and audit team aware of issues. In particular recorded telephone calls will contain details of customers credit and debit card numbers and we need to be assured that Northgate do not store credit/debit card data in the 'back' of Front Office that could be accessed by hacker.	Finance	Critical		High		Donna Parham
R 323 - Theft of market fees	Market Superintendent collects fees from stall holders and then has to take the money collected to SSDC office for deposit.	Area Development (South)	High		High		Kim Close
R 327 - Ineffective direction of resources	Ineffective direction of resources	Economic Development	Critical		High		David Julian
R 342 - Economic Leaders Partnership - Purpose and outcomes not achieved	Purpose: To promote economic development in Somerset (SCC, SSDC and other Somerset Districts) Partnership newly reconfigured in 2012 as Local Enterprise Partnership	Third Sector & Partnerships	High		High		David Julian
R 343 - Break up of the Somerset Waste Partnership	Break-up of the Somerset Waste Partnership	Environment (AD)	High		High		Vega Sturgess
R 346 - Health and Safety of Staff and Public is compromised	The market in Yeovil takes place in a pedestrianized area. Market trader's vehicles have access to the market which poses a hazard to pedestrians. There are also electric cables serving the various stalls which pose potential trip hazards as well as the more serious risk of injury or death if defective.	Area Development (South)	Critical		High		Kim Close

R 353 - Verbal/physical abuse of staff	Angry customers threaten staff fairly regularly. There is the potential for physical attacks on staff.	Area Development (South)	High		High		Kim Close
R 365 - Physical abuse to staff & other services at Gypsy sites	Possibility of physical abuse to staff etc on site arising from unacceptable behaviour of residents, their friends, relatives or animals. Most likely if member of staff is placed in an enforcement situation. Not restricted to lone working, although less likely when not lone working. Also possible due to being 'caught in crossfire' if on-site when trouble erupts between residents or between residents and another agency (e.g. police)	Health and Wellbeing (AD)	High		High		Kirsty Larkins
R 383 - Loss of access of office buildings	This risk relates to access being prevented as a result of fire, flood or other major incidents. Disaster Recovery plan produced.	Engineering & Property Services	High		High		Garry Green
R 392 - Inappropriate or misappropriation of poisons	Inappropriate or misappropriation of poisons	Environmental Health	Medium		High		Vicki Dawson
R 393 - Potential Health and Safety Prosecution	Potential prosecution for breach of health and safety regulations in respect of operating the Council's leisure facilities and services.	Health and Wellbeing (AD)	High		High		Steve Joel
R 396 - Lack of Capital Resources For Play Areas and Youth Facilities	The lack of capital resources to support the development and replacement of play area and youth facilities, preventing the Council from delivering upon its play and youth facility commitments within the Corporate Plan.	Health and Wellbeing (AD)	High		High		Lynda Pincombe
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).	Environment (AD)	High		High		Laurence Willis

R 425 - Financial Problems	The service expenditure rises above income levels	Street scene	Low		High		Chris Cooper
R 426 - Failure of Highway Verge Maintenance Contract	Failure of Highway Verge Maintenance Contract	Street scene	Medium		High		Chris Cooper
R 430 - Theft of Diesel from depot	Theft of Diesel from depot	Street scene	High		High		Chris Cooper
R 434 - Environmental factors affect the access to and from the depot and the ability for it to function	Environmental factors affect the access to and from the depot and the ability for it to function	Street scene	High		High		Chris Cooper

Service	Total
Corporate Services (Directorate)	2
Legal & Corporate Services (AD)	8
Fraud & Data	1
Human Resources	5
Financial & Corporate Services (AD)	0
Procurement & Risk	14
Revenues & Benefits	9
Finance	19
ICT	7
Communications	2
Operations & Customer Focus (Directorate)	6
Health and Wellbeing (AD)	28
Housing & Welfare	1
Community Health & Leisure	1
Countryside	10
Environment (AD)	5
Street scene	21
Licensing	3
Environmental Health	10
Engineering & Property Services	11
Civil Contingencies	9
Building Control	7
Spatial Systems	3
Performance	6
Economy (AD)	1
Development Control	9
Economic Development	7
Spatial Policy	2
Communities (AD)	1
Area Development (East)	7
Area Development (North)	4
Area Development (South)	10
Area Development (West)	1
Third Sector & Partnerships	14

Audit Committee – 22nd August 2013

8. Exemptions from Procurement Procedure Rules

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

Purpose of the Report

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

Recommendation

1. That members of the committee note the report.

Report

Outlined below is an overview of procurement activity as well as any exemptions that officers have used under the Procurement Procedure Rules. I have listed any exemptions, advice on procurement processes, and procurements where officers needed clarification on procedure and direction.

Exemptions

- Members of the committee may be aware that we have a software application referred to as Trent; this application manages SSDC payroll and Human Resources functions. This application was acquired many years ago via a joint procurement via Somerset County Council. The system in its current form has come to the end of its operating life and needs a major upgrade. The HR manager assessed that upgrading the system would be preferable to trying to acquire and install a completely new system. Effectively nothing significant was wrong with the current application, however a number of new features and enhancements were to be deployed in the upgrade that SSDC consider now to be worthwhile pursuing. One such upgrade is to the payment slips meaning SSDC will no longer need to print and send out paper based payment information as the new system will do all this electronically.

Response to request - Procurement manager considers that an exemption is allowable under section 3.3 item (ii) (iii) (iv)

- Need to expedite an urgent selection of a consultancy house to help in providing a response to the Inspector findings of the local plan.

Response to request - Given the urgency of the matter and the high level of importance of the matter. I agreed to a shortened competitive quote process from an approved list of consultancy houses. Selection was made on the basis of positive feedback from reference sites. Suppliers were specifically asked to respond to the Inspectors finding and assessments were made on these specific submissions. The ability of the consultants to engage in the process with a suitable start and to complete the work in a time is of the essence criterion were also considerations.

- Request from Community Regeneration Officer Sports to directly engage a local artist to produce art works and a film in connection with the [Portas](#) Pilots funding via DCLG.

Response to Request - Given that this was externally funded (£10K) and that the artistic element is so subjective and hard to compare I considered that an exemption from 3 quotations was perfectly in order.

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

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

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

In Summary

In accord with members wishes SSDC procurement actively seeks out opportunities to collaborate with others to save money, effort and time and to gain from others experiences. To this end management have agreed that we consider and actively pursue a collaborative procurement for public convenience and office cleaning contracts with Yeovil College. It is hoped that by combining both contracts we may establish better pricing from a larger group of companies, always keeping in mind the benefit of local supply of course.

Further we will be tendering for a whole range of services over the next year and accessing existing frameworks to facilitate better pricing and a wider pool of suppliers, examples are, cash collection and car park cash collection, banking services, printer and copier supply, plus vehicle purchase and leasing.

I believe the changes we have made to the Procurement Procedure Rules are effective and officers are now actively seeking my advice on a regular basis. However, I will be carrying out some further awareness training this year to ensure officers continue to seek my involvement in the process and this will be combined with:

- What is a Contract and why should I have one?
- The Community Right to Challenge what does it mean for YOU!

Background Papers: Procurement Procedure Rules

Audit Committee – 22 August 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 (01935) 462570

Purpose of the Report

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

Recommendation

Members are asked to:-

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

Audit Committee Forward Plan

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

Items marked in italics are not yet confirmed.

Background Papers: *None*

Audit Committee – 22 August 2013

Appendix A

Audit Committee Forward Plan

Meeting Date	Agenda Item	Lead Officer
26 Sep 13	Treasury Management Practices	Amanda Card
26 Sep 13	Treasury Management – First Quarter monitoring report	Amanda Card
26 Sep 13	Approve Annual Statement of Accounts	Amanda Card
26 Sep 13	Approve Summary of Accounts	Amanda Card
26 Sep 13	External Audit Annual Governance report	Donna Parham
26 Sep 13	External Audit Value for Money (VFM) conclusion	Donna Parham
26 Sep 13	Review of local code of Corporate Governance	Donna Parham
26 Sep 13	Annual Governance Statement Action plan	Donna Parham
24 Oct 13	Annual Audit Letter	Donna Parham
24 Oct 13	Update on Debt Management	Karen Gubbins
28 Nov 13	Mid – year review of Treasury Strategy	Karen Gubbins
28 Nov 13	Treasury Management – second quarter monitoring report	Karen Gubbins
28 Nov 13	Internal Audit – second quarter and half year update	Andrew Ellins
28 Nov 13	Annual Governance Statement Action Plan	Donna Parham
28 Nov 13	Risk Management Update	Gary Russ

Audit Committee – 22 August 2013

10. Date of Next Meeting

The next scheduled meeting of the Audit Committee will be held on Thursday, 26 September 2013 at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.
