

MEETING: AC03 13:14  
DATE: **22.08.2013**

### South Somerset District Council

**Draft minutes** of a meeting of the **Audit Committee** held in the Main Committee Room, Council Offices, Brympton Way, Yeovil on **Thursday, 22 August 2013**.

(10.00 am –11.00 am)

**Present:**

**Members:**

Derek Yeomans - Chairman	Ian Martin
John Calvert	David Norris
John Dyke	Colin Winder
Tony Lock	

**Officers:**

Amanda Card	Finance Manager
Anne Herridge	Committee Administrator
Gary Russ	Procurement & Risk Manager

**Also Present:**

Andrew Ellins	South West Audit Partnership – Audit Manager
Tim Carroll	SSDC Councillor

#### 20. Minutes (Agenda Item 1)

The minutes of the meeting held on the 27 June 2013, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

#### 21. Apologies for Absence (Agenda item 2)

Apologies for absence were received from Cllrs Terry Mounter, Roy Mills and John Richardson.

#### 22. Declarations of Interest (Agenda item 3)

There were no declarations of interest.

#### 23. Public Question Time (Agenda item 4)

No questions or comments were raised by members of the public.

## 24. Internal Audit Charter Annual Review (Agenda Item 5)

The Audit Manager of SWAP Ltd presented the report as detailed in the agenda. He explained that the Charter remained mainly the same as the Charter approved by Audit Committee last year. The new governance arrangements for SWAP Ltd, together with new Public Sector Internal Audit Standards and some changes in role titles had been incorporated into the Charter. These changes had been highlighted in the agenda report for ease of reference.

A few amendments to the Internal Audit Charter were suggested and agreed as shown in bold below:

- 1. Purpose. The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within **the Council – South Somerset District Council**, and to outline the scope of internal audit work;
- Part 3. The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting **(represented by a Councillor from each of the 12 Partners)**;
- Footnotes 1 & 2 were reversed and the words **South Somerset DC** were added before Corporate Management team in (the now) note 1.

A revised copy of the Internal Audit Charter is attached to the minutes with the amendments highlighted in yellow.

In conclusion the chairman suggested that in future, for ease of reference, paragraphs within the report should be numbered.

### RESOLVED:

**That the Revised Charter be agreed.**

*Lead Officer: Andrew Ellins, Audit Manager*  
*Contact Details: andrew.ellins@southwestaudit.co.uk*

## 25. 2013/14 Report SWAP Internal Audit Quarter 1 Update Report (Agenda Item 6)

The Audit Manager of SWAP Ltd presented the report as detailed in the agenda, he explained that this was the first quarterly update report to inform the Audit Committee of the progress against the plan for April to June 2013. Unfortunately due to staff sickness and the unavailability of relevant managers not as many of the planned audits had begun, but this added value as it meant that some audits could be carried out at different times and resources could be rearranged.

The only concerns highlighted, were associated with the Risk Management System; the Procurement & Risk Manager would address that in Item 7 on the agenda.

The Audit Manager informed members that an audit was currently being carried out on Wincanton Community Sports Centre (WCSC); there was an interim manager at the centre until October when Leisure East Devon (LED) trust were due to take over the running of the centre. The change was welcomed as the current controls left a lot to be desired.

During the short discussion the following comments were made:

- SSDC currently subsidises WCSC as they had done so under obligation to ensure the centre remained open;
- The situation should improve once LED took over the centre, as they had a strong management team with a lot of experience;
- Leisure Centres were notoriously lax on internal controls;
- The National Audit office had just started an audit on the Council Tax Reduction Scheme;
- Scrutiny were still heavily involved in the Council Tax Reduction Scheme and were regularly monitoring the impact of it.

In conclusion, the Audit Manager said that he would give a more detailed account of the Council Tax Reduction Scheme and WCSC the next time he attended Audit Committee.

**RESOLVED:**

**That progress of the Internal Audit Quarter 1 be noted.**

*Lead Officer: Andrew Ellins, Audit Manager*  
*Contact Details: andrew.ellins@southwestaudit.co.uk*

**26. Risk Management Update (Risk registers monitoring) (Agenda Item 7)**

The Procurement & Risk Manager explained the purpose of the report as detailed in the agenda. He explained how difficult it was at times to get managers to take Risk Management seriously, he could only guide them so far but it was up to them to continue inputting relevant data into the register which lead to the reason the Risk management System had been marked as a concern.

The Procurement & Risk Manager referred to the new information table on page 28 of the agenda, which indicated front line services tended to have higher scores and was not unusual.

The TEN system was now in use and the Procurement & Risk Manager gave an on line demonstration of how members could utilise the system. He went on to explain that loss of data was currently a hot topic with Central Government and SSDC needed to ensure they were covered in all eventualities and aware of any potential breaches within ICT.

In response to a question the Procurement & Risk Manager explained that one issue that did cause concern was that other government agencies appeared to use less secure information systems than those that SSDC were permitted to use.

One member commented that everything should be fine as long as the correct checks and balances were put in place together with regular audits.

The Procurement & Risk Manager concluded that once Risk Management had been audited it would be important to ensure service managers were vigilant and understood the worth of using risk management as a preventative tool.

**RESOLVED:**

- 1) **That the report be noted.**

*Lead Officer:* Gary Russ Procurement & Risk Manager  
*Contact Details:* gary.russ @southsomerset.gov.uk or (01935) 462076

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**27. Exemptions from Procurement Procedure Rules (Agenda Item 8)**

The Procurement & Risk Manager presented the report as detailed in the agenda he explained that 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.

**NOTED**

*Lead Officer:* Gary Russ Procurement & Risk Manager  
*Contact Details:* gary.russ @southsomerset.gov.uk or (01935) 462076

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**28. Audit Committee Forward Plan (Agenda Item 9)****RESOLVED:**

That Members commented upon and noted the proposed Audit Committee Forward Plan as attached at Appendix A.

**NOTED**

*Lead Officer:* Anne Herridge, Committee Administrator  
*Contact Details:* anne.herridge@southsomerset.gov.uk or (01935) 462570

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**29. Date of the Next Meeting (Agenda Item 10)**

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

**NOTED**

*(Anne Herridge, Committee Administrator – (01935) 462570)*  
*(anne.herridge@southsomerset.gov.uk)*

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 Chairman

## Internal Audit Charter

### 1. Purpose

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

### 2. 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 23<sup>rd</sup> February 2012.

### 3. 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 (represented by a Councillor from each of the 12 Partners). 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.

### 4. Responsibilities of Management and of Internal Audit

#### 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.

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

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

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the 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<sup>2</sup>

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).

<sup>1</sup> In this instance Management refers to the South Somerset DC Corporate Management Team

<sup>2</sup> 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.

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.

## 5. Relationship with the External Auditors/Other Regulatory Bodies

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

## 6. 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 SWAP Members Meeting.

## 7. 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:

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<sup>2</sup> 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.

- the internal auditors independence is not compromised
- the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
- the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
- management understand that the work being undertaken is not internal audit work.

## 8. 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**

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