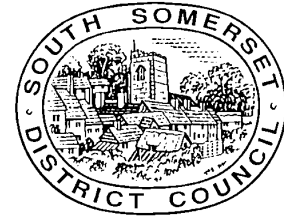


**South Somerset District Council**

*Notice of Meeting*



# Audit Committee

*Making a difference where it counts*

**Thursday 25th June 2015**

**10.00 am**

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

(disabled access is available at this meeting venue)



The public and press are welcome to attend.

If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Anne Herridge 01935 462570**, website: [www.southsomerset.gov.uk](http://www.southsomerset.gov.uk)

This Agenda was issued on Wednesday 17 June 2015.

A handwritten signature in black ink that reads 'Ian Clarke'.

**Ian Clarke**, Assistant Director (Legal & Corporate Services)

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



INVESTORS IN PEOPLE

# **Audit Committee Membership**

The following members are requested to attend the meeting:

**Chairman:** Derek Yeomans

**Vice-chairman:** Tony Lock

Jason Baker

Cathy Bakewell

Mike Best

Val Keitch

Graham Middleton

David Norris

Colin Winder

## **South Somerset District Council – Council Plan**

**Our focuses 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](http://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 25 June 2015**

## Agenda

### *Preliminary Items*

**1. Minutes**

To approve as a correct record the minutes of the previous meeting held on 23<sup>rd</sup> April 2015.

**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**

**5. Date of the next Audit Committee Meeting**

The next scheduled meeting of the Audit Committee will be held on Thursday 23<sup>rd</sup> July 2015 at 10.00am in the Main Committee Room Brympton Way Yeovil.

### *Items for Discussion*

**6. Update on Streetscene Enforcement Action plan (Pages 1 - 11)**

**7. Internal Audit Charter Annual Review (Pages 12 - 15)**

**8. Internal Audit Annual Report and Opinion (Pages 16 - 27)**

**9. Review of Internal Audit (Pages 28 - 41)**

**10. 2014/15 Annual Governance Statement (Pages 42 - 49)**

**11. Treasury Management Performance outturn 14-15 (Pages 50 - 64)**

**12. Audit Committee Forward Plan (Pages 65 - 67)**

# Agenda Item 6

## **Update on Streetscene Enforcement Action Plan**

*Portfolio Holder*

*Cllr Carol Goodall*

*Director:*

*Vega Sturgess*

*Lead Officer:*

*Vicki Dawson*

*Contact Details:*

*Vicki.dawson@southsomerset.gov.uk  
or (01935) 462546*

### **Purpose of the report**

This report updates members of the Audit Committee on progress of the SWAP (South West Audit Partnership) Action Plan for the Streetscene Enforcement Service.

### **Recommendations**

The Audit Committee is asked to:

- (1) Note the progress achieved in the attached Action Plan.

### **Introduction**

Considering this report is covered under the terms of reference for the Audit Committee as follows:-

“To monitor the action plans for Internal Audit reports assessed as “partial” or “no assurance.”

### **The Report**

The Audit Committee monitors Action Plans agreed between services and SWAP where the assurance given is either “partial” or “no assurance”. The Streetscene Enforcement service received a “partial” assurance but there has been good progress against the Action Plan (please see attached).

### **Financial Implications**

None as a consequence of this report.

### **Background Papers**

None

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date	Follow Up Response
<p><b>Objective:</b> Streetscene enforcement helps deliver and maintain a safe, clean, green and pleasing environment for the public of South Somerset and its visitors.</p>						
<p><b>1. Streetscene enforcement is not applied fairly and consistently due to lack of strategy, policy and procedure.</b></p>						
<p>1.1a An approved Enforcement Strategy is not in operation.</p>	<p>I recommend the Principal Environmental Health Officer ensures an Enforcement Strategy is produced and that it receives member approval.</p> <p style="text-align: right;"><small>SWAP Ref: 25262</small></p>	3	<p>Principal Environmental Protection Officer (PEPO) will draft a strategy and get agreement as necessary. This may be combined with the Enforcement Policy in recommendation 2</p>	Principal Environmental Health Officer	31/03/15	<p>Enforcement specific policy has not yet been written as wanted to wait for General Policy first to enable dovetailing. This will now be progressed following production of Somerset wide policy in recommendation 2. Target Sept 2015</p>
<p>1.2a The Streetscene Enforcement Policy has not been reviewed since December 2005. There is no reference within this policy that in deciding the appropriate disposal of a case mitigating factors will be taken into consideration and where prosecution is to be</p>	<p>I recommend the Principal Environmental Health Officer ensures the Environmental Health Enforcement Policy reflects the up-to-date conditions in relation to Streetscene offences and has the document approved by members.</p>	3	<p>Environmental health Enforcement Policy is being reviewed by EH Manager in partnership with other Somerset authorities. PEPO will contribute to ensure enforcement team offences are included. This may be combined with the Enforcement Strategy in</p>	Environmental Health Manager/ Principal Environmental Health Officer	31/03/15	<p><b>Partially complete</b> A Somerset wide Environmental Health enforcement policy has been produced and will be adopted by SSDC</p>

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date	Follow Up Response
<p>considered the evidential and public interest must be satisfied.</p>	<p><i>SWAP Ref: 25263</i></p>		<p>recommendation 1</p>			
<p>1.3a Although the procedure for Abandoned vehicles was reviewed in 2012, those within the Enforcement Policy have not been updated since 2005.</p>	<p>I recommend the Principal Environmental Health Officer ensures:</p> <ul style="list-style-type: none"> <li>all Streetscene operational procedures are reviewed and updated where appropriate;</li> <li>all procedures include the fields for author; approval date; reviewer; review date; version number; table of contents; table of amendments; page numbers.</li> <li>the Regulatory Information and Management System is used as a repository storing all the procedures and made accessible to all Streetscene Enforcement staff.</li> </ul>	<p>3</p>	<p>Relevant modules of the Regulatory Information and Management Systems (RIAMs) will be purchased to provide up to date and controlled operational procedures</p>	<p>Principal Environmental Health Officer</p>	<p>31/12/14</p>	<p><b>Completed</b></p> <p>Enforcement modules of RIAMs have been purchased, relevant officers trained and procedures now in use.</p>



Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date	Follow Up Response
	SWAP Ref: 25264					
1.4a The job description for a Streetscene Enforcement Officer is not up-to-date.	I recommend the Principal Environmental Health Officer ensures the Streetscene Enforcement Officer's job description is updated to reflect the current aspects of this role.  SWAP Ref: 25715	3	Job description will be reviewed	Principal Environmental Health Officer	31/12/14	<b>Partially complete</b> Job description has been reviewed but has yet to be formally re-issued Target Aug 2015
1.5a Streetscene Enforcement Officers have not received sufficient training to perform their role effectively.	I recommend the Principal Environmental Health Officer addresses the points raised by Legal Services in order to ensure that all investigations are performed to the required professional standard.  SWAP Ref: 25716	4	PEPO will review operational procedures and training regarding investigation practices	Principal Environmental Health Officer	31/12/14	<b>Completed</b> Operational procedures and training have been reviewed. Officers now have access to procedures and paperwork in RIAMs. Recent cases also been discussed with legal services to ensure required standards being met.

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Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date	Follow Up Response
1.6a The Streetscene enforcement strategy and policy are not published on the internet and therefore the general public will be unaware of the Council's stance in relation to Streetscene offences and what action will be taken against offenders.	I recommend the Principal Environmental Health Officer ensures the Streetscene Enforcement Strategy and Streetscene Enforcement Policy are published on the Council's Environmental Health webpage.  <i>SWAP Ref: 25421</i>	3	Relevant documents will be published on website when produced	Principal Environmental Health Officer	31/03/15	<b>Partially complete</b> The new policies are not yet published as they are still to be properly adopted by SSDC. As soon as this is done they will be published on the internet. Target Aug 2015 for generic and Oct 2015 for specific

**2. The health and safety of the public and visitors, along with the environment and reputation of the Council could be damaged as Streetscene offences are not discouraged through effective enforcement.**

2.1a Insufficient benchmarking of data with neighbouring and comparable Councils.	I recommend the Principal Environmental Health Officer periodically benchmarks the performance of Streetscene enforcement against other Councils within Somerset through the Somerset Environmental Protection Managers Group. Figures benchmarked should include the numbers of	3	PEPO will explore opportunities for benchmarking with other Somerset EH departments to include suggested items	Principal Environmental Health Officer	31/10/14	<b>Completed</b> Discussions have been held with other Somerset EH departments. Some difficulties in benchmarking as not all undertake same functions. Comparison of figures takes place at Somerset Fly-tipping task force. PEPO will continue to benchmark as
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Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date	Follow Up Response
	written warnings; official cautions; fixed penalty notices and prosecutions administered.  <i>SWAP Ref: 25712</i>					opportunities allow
2.3a Insufficient performance measures to judge the effectiveness of Streetscene enforcement.	I recommend the Principal Environmental Health ensures local performance measures are developed around: <ul style="list-style-type: none"> <li>professionalising investigative practices;</li> <li>a percentage reduction in Streetscene offences over the financial year.</li> </ul> <i>SWAP Ref: 25713</i>	3	PEPO will review performance measures with EH Manager	Principal Environmental Health Officer/ Environmental Health Manager	31/12/14	<b>Completed</b>  Discussion held with PEPO and EH manager. At this time have agreed not to introduce any specific measures as unable to identify a useful measure. However, investigative practices will be monitored through production and success of investigation files.
2.4a Although ESG has the facility to run reports on performance, this is not being used.	I recommend the Principal Environmental Health Officer ensures, whichever database is used performance reports are run on a periodic bases to gauge the effectiveness of the Streetscene Enforcement Team. These reports	3	PEPO will work to move enforcement team functions to flare database. Once this move is complete performance reports can be set up and run routinely	Principal Environmental Health Officer/ Research and Support Assistant	30/04/15	<b>In hand</b>  A project is underway to move enforcement functions to flare and also to integrate this with our customer first Indigo system which is an essential part of the

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date	Follow Up Response
	<p>should include, but not be restricted to the offences, numbers of sanctions administered and court outcomes.</p> <p style="text-align: right;"><i>SWAP Ref: 25415</i></p>					<p>process. This is a combined project with other streetscene functions. A report is going to District Executive in June 2015 to seek approval for necessary funding with a target date of Dec 2015 for full implementation.</p>
<p>2.5a Cases do not meet acceptable standards in terms of presentation. There has been no sign-off from line management.</p>	<p>I recommend the Principal Environmental Health Officer ensures a file structure is defined within a procedure for all different types of sanction cases. This should include, but is not restricted to a:</p> <ul style="list-style-type: none"> <li>• summary of evidence that lists the salient points of the case;</li> <li>• recommendation to management, listing the evidence, mitigation offered, the public interest and suggested method of disposal;</li> <li>• evidence of approval by line management</li> </ul>	3	<p>PEPO has a suitable file structure in place that can be rolled out to enforcement team which includes points listed</p>	<p>Principal Environmental Health Officer</p>	<p>30/09/14</p>	<p><b>Completed</b></p> <p>New file structure has been provided to all enforcement officers and is now in place and has been used for several cases. Legal services also happy with file structure and this includes a sign-off from management.</p>

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Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date	Follow Up Response
	SWAP Ref: 25400					
2.5b Interviews under caution are not compliant with the Police and Criminal Evidence Act 1984.	I recommend the Principal Environmental Health Officer ensures all interviews under caution are conducted on tape, disc or video and in accordance with the Police and Criminal Evidence Act 1984.  SWAP Ref: 25401	3	The majority of PACE interviews are already conducted on CD in accordance with PACE. There are occasions where this is not possible, for instance the offender lives a long way from our district. In these cases alternative methods may be used but PEPO will ensure these are compliant with PACE	Principal Environmental Health Officer	30/09/14	<b>Completed</b>  Interviews are being conducted in accordance with PACE with the majority being recorded on CD
2.6a Lack of documented key stage reviews on cases subject to more formal action.	I recommend the Principal Environmental Health Officer ensures key stage reviews of enforcement cases subject to formal disposal are held with the Streetscene Enforcement Officers and the outcomes of each review is noted on the investigation log.  SWAP Ref: 25265	3	PEPO will carry out and record key stage reviews. This will be recorded on flare action diary once the system is in place for the enforcement team. Until then a review note will be kept in the hard copy file.	Principal Environmental Health Officer	30/09/14	<b>Completed</b>  Reviews are being conducted and manually recorded in the file as flare not yet in place. Target for Flare to be in place Jan 2016
2.7a There has been no proactive action taken to feedback outcomes of	I recommend the Principal Environmental Health Officer ensures	3	PEPO will review what feedback is given to customer on case close down	Principal Environmental Health	Review by 30/12/14	<b>Completed</b> Customers will be

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date	Follow Up Response
investigations to the customer and gauge internal and external satisfaction with regards to Streetscene enforcement.	<p>feedback is given to those people who have taken the time to report a Streetscene offence and customer satisfaction questionnaires are sent to them to gauge the team's performance.</p> <p><i>SWAP Ref: 25266</i></p>		and if appropriate close down letters will be sent. A customer satisfaction survey will be carried out for enforcement team cases	Officer	Survey by 30/04/15	<p>contacted to give feedback on close and a template letter has been produced which can be used if required.</p> <p><b>In hand</b> Survey delayed as not easy to run reports of customers until these are recorded on flare. Will carry out survey once requests recorded on flare. Target May 2016</p>
2.8a Although reports have been presented to Area Committees in relation to Streetscene enforcement, they have not been detailed enough with regards to the number of reports received and the number of sanctions administered.	I recommend the Principal Environmental Health Officer ensures periodic reports are prepared for senior management and members with regards to the performance of the Streetscene Enforcement Team. This should include, but not be restricted to the number of: reports received; sanctions administered, as well as celebrations of	3	An Environmental health report is taken to area committees each year by EH Manager. PEPO and EH Manager will ensure appropriate details for enforcement team are now included. PEPO will discuss with EH Manager what periodic reports are required and produce as agreed	Principal Environmental Health Officer/ Environmental Health Manager	31/10/14 to review information to EH Manager.  31/05/15 next annual report due to area committees.	<p><b>Completed</b> Regular discussion with PEPO and EH manager. Once requests are recorded on flare more formal reporting can take place. Target for requests to be on flare end March 2016 EH manager and PEPO will ensure enforcement information is included in annual report.</p>

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date	Follow Up Response
	success and any planned improvements.  <i>SWAP Ref: 25420</i>					

## Audit Framework Definitions

### Control Assurance Definitions

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

### Categorisation Of Recommendations

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

- 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 Corporate Risk

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



# Agenda Item 7

## **Internal Audit Charter Annual Review**

*Head of Service:* Gerry Cox, Chief Executive - SWAP  
*Lead Officer:* Jo George – Assistant Director (SWAP)  
*Contact Details:* Jo.George@southwestaudit.co.uk

### **Purpose of the Report**

The internal audit service, provided by the South West Audit Partnership Ltd (SWAP), works to a charter that defines its roles and responsibilities and the roles and responsibilities of the District Council's managers. Best Practice in corporate governance requires that the charter be reviewed and approved annually by the Audit and Governance Committee. The Charter was last reviewed by the Audit Committee at their meeting on 26 June 2014.

The purpose of the report is to obtain endorsement from Members for the revised Internal Audit Charter for this year. Only minor updates (such as job titles) have been made to the Charter since it was approved by the Committee last June.

### **Recommendation**

That the Audit Committee approve the Internal Audit Charter.

### **Background**

The maintenance of an adequate and effective Internal Audit service is a statutory requirement. Without an adequate and effective internal audit service, there would be a lack of independence on the risk, control and governance framework.

### **Financial Implications**

All Council costs are contained within existing budgets.

**Background Papers:** Appendix A – The Internal Audit Charter

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## Internal Audit Charter

### Purpose

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

### Approval

This Charter was last approved by the Audit Committee on 26<sup>th</sup> June 2014.

### Provision of Internal Audit Services

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

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

### Role of Internal Audit

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

### Responsibilities of Management and of Internal Audit

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

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

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the 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).

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<sup>1</sup> In this instance Management refers to the SSDC Corporate Management Team (CMT)

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. Members of SWAP who have transferred in to the department from other areas of 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 Assistant Director (SWAP) also report to the Assistant Director (Finance and Corporate Services) as Section 151 Officer, and report 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 is entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of South Somerset District Council.

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

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether South Somerset District Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.
- at the specific request of management, internal audit may provide consultancy services provided:
  - the internal auditors independence is not compromised

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

### **Planning and Reporting**

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

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

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

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

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

In addition to the reporting lines outlined above, the Chief Executive of SWAP and the Assistant Director (SWAP) 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 February 2015 – Reapproved June 2015

# Agenda Item 8

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

*Head of Service:* Gerry Cox, Chief Executive - SWAP  
*Lead Officer:* Jo George – Assistant Director  
*Contact Details:* jo.george@southwestaudit.co.uk

### **Purpose of the Report**

This report provides an update on the position of the Internal Audit Plan at the end of 2014/15 and also provides Internal Audits overall Opinion on the systems of internal control at South Somerset District Council.

### **Recommendation**

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

### **Background**

The Audit Committee agreed the original 2014/15 Internal Audit Plan at its 27 March 2014 meeting. A report on plan progress was provided in October 2014 (for half year) and in February 2015 (for quarter three).

Appendix A - Detailed Internal Audit Annual Report and Opinion for 2014/15

Appendix B - Audit Plan 2014/15 Progress Table

Appendix C - Audit Assurance Definitions

### **Financial Implications**

There are no financial implications associated with these recommendations.

**Background Papers:** None

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## Appendix A

### South Somerset District Council

Annual Report and Opinion 2014/15

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## Annual Opinion:

**The Director of Planning is required to provide an annual opinion report to support the Annual Governance Statement.**

## Director of SWAP Opinion

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

I have considered the balance of audit work and outcomes against this environment and am able to offer reasonable assurance in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. Whilst I have limited concerns regarding some aspects of the control environment, I do not consider there to be any areas of significant corporate concern.



## Annual Opinion:

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

## **Purpose of Report**

The Accounts and Audit Regulations (England) 2011 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

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

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

## Annual Opinion:

**The Director of Planning is required to provide an annual opinion report to support the Annual Governance Statement.**

## **Background**

The Internal Audit service for South Somerset District Council is provided by the South West Audit Partnership (SWAP). SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS. The work of the partnership is guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and this Committee. This report summarises the activity of SWAP for the year April 2014 to March 2015.

## Summary of Work 2014/15

The agreed Annual Audit Plan covers the following key areas of Activity:

- Operational Audit
- Key Control Audit
- Governance Audit
- ICT Audit
- Follow Up
- Other Reviews

## Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits agreed for inclusion in the Annual Audit Plan 2014/15 and the final outturn for the financial year. Members will note that the audit plan should always remain flexible and for 2014/15 there were many changes. These have been reflected in Appendix B.

In total, 21 audit reviews have been undertaken during the year. An additional 7 audits were removed from the plan in agreement with the S151 Officer as they were no longer relevant or as part of the agreed exercise to equalise Somerset Partner Plans. A further 2 audits were deferred at the client request and are included in 2015/16 audit plan.

It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

A breakdown of these 21 audit assignments is as follows:

Operational Audits	7	ICT Audits	3
Key Controls	5	Advice/ Consultancy	0
Governance	5	Follow Up Work	1

Each completed assignment includes its respective “assurance opinion” rating 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”.

## Completed Audit Assignments 2014/15

*The Annual Audit Report and Opinion covers the following key areas of Activity:*

- OPERATIONAL AUDITS
- SPECIAL PROJECTS
- CERTIFICATON WORK
- FOLLOW UP WORK

## Audits Completed

**Operational Audits** are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested.

10 Operational Audits (including ICT) were undertaken by SWAP for the period April 2014 to March 2015. 2 audits are at “draft report status”, 1 is “in progress” and 7 have now been completed to “final report status”. Of the 7 reports that have been issued to final stage 2 received “Substantial assurance”, 3 received “Reasonable assurance”, and 2 received “partial assurance” rating. Of the 7 reports that were issued to final report status, some 62 actions for improvement were agreed with Management.

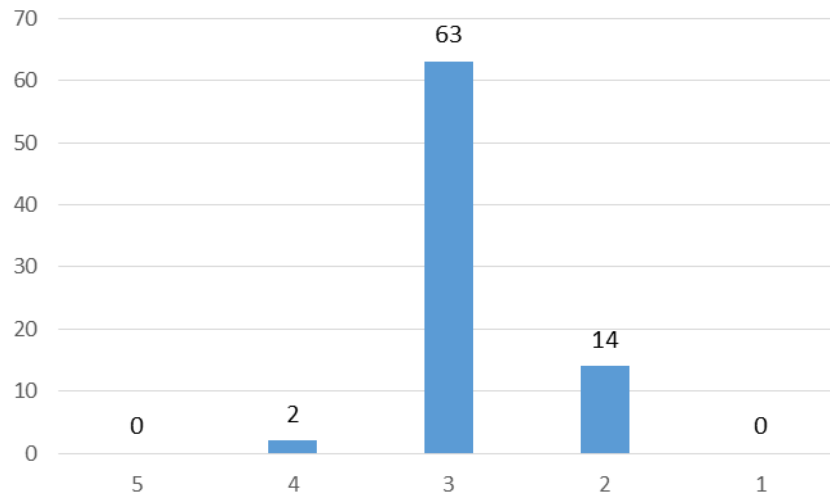
**Governance Audits** Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. 5 Governance Audits were undertaken by SWAP for the period April 2014 to March 2015. 1 audit is at “in progress”, but is expected to be finalised in the near future. Of the 4 reports issued to final stage, 2 received “reasonable Assurance” rating and 2 were non opinion audits. Of the 4 reports issued to final report status, some 7 actions for improvement were agreed with Management.

**Key Control Audits** are completed to assist the External Auditor in their assessment of the Council’s financial control environment. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance that there is a satisfactory framework of internal control. 5 Key Control audits were completed in the period, 3 receiving “Substantial assurance” and 2 receiving “Reasonable Assurance”. A total of 8 recommendations were agreed with Management.

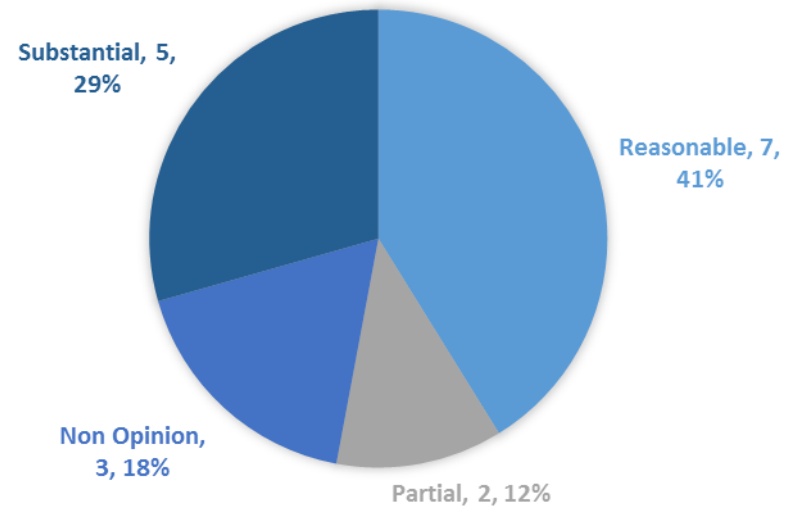
**Follow Up Audits** - are carried out to confirm that any recommendations from the original audit, where a “partial” opinion was afforded, have been completed as agreed. 1 Follow up Audit was undertaken during the period April 2014 to March 2015. Although there were action points outstanding, we were satisfied at the time of the audit that the implementation of these recommendations were being actively managed.

Summary of Control Assurance and Recommendations

Audit Recommendations by Priority



Control Assurance by % Category



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Performance:

The Chief Executive of the Partnership reports performance on a regular basis.

**SWAP Performance**

SWAP now provides the Internal Audit service for 13 Councils and additionally many subsidiary bodies.

Performance Target	Average Performance
<p><b><u>Audit Plan</u></b>                      Percentage Completion 90% or more</p>	<p><b>90%</b>                      (2013/14 – 88%)                      The remaining 2 reviews will be completed by the end of July 2015</p>
<p><b><u>Draft Report</u></b>                      Reports Issued within 5 working days                       Reports issued within 10 working days</p>	<p><b>83%</b>                      (2013/14– 76%)   <b>92%</b>                      (2013/14 – 85%)</p>
<p><b><u>Final Reports</u></b>                      Reports issued within 10 working days of discussion of draft report</p>	<p><b>53%</b>                      (2013/14 - 73%)</p>
<p><b><u>Quality of Audit Work</u></b>                      Individual Audit Assignment Feedback - ‘Customer Satisfaction Questions’</p>	<p><b>77%</b>                      (2013/14 – 80%)</p>

Performance:

**The Chief Executive of the Partnership reports performance on a regular basis.**

## SWAP Performance

With regards to the 2014/15 Annual Plan for South Somerset District Council, 21 reviews undertaken of which 2 remain in progress equating to a completion rate of 90%. It was necessary to defer or remove a number of assignments to accommodate additional work undertaken and allow additional testing to be carried out on some audits that received partial assurance. For the reviews still showing as 'In Progress', testing has begun and these are targeted to be finalised by the end of July 2015.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the service manager of nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. As part of the Balanced Scorecard presented to the SWAP Board, a target of 85% is set where 75% would represent good. The latest Scorecard across the Partnership shows the current average feedback score to be 83%. For South Somerset District Council the average feedback score was 77%. As agreed with Members of this Committee, reporting on feedback during 2014/15 will be more detailed allowing greater assessment of feedback provided but also to identify those not received.

SWAP have not been able to undertake any accurate Benchmarking work as there are very few Partnerships of its size or structure. It is also not possible to obtain information on Private Sector costs from which to draw comparisons. I am pleased to report that for another consecutive year there has been no increase in the audit day rate for South Somerset District Council

South Somerset District Council Audit Plan Progress 2014/15 - Qtr 4 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	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	Streetscene Enforcement	Qtr 1	Final	Partial	14	0	1	13	0	0
Operational	Printing and Design	Qtr 1	Final	Partial	14	0	1	12	1	0
IT Audits	Disaster Recovery Planning	Qtr 1	Removed		0	0	0	0	0	0
IT Audits	Threat Management	Qtr 2	Final	Substantial	5	0	0	2	3	0
Follow up	Fighting Fraud Locally	Qtr 2	Removed		0	0	0	0	0	0
Operational	Cash Receipting and Bank Reconciliation	Qtr 2	Final	Reasonable	12	0	0	10	2	0
Governance	Contract Management - Bribery	Qtr 2	Final	Reasonable	7	0	0	3	4	0
Operational	Economic Development	Qtr 2	Final	Substantial	1	0	0	1	0	0
Key Control	Main Accounting	Qtr 3	Final	Substantial	0	0	0	0	0	0
Operational	Landfill Site Management	Qtr 3	Final	Reasonable	12	0	0	9	3	0
Key Control	Housing Benefit and Council tax Reduction	Qtr 3	Final	Substantial	1	0	0	1	0	0
Key Control	Treasury Management	Qtr 3	Final	Substantial	1	0	0	1	0	0
Governance	Starters and Leavers Theme	Qtr 3	Final	Reasonable	2	0	0	2	0	0
IT Audits	Back Up and Recovery	Qtr 3	Final	Reasonable	4	0	0	3	1	0
Key Control	Council Tax and NDR	Qtr 3	Final	Reasonable	3	0	0	3	0	0
Key Control	Creditors	Qtr 3	Final	Reasonable	3	0	0	3	0	0
Operational	Leisure Centre Contract Compliance	Qtr 3	In Progress		0	0	0	0	0	0
Governance	Fraud Audit - Contingency 1	Qtr 3	Removed		0	0	0	0	0	0
Operational	Payroll Service New System	Qtr 3	Deferred		0	0	0	0	0	0
Key Control	National Non Domestic Rates	Qtr 3	Removed		0	0	0	0	0	0
Operational	License Fee Setting	Qtr 4	Removed		0	0	0	0	0	0
Operational	Car Park Enforcement	Qtr 4	Draft		0	0	0	0	0	0
Governance	Key Income Streams	Qtr 4	Removed		0	0	0	0	0	0
Governance	Somerset Theme - Choice Based Lettings	Qtr 4	In Progress		0	0	0	0	0	0
Governance	Somerset Theme - Community Safety Partnership	Qtr 4	Deferred		0	0	0	0	0	0
Operational	Somerset Theme - Shared Legal Services	Qtr 4	Removed		0	0	0	0	0	0
IT Audits	PSN Code of Connection	Qtr 4	Draft		0	0	0	0	0	0
Governance	Fraud Audit - Contingency 2	Qtr 4	Combined with Choice Based Lettings		0	0	0	0	0	0
Follow up	External Collections Follow up	Qtr 4	Final	Non Opinion	0	0	0	0	0	0



# Agenda Item 9

## Review of Internal Audit

Portfolio Holder                      Cllr Peter Seib  
Lead Officer:                            Donna Parham  
Contact Details:                        [Donna.parham@southsomerset.gov.uk](mailto: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 2014-15.

## Recommendations

That the Audit Committee notes the findings of the review.

## Background

The South West Audit Partnership (SWAP) is a company wholly owned by its local authority partners that provides the Internal Audit service to 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, Wiltshire Council, and Herefordshire 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 2014-15, which will be published as part of the Council's Statement of Accounts in September 2015.

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

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

The Audit Charter for 2014-15 was revised on 26<sup>th</sup> June 2014 and approved by the Audit Committee to comply with these new requirements. SWAP have a Quality Assessment Improvement Plan in place (as attached).

### **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:

<b>Performance Measure</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Levels of satisfaction from feedback questionnaires	84.0%	78.1%	85%	77%
Audits and reviews completed in year compared to the plan (all at least at final draft stage)	91% (41 out of 45)	90% (36 out of 40)	86% (31 out of 36)	90% ( 19 out of 21)

Total completed audits and reviews	45 (4 in progress)	40 (4 in progress)	36 (5 in progress)	21 (2 in progress)
Cost of audit service to SSDC	£128,500	£117,300	£117,300	£104,140
Number of actions for improvements agreed by managers	148	133	140	79
Value for Money – average cost of audit day compared to private sector (benchmarking)	SWAP = £280 Private Sector = £320	SWAP = £280 Private Sector = £320	SWAP remains the same at £280	SWAP remains the same at £280

1. The table shows that the satisfaction with the audits carried out at SSDC is 77%, and is above the target set by the Board where 75% is 'good'.
2. The audit days for 2014/15 were reduced by 12% (reduction of 51 audit days) which has resulted in a reduced number of audits planned. Also Audits for individual income streams have now been amalgamated into one review.

### 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 SWAP Chief Executive / Director at Audit Committee.	At least 1 times per annum	This was complied with.
Attendance by Audit Manager at Audit Committee	At least 4 times per annum	Attended all Audit Committee meetings scheduled.
Attendance by SWAP Audit Manager at Corporate Governance Group	4 times per annum	Attended all Corporate Governance meetings scheduled.
Liaison meetings with S151 Officer and Audit Manager	6 times per annum	This was complied with.
Agreement of Audit Plan:		
Prepared for Management Board/S151	By mid January each year	This was complied with.
Prepared for Audit Committee	By end January each year	This was complied with.
Audit Plan monitoring reports	4 times per annum including Annual Report	This was complied with.

Agreement of Audit Charter: Prepared for Management Board/S151 Prepared for Audit Committee	By mid January each year  By end January each year	This was complied with.  This was complied with.
To assist with member/officer training in audit and governance	Once per annum	Member Training was provided by SWAP to all partners in October 2014.

### 2014/15 Action Plan

The following shows progress *in italics* against the actions to be completed in 2013/14:

- To update and maintain the Quality Assurance and Improvement Programme (update attached).

### 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.

### Actions to be completed in 2015/16

- To update and maintain the Quality Assurance and Improvement Programme (update attached).

### Financial Implications

The financial implications can be found from existing budgets

# Internal Audit Review of SWAP

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## Introduction

The Board is collectively accountable for maintaining a sound system of internal control that supports the achievement of the SWAP's objectives, and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. A key element in that flow of assurance is the annual opinion from the Company's Internal Auditors the Devon Audit Partnership.

## Resolution

1. That the Board notes the content of the report.

## Background

The purpose of the attached report is to contribute to the assurances available to the Chief Executive and the Board.

The report sets our Internal Auditor's opinion together with the summarised results of the internal audit work performed during the recent review.

The purpose of the audit was to review the systems of financial and other controls over our activities and to provide an opinion as to whether the operating procedures are working effectively and satisfactorily. The work was undertaken in accordance with the Public Sector Internal Audit Standards along with other best practice and professional standards.

I am pleased to report that the audit did not find any areas of concern and it is assuring to read that our auditors are confident that the processes in place are adequate to support our annual report and financial statements.

C. Gunn  
Company Secretary  
23<sup>rd</sup> April, 2015



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Date: 13 April 2015

When calling or telephoning please ask for: Robert Hutchins

Dear Gerry,

**Internal Audit report for the South West Audit Partnership 2014/15**

I can confirm that we have now completed our internal audit of the accounting arrangements for the South West Audit Partnership (SWAP) for the financial year ended 2014/15. I am pleased to report that our audit did not find any areas of concern and I am confident that the processes in place are adequate to support SWAP's annual report and financial statements.

The purpose of our audit was to review the systems of financial and other controls over the Partnership activities and to provide an opinion as to whether the operating procedures are working effectively and satisfactorily. Our work was undertaken in accordance with the Public Sector Internal Audit Standards along with other best practice and professional standards.

As part of the audit work we undertook an assessment of compliance with relevant procedures and controls and our findings are based on the areas examined and appropriate sample checking.

**Key Findings**

Our audit concluded that accounting statements prepared during the year were prepared on the correct accounting basis, were supported by an adequate audit trail from underlying records, and debtors and creditors were properly recorded.

All financial transactions relating to SWAP are recorded using the SAGE Financial Information Management System (FIMS) operated within the Partnership.

Orders are raised via FIMS and authorised by a member of SWAP's senior management team. Goods are receipted via the system and matched to the service/goods provided. Invoices are received and certified by the SWAP Admin staff and authorised by one of the SWAP senior management team.

A number of SWAP staff have procurement cards and statements are checked and reviewed by the admin staff and authorised by one of the senior management team. A review of a sample of procurement card payments confirmed that good systems of control were in place and purchases coded correctly.

Invoices are raised via the FIMS system and all income receipted and recorded on the system.

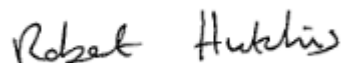
Payroll transactions are managed through South Somerset District Council and feed into FIMS on a monthly basis. A robust payroll checklist is maintained to administer and monitor the payroll on a monthly basis.

Regular bank reconciliations are performed and monthly budget monitoring reports are produced to ensure transactions are accurately recorded and any variances investigated and resolved.

From a review of the FIMS system reports, sample checking of invoices and payments, and the professional services provided by Francis Clark, Chartered Accountants, my view is that the internal control framework is satisfactory and that the accounts will fairly represent the transactions of SWAP for the 2014/15 financial year.

The Partnership has maintained a strategic risk register for a number of years, and the register is reviewed and updated on a quarterly basis and is a standing item taken to the quarterly board meetings. This identifies key strategic risks, current mitigating control measures and responsibility for managing those risks.

Yours sincerely



Robert Hutchins

**Head of Devon Audit Partnership**

# Quality Assessment Improvement Plan

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## Introduction

This report provides the Board with information on the progress made against the Quality Assessment Improvement Plan (QAIP). The QAIP is reviewed periodically by the Management Team and by the Board at its meetings. The plan is kept under review and reports are presented to the Board on a regular basis. This provides assurance that the issues identified as part of the last review and any new improvements are being effectively managed through to completion.

## Resolution

1. That the Board notes the latest update and the proposed actions in place to address the issues identified within the QAIP.

## Background

The action plan was last reviewed by the Board of Directors on the 5<sup>th</sup> January 2015. The action plan remains in the same format as previously presented, with completed actions having been highlighted for removal and new items / or updates to existing items added in red text.

Further progress has been made in completing actions in the following areas:-

- Internal Audit of SWAP has been completed by the Devon Audit Partnership
- Actions arising from the Local Partnerships report have been appended to the QAIP as have further actions identified from a Management Team Away Day post restructure.

The Board's attention should be drawn to the 'management response' column which summarises the actions to be completed to address the recommendation.

A full copy of the outstanding actions is included as an appendix to this report.

C. Gunn – Company Secretary – 17<sup>th</sup> April 2015



## SWAP Quality Assessment Improvement Plan (QAIP)

## Final Action Plan

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
Periodic Reviews of SWAP to be regularly completed.	<b>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.</b>	3	This Action Plan will be kept under constant review. We envisage completing a full review every three years.	Chief Executive	On-Going March 2015
The Client 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.	<b>I also recommend that the Chief Executive ensures that Directors follow up all scores assessed below 3 (Good) with individual Client Officers.</b>	4 3	Agreed.  <b>Reduced priority as much picked up in LP report</b>  Client Survey results have been shared however, this action has been deferred due to restructuring and other priorities and we hope to revisit it in the new year.	SWAP Management Team	<del>October 2012</del> <del>October 2014</del> <del>March 2015</del> <b>September 2015</b>
	<b>In line conjunction with following up on scores assessed below 3 (Good), I recommend that the Chief Executive ensures that Directors follow up on all comments made with individual Client Officers.</b>	4 3	Agreed.  <b>Reduced priority as much picked up in LP report</b>  As Above	SWAP Management Team	<del>October 2012</del> <del>October 2014</del> <del>March 2015</del> <b>September 2015</b>

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
<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 interest.”</p>	<p><b>I would therefore recommend the following:</b></p> <p><b>The Chief Executive should use the results of this review to determine whether there is a need for more frequent external assessment.</b></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> <p>A meeting is taking place on 29<sup>th</sup> April with the four other major audit partnerships – a repeat of the 2012 exercise is on the agenda and will be scheduled in later this year.</p>	Chief Executive	<p><del>March 2015</del></p> <p>September 2015</p>
<b>ACTIONS IN RESPONSE TO STAFF FEEDBACK:</b>					
<p>Partner Websites do not all have clear links to the SWAP website. (Source FFL Reviews)</p>	<p><b>Audit Managers have agreed to liaise with Client Officers to ensure there is a clear link from Partner Websites to SWAPs.</b></p>	3	<p>Agreed, progress to be confirmed with Audit Managers</p> <p>The SWAP Website is undergoing some developments – when this is completed and re-launched we will pick up on this action.</p>	SWAP Management Team/ Audit Managers	<p><del>July 2014</del></p> <p>22 Oct 2014</p> <p><del>January 2015</del></p> <p>June 2015</p>

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
Outcome from External Audit of Accounts identified control weaknesses	<p><b>SWAP MT implement procedures to address the External Auditor's concerns on some issues identified during the External Audit of the Accounts regarding :-</b></p> <p><b>The capitalisation of fixed assets</b>  <b>Review of Bank Reconciliations</b>  <b>Authorisation of Purchase Orders</b>  <b>Identification of Non-Partner Income</b></p>	3	<p>The Company Secretary has reviewed and implemented revised processes.</p> <p>These will be independently audited by DAP to provide the Board assurance.</p> <p>DAP are gaining approval from their Board to complete this work.</p>	The Company Secretary	<p>Completed</p> <p><del>November 2014</del></p> <p>Completed</p>
Local Partnerships have identified a number of potential areas for improvement	<p><b>SWAP MT will present the report to the Board on the 15<sup>th</sup> January 2015 meeting and prepare an action plan and respond accordingly.</b></p>	3	<p>Present to Board 15<sup>th</sup> January and then devise a response plan and incorporate key findings in Business Plan.</p> <p>Actions and responses have been added below.</p>	Management Team	<p>April 2015</p> <p>Completed</p>
SWAP has not fully explored the potential for expanding its current customer base. (Source LP Report)	<p><b>That SWAP undertake a relationship mapping exercise in order to identify new and emerging business development opportunities and to facilitate the development of a shared business development vision.</b></p>	4	<p>We agree with the finding and see the importance of following this through. However, post restructure the target date (suggested end of quarter one) will not be realistic and therefore we have targeted to complete by the end of the second quarter.</p>	Management Team	<p>End of September 2015</p>

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
Strategic drivers for SWAP although agreed in principle, are not clearly articulated to ensure focussed direction moving forward. (Source LP Report)	<b>That SWAP clarifies its strategic drivers in order to inform its future business plan.</b>	4	Agreed – this now forms a part of SWAP Business Plan	Gerry Cox	Completed
Some front-line staff do not necessarily feel sufficiently informed, empowered, incentivised or skilled to identify and attract new wo (Source LP Report)	<b>That SWAP should encourage (and where necessary provide training) to staff to see business development as a key part of their role.</b>	3	Agreed – we will encourage this with staff starting with our April Staff Away Day. We have also developed a proforma for staff to capture any interest and report to our new AD for External Clients to follow through. Further matters covering training etc will be addressed moving forward.	Management Team	In Progress and On-Going
Opportunities for customers to discuss emerging business requirements and for the management team to discuss their plans and direction of travel are being missed. (Source LP Report)	<b>That SWAP management team instigate one-to-one meetings with member Section 151 officers and consider re-establishing a form of user forum or some form of engagement by virtual means.</b>	3	Agreed – A Director will attend the Somerset meeting of s151 Officers and individual meetings will be scheduled in throughout the year.	Management Team	In Progress and On-Going

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
There is scope to more widely disseminate information about SWAP's achievements and performance. (Source LP Report)	<b>That SWAP considers the production of an annual report to raise awareness of SWAP's services and achievements amongst members and potential customers.</b>	4	We will produce an annual report for SWAP and use this as a means to inform our Partners and others of achievements throughout the year.  This will also be used as a marketing tool when attending conferences etc.	Management Team	Mid-May
Setting up a separate trading company to service non-Teckal members (public, private or third sector) remains an option. (Source LP Report)	<b>That SWAP undertake a full appraisal and prioritisation of options for business development, including determining the most effective potential business structures to support the preferred approach.</b>	3	This will be picked up later in the year after our marketing plan has been developed.	Management Team	End September 2015
There is significant scope to adopt a more pro-active approach to marketing SWAP's services. (Source LP Report)	<b>That SWAP develop a marketing strategy which is aligned with its strategic drivers and vision for business development</b>	4	Starting with a marketing strategy and appropriate budget we will develop our approach to marketing SWAP. Initial approaches will be made to marketing 'experts' to seek advice on our approach.	Gerry Cox	End of May 2015 for initial research

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
We have a suite of KPI's which are reported on the balanced scorecard. These haven't been reviewed for some time. (Source MT Away Days)	<b>Current KPI's should be reviewed to ensure they demonstrate achievement of our objectives and are complete.</b>	3	We will review our current KPI's to challenge them for relevance and where necessary introduce new ones.	Management Team	October 2015
A number of clients are starting to question the length and structure of our audit reports. (Source MT Away Days)	<b>We will review the report structure and seek the views of our clients before considering a refresh.</b>	4	We will invite further feedback from our client officers – letting them know the issues already raised by some.  We will also set up a working group to review the content and structure of audit reports for final agreement.	Management Team	September 2015

# Agenda Item 10

## **2014/15 Annual Governance Statement**

*Executive Portfolio Holder:* Ric Pallister – Leader of the Council  
*Chief Executive* Mark Williams  
*Service Head:* Donna Parham, Assistant Director – Finance and Corporate Services  
*Lead Officer:* Donna Parham, Assistant Director – 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 2014/15.

### **Recommendation:**

To approve the 2014/15 Annual Governance Statement.

### **Background**

As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. One of the 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 Accounts and Audit (England) Regulations 2011 includes a requirement to publish an Annual Governance Statement (AGS). The regulations 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) and the CIPFA statement of the Role of the Head of Internal Audit (2010).” This is evidenced within the Annual Governance Statement where the authority meets with best practice.

The Annual Governance Statement will continue to be signed by the Leader of the Council, the Chief Executive. 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 1<sup>st</sup> April 2013 and those standards are now reflected in the Audit Charter. 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 October 2013 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 SSDC's external auditors, 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 action included within the Annual Governance Statement will further strengthen the control framework.

### **Financial Implications**

There are no financial implications associated with these recommendations.

**Background Papers:** *Annual Governance Statement 2014/15*  
*Local Code of Corporate Governance*

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# ANNUAL GOVERNANCE STATEMENT

## Scope of responsibility

SSDC is responsible for ensuring that:

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

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

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

SSDC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework “*Delivering Good Governance in Local Government*”. A copy of the authority’s code can be obtained on request. This statement explains how SSDC has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

## The purpose of the governance framework

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

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

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

The governance framework has been in place at SSDC for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

## **The governance environment**

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

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

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

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

- The three statutory officers (Head of Paid Service, Monitoring Officer and s151 Officer) regularly meet as a Corporate Governance Group. The Monitoring Officer and s151 Officer report directly to the Head of Paid Service and are members of the senior Management Board.
- Regular weekly meetings between the Leader and Chief Executive in order to maintain a shared understanding of roles and objectives.
- 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 are held between the Executive members and senior management.
- There is a clear scheme of delegation for officers and members within the Constitution.
- The s151 Officer leads the promotion and delivery of good financial management through Management Board, Corporate Performance Team, attendance at committees, is the lead 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) and the CIPFA statement of the Role of the Head of Internal Audit (2010) but with some delegation within SWAP.
- There is a countywide code of conduct and this 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 has been introduced.
- The Council received an IIP (Investors In People) gold award in March 2015.

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

- The Council has adopted a Constitution that sets out how it operates, how decisions are taken and the procedures to follow.
- The District Executive facilitates decision-making and its Sub Committees, four Area Committees and meetings are open to the public except where personal or confidential matters are disclosed.
- Portfolio Holders can make decisions under delegated authority and these are fully publicised. Senior officers can also take decisions under delegated authority.
- Regulation Committee determines planning applications that are referred from Area Committees.
- The Council publishes a Forward Plan that provides details of key decisions to be made by the Council and its committees.
- Area Committees also hold regular workshops where local issues are identified and discussed;
- The Council has an approved a Risk Management Policy that identifies how risks are managed.
- Responsible officers are required to maintain their part of the Risk Register.

- All Assistant Directors have the following included within their job descriptions, “Lead the service(s) in a full and comprehensive understanding of risk, risk assessment and risk management as it relates to the operational areas relevant to the service(s).”
- Any Internal Audit actions showing the highest risk score of 5 will be outlined annually and monitored within the Annual Governance Statement.

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

- The Council looks to develop skills on a continuing basis to improve performance of officers through the Staff Development and Appraisal Review process including the use of training and development plans.
- Succession planning encourages participation and development for members and officers.
- Through a comprehensive member training and development programme.
- An induction programme is in place for all new staff and newly elected members.
- Clear job descriptions and personal specifications are in place for all roles.
- The s151 Officer and 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.

### **Review of effectiveness**

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

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

- The monitoring officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are adequate. The Council reviews the constitution annually through its Standards Committee.
- The Council has a Scrutiny Committee that can call in any decision made by an Executive Committee before implementation. This enables them to consider whether or not the decision is appropriate. Pre-decision scrutiny has evolved to aid in the decision making process.
- The Audit Committee reviews the Annual Statement of Accounts, the Review of the Effectiveness of Internal Audit, and the Annual Governance Statement. It monitors the performance of internal audit quarterly and agrees the Internal and External Audit Plans. It reviews specific parts of the Constitution and makes recommendations on any amendments to full Council.
- The Audit Committee has a call in role for any service that receives a “partial” or “no assurance” audit opinion and monitors 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). This includes an external assessment at least every five years. It 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 review and revised periodically – the last review was approved in March 2015.
- Each Manager and Assistant Director is required to review their adherence to the governance framework and demonstrate compliance through reviewing and signing a Statement of Internal Operational Control. Each return is assessed by S151 Officer for compliance and any apparent organisational improvements are included in the Governance Action Plan.
- Audit Committee has been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

**Already Addressed from 2013/14:-**

Reporting risk management regularly to **Management Board** and **Audit Committee**;

Provide refresher training on **Data Protection** and **data encryption**.

**Actions for 2014/15**

A refresh of the **Risk Management Strategy**.

**Significant governance issues**

There are no significant governance issues to report for 2014/15.

However, we propose over the coming year to take steps to address the action outlined in our review to strengthen and enhance our governance arrangements. These actions will be monitored by the Audit Committee during 2015/16.

**Signed on behalf of SSDC:**

Mark Williams  
Chief Executive

Cllr Ric Pallister  
Leader

# Agenda Item 11

## 2014/15 Treasury Management Activity Report

*Chief Executive:* Mark Williams  
*Assistant Director:* Donna Parham – Finance and Corporate Services  
*Service Manager:* Amanda Card - Finance  
*Lead Officer:* Karen Gubbins, Principal Accountant - Exchequer  
*Contact Details:* Karen.gubbins@southsomerset.gov.uk or (01935) 462456

### Purpose of Report

1. To review the treasury management activity and the performance against the Prudential Indicators for the 2014/15 financial year as prescribed by the revised CIPFA Code of Practice and in accordance with the Council's Treasury Strategy and Annual Investment Policy and Treasury Management Practices.

### Recommendations

2. The Audit Committee are asked to:
  - Note the Treasury Management Activity for the 2014/15 financial year;
  - Note the position of the individual prudential indicators for the 2014/15 financial year;
  - Note the outlook for the investment performance in 2015/16
  - Recommend the 2014/15 Treasury Management Activity Report to full Council

### Background

3. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Council reports six monthly to Full Council against the strategy approved for the year. The scrutiny of treasury management policy, strategy and activity is delegated to the Audit Committee.
4. Treasury management in this context is defined as:

"The management of the local authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks".
5. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.
6. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

### Summary of Investment Strategy for 2014/15

7. The Council's strategy for investments was based upon minimising risk and safeguarding the capital sum. This was maintained by following the Authority's

counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15 which defined “high credit quality” organisations as those having a long-term credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

8. Investments were not restricted to bank and building society deposits and investments were also made with public and private sector organisations that met the credit rating criteria.
9. In addition, the Authority has £4m invested with organisations and pooled funds without credit ratings, these include Payden and CCLA (Property fund) following external assessment and advice from the Authority’s treasury management adviser, Arlingclose.
10. The Treasury Management Strategy Statement and Annual Investment Policy were both approved by Council on 13th March 2014.

### **Credit developments and credit risk management**

11. The Authority assessed and monitored counterparty credit quality with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country’s net debt as a percentage of GDP and share price. The minimum long-term counterparty credit rating determined by the Authority for the 2014/15 treasury strategy was A- across rating agencies Fitch, S&P and Moody’s.
12. The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks’ senior unsecured bondholders will likely diminish, over 2014-15 Moody’s revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries’ early adoption of the bail-in regime in the BRRD.
13. The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank’s liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.
14. The combined effect of the BRRD and the UK’s Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.
15. In December the Bank’s Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK’s financial stability. Institutions which ‘passed’ the tests but would be at risk in the event of a ‘severe economic downturn’ were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, [whose constituent banks are on the Authority’s lending list], is taking measures to augment capital and the PRA does not require the



group to submit a revised capital plan. RBS, which is not on the Authority's lending list for investments, has updated plans to issue additional Tier 1 capital. The Co-operative Bank failed the test.

16. The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately €25bn (£20bn) in total – none of the failed banks featured on the Authority's lending list.
17. In October following sharp movements in market signals driven by deteriorating global growth prospects, especially in the Eurozone, Arlingclose advised a reduction in investment duration limits for unsecured bank and building society investments to counter the risk of another full-blown Eurozone crisis. Durations for new unsecured investments with banks and building societies which were previously reduced. Duration for new unsecured investments with some UK institutions was further reduced to 100 days in February 2015.
18. The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits rose relative to other investment options. The Authority therefore increasingly favoured secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits

## Interest Rates 2014/15

19. The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at very low levels which continued to have a significant impact on investment income. The average 3-month LIBID rate during 2014/15 was 0.50%, the 6-month LIBID rate averaged 0.67% and the 1-year LIBID rate averaged 0.95%. The low rates of return on the Authority's short-dated money market investments reflect prevailing market conditions and the Authority's objective of optimising returns commensurate with the principles of security and liquidity.
20. Our advisors are forecasting that the outlook is for official interest rates to remain at 0.5% until June 2016, as shown below:

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Average
Official Bank Rate														
Upside risk			0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.32
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	1.08
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-0.70

## Investment Portfolio

21. The table below shows the Council's portfolio of investments at the start and end of the 2014/15 financial year;

Value of Investments at 01.04.14 £	Value of Investments at 31.03.15 £	Fixed/ Variable Rate
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Investments advised by Arlingclose

Money Market Fund (Variable Net Asset Value)	997,565	1,001,247	Variable
Property Fund	3,052,479	3,363,303	Variable
<b>Total</b>	<b>4,050,044</b>	<b>4,364,550</b>	

#### Internal Investments

Certificates of Deposit	6,519,416	4,512,371	Fixed
Corporate Bonds	8,127,004	11,271,639	Fixed
Floating Rate Notes (FRNs)	3,006,315	9,972,584	Variable
Short Term Deposits (Banks)	9,000,000	7,500,000	Variable
Short Term Deposits (Other LAs)	5,000,000	8,000,000	Variable
Money Market Funds (Constant Net Asset Value) & Business Reserve Accounts	7,690,000	3,720,000	Variable
<b>Total</b>	<b>39,342,735</b>	<b>44,976,594</b>	

#### TOTAL INVESTMENTS

**43,392,779      49,341,144**

#### Returns for 2013/14

22. The returns to 31st March 2015 are shown in the table below:

	<b>Actual Income £'000</b>	<b>% Rate of Return</b>
<b>Investments advised by Arlingclose</b>		
Payden Money Market Fund (VNAV)	9	
Property Fund (CCLA)	166	
<b>Total</b>	<b>175</b>	<b>4.31%</b>
<b>Internal Investments</b>		
Certificates of Deposit (CD's)	62	
Corporate Bonds	130	
Floating Rate Notes (FRNs)	29	
Fixed Term Deposits	157	
Money Market Funds (CNAV) & Business Reserve Accounts	28	
<b>Total</b>	<b>406</b>	<b>0.92%</b>
<b>Other Interest</b>		
Miscellaneous Loans	6	
<b>Total</b>	<b>6</b>	
<b>TOTAL INCOME TO 31<sup>st</sup> MARCH 2014</b>	<b>587</b>	<b>1.45%</b>
<b>BUDGETED INCOME</b>	<b>340</b>	
<b>SURPLUS</b>	<b>247</b>	

23. The table above shows investment income for the year compared to the budget. The figures show a surplus over budget of £247,000, however this has been moved to a

Treasury Management reserve to help support the Treasury Management income budget in the future should the property fund not perform as budgeted.

24. The outturn position is affected by both the amount of cash we have available to invest and the interest base rate set by the Bank of England. Balances are affected by the timing of capital expenditure and the collection of council tax and business rates.
25. The original Treasury Management budget of £340,340 was derived by forecasting an average rate of return of 0.65%. The actual interest rate received for the year was 1.45%, This was enhanced due to the performance of the Property Fund.

## **Investments**

26. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15. New investments can be made with the following institutions:
  - Other Local Authorities;
  - AAA-rated Money Market Funds;
  - Certificates of Deposit (CDs) and Term Deposits with UK Banks and Building Societies systemically important to the UK banking system and deposits with select non-UK Banks (Australian, Canadian and American);
  - T-Bills and DMADF (Debt Management Office);
  - Bonds issued by Multilateral Development Banks, such as the European Investment Bank;
  - Commercial Paper
  - Other Money Market Funds and Collective Investment Schemes meeting the criteria in SI 2004 No 534, SI 2007 No 573 and subsequent amendments.
27. The graph shown in appendix A shows the performance of the in-house Treasury team in respect of all investments for the quarter ending 31st March 2015 in comparison to all other clients of Arlingclose.
28. The graph shows that SSDC is in a very good position in terms of the risk taken against the return on investments.

## **Borrowing**

29. An actual overall borrowing requirement (CFR) of £9.7 million was identified at the beginning of 2014/15. As interest rates on borrowing exceed those on investments the Council has used its capital receipts to fund capital expenditure. As at 31st March 2015 the Council had no external borrowing.

### **Breakdown of investments as at 31<sup>ST</sup> March 2015**

<b>Date Lent</b>	<b>Counterparty</b>	<b>Amount</b>	<b>Rate %</b>	<b>Maturity Date</b>
5 Nov 14	Lancashire County Council	1,000,000	0.52	5 May 15
6 Jan 14	Greater London Authority	2,000,000	1.03	6 Oct 15
23 May 14	Rabobank International	1,000,000	0.78	22 May 15
27 Feb 15	Barclays Bank Plc	1,000,000	0.51	29 May 15
3 Nov 14	Birmingham City Council	2,000,000	0.50	5 May 15
28 Nov 14	Lancashire County Council	1,000,000	0.60	28 Aug 15
20 Jan 15	Salford City Council	2,000,000	0.50	20 Jul 15
20 Feb 15	Nationwide Building Society	1,000,000	0.51	29 May 15
4 Mar 15	Santander UK Plc	1,000,000	0.52	10 Jun 15
9 Mar 15	United Overseas Bank Ltd	2,000,000	0.58	9 Sep 15
17 Mar 15	Leeds Building Society	1,500,000	0.48	24 Jun 15
	<b>Corporate Bonds/Eurobonds</b>			
10 Dec 13	GE Capital UK Funding	1,038,020	1.42	18 Jan 16
17 Jan 14	Places for People Capital Markets	603,877	2.67	27 Dec 16
17 Jan 14	Places for People Capital Markets	459,287	2.67	27 Dec 16
10 Feb 14	Thames Water Utilities Finance Ltd	459,736	1.02	30 Jun 15
10 Feb 14	Heathrow Funding Ltd	1,012,910	1.16	8 June15
7 Apr 14	Commonwealth Bank of Australia	517,020	1.00	14 Dec 15
8 Apr 14	Nordea Bank AB	515,835	0.98	15 Dec 15
2 Jun 14	Volkswagen International Finance NV	501,460	0.98	20 Aug 15
4 Aug 14	Leeds Building Society (Covered)	560,713	2.13	17 Dec 18
8 Sep 14	Rabobank Nederland NV	828,485	1.05	10 Sep 15
30 Sep 14	Volkswagen International Finance NV	501,460	0.98	20 Aug 15
30 Sep 14	European Investment Bank	521,067	0.64	8 Jul 15
22 Oct 14	Yorkshire Building Society (Covered)	1,729,543	1.56	12 Apr 18
5 Mar 15	Volkswagen International Finance	1,015,107	0.70	23 Oct 15
5 Mar 15	Westpac Banking Corporation	1,007,119	0.74	23 Dec 15
	<b>Certificates of Deposit (CDs)</b>			
5 Jun 14	Deutsche Bank	1,007,016	0.82	4 Jun 15
29 Oct 14	Standard Chartered	1,002,832	0.64	29 Apr 15
4 Nov 14	Nordea Bank Finland	501,263	0.59	5 May 15
9 Feb 15	Standard Chartered	1,001,051	0.66	7 Aug 15
27 Mar 15	Nordea Bank Sweden	1,000,209	0.55	25 Sep 15
	<b>Floating Rate Notes (FRNs)</b>			
25 Nov 13	HSBC Bank PLC – 3mth Libor + 28bp	1,004,169	0.82	16 May 16
3 Apr 14	Yorkshire Building Society (Covered) – 3mth Libor + 175bp	1,015,441	0.94	23 Mar 16
22 Oct 14	Abbey National Treasury Services (Covered) – Libor + 170bp	1,034,829	0.71	5 Apr 17
21 Nov 14	Barclays Bank Plc (Covered) - 3mth Libor + 19bp	1,000,341	0.68	15 Sep 17
16 Feb 15	Clydesdale Bank (Covered) – Libor + 170bp	1,004,198	0.61	8 Jun 15
17 Feb 15	Clydesdale Bank (Covered) – Libor + 170bp	1,004,198	0.61	8 Jun 15
6 Mar 15	BMW Finance NV – Libor + 26bp	1,903,208	0.61	23 Jul 15
25 Mar 15	Lloyds Bank Plc (Covered) – Libor + 25bp	2,006,200	0.64	16 Jan 17
	<b>Pooled Finds &amp; Money Market Funds</b>			

	Payden Fund VNAV	1,001,247	0.93	
	CCLA Property Fund	3,363,303	5.53	
	Handelsbanken	2,000,000	0.50	
	Federated Money Market Fund	500,000	0.43	
	Ignis Money Market Fund	1,220,000	0.41	
	<b>TOTAL</b>	<b>49,341,144</b>		

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

## Prudential Indicators – 2014/15

### Background:

30. In March 2014, Full Council approved the indicators for 2014/15, as required by the Prudential Code for Capital Finance in Local Authorities. The Local Government Act 2003 allows local authorities to determine their own borrowing limits provided they are affordable and that every local authority complies with the code.

### Prudential Indicator 1 - Capital Expenditure:

31. The actual capital expenditure incurred for 2014/15 compared to the original estimate was:

	2013/14 Outturn £'000	2014/15 Original Estimate £'000	2014/15 Outturn £'000	2014/15 Variance £'000	Reason for Variance
Approved capital schemes	2,244	4,461	2,641	(1,920)	The biggest variances were underspends against the original budgets for the following: Affordable Housing (1,242), Capital Works to the Councils Portfolio (178), New Car Parks (177), The area capital programmes (137) and Home repairs assistance (202) however the majority of the spend on these projects were reprofiled during the year.
<b>Total Expenditure</b>	<b>2,244</b>	<b>4,461</b>	<b>2,641</b>	<b>(1,920)</b>	

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

32. A comparison needs to be made between financing capital costs and the revenue income stream to support these costs. This shows how much of the revenue budget is committed to the servicing of finance.

Portfolio	2013/14 Outturn £'000	2014/15 Original Estimate £'000	2014/15 Outturn £'000	2014/15 Variance £'000	Reason for Variance
Financing Costs	(259)	(226)	(413)	(187)	Increased income on our Property Fund investments which performed

					very well
Net Revenue Stream	19,082	17,541	17,881	340	Carry Forwards approved from 2013/14 and incorporated within the budget for 2014/15
%*	(1.4)	(1.3)	(2.3)		

\*figures in brackets denote income through receipts and reserves

33. The financing costs include interest payable and notional amounts set aside to repay debt less interest on investment income. The figure in brackets is due to investment income outweighing financing costs significantly for SSDC but is nevertheless relevant since it shows the extent to which the Council is dependent on investment income.

### Prudential Indicator 3 - Capital Financing Requirement:

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

	2013/14 Outturn £'000	2014/15 Original Estimate £'000	2014/15 Outturn £'000	2014/15 Variance £'000	Reason for Variance
Opening CFR	9,500	9,374	9,625	251	The original estimate was based on the information held at the time however more leases were taken out prior to the start of the year which increased the CFR
Capital Expenditure	3,892	5,410	3,772	(1,638)	Re-profiling of expenditure to future years has reduced the capital expenditure in year
Capital Receipts*	(2,244)	(4,461)	(2,641)	1,820	Reduced spend has resulted in less capital receipts needed to fund these
Grants/Contributions*	(1,648)	(949)	(1,131)	(182)	
Minimum Revenue Position (MRP)	(173)	(114)	(178)	(64)	Additional leases were taken out after the budget was set which has incurred additional MRP
Additional Leases taken on during the year	298	0	0	0	
<b>Closing CFR</b>	<b>9,625</b>	<b>9,260</b>	<b>9,447</b>	<b>187</b>	

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

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

35. The Council is also required to ensure that any medium term borrowing is only used to finance capital and therefore it has to demonstrate that the net external borrowing does not, except in the short term exceed the total of capital financing requirements over a three year period.

	2013/14 Outturn £'000	2014/15 revised Estimate £'000	2014/15 Outturn £'000	2014/15 Variance £'000	Reason for Variance
Borrowing	0	0	0	0	SSDC currently has no borrowing
Finance Leases	511	349	334	(15)	
<b>Total Debt</b>	<b>511</b>	<b>349</b>	<b>334</b>	<b>(15)</b>	

36. Total debt is expected to remain below the CFR for the Foreseeable future.

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

37. The Council must set three years of upper limits to its exposure to the effects of changes in interest rates. As a safeguard, it must ensure that its limit would allow it to have up to 100% invested in variable rate investments to cover against market fluctuations. For this purpose, term deposits of less than 365 days are deemed to be variable rate deposits. Fixed rate deposits are investments in Eurobonds, Corporate Bonds and term deposits exceeding 365 days.

	2013/14 Actual %	2014/15 % Limit	2014/15 Actual %	2014/15 Variance %	Reason for Variance
Fixed	13	80	6.20	(73.8)	Within limit
Variable	87	100	93.80	(6.20)	Within limit

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

	2013/14 Actual %	2014/15 % Limit	2014/15 Actual %	2014/15 Variance %	Reason for Variance
Fixed	0	100	0	100	SSDC currently has no borrowing
Variable	0	100	0	100	SSDC currently has no borrowing

39. The indicator has been set at 100% to maximise opportunities for future debt as they arise.

#### Prudential Indicator 6 - Upper Limit for total principal sums invested over 364 days:

40. SSDC must also set upper limits for any investments of longer than 364 days. The purpose of this indicator is to ensure that SSDC, at any time, has sufficient liquidity to meet all of its financial commitments.



<b>Upper Limit for total principal sums invested over 364 days</b>	<b>2013/14 Actual £'000</b>	<b>2014/15 Maximum Limit £'000</b>	<b>2014/15 Actual £'000</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Between 1-2 years	4,572	25,000	4,000	(21,000)	Within limit
Between 2-3 years	2,074	20,000	2,000	(18,000)	Within limit
Between 3-4 years	0	10,000	2,000	(8,000)	Within limit
Between 4-5 years	0	10,000	0	(10,000)	Within limit
Over 5 years	0	5,000	0	(5,000)	Within limit

41. The table above shows that the Council adopts a policy of safeguarding its investments by minimising investments that are redeemable more than five years ahead.

#### **Prudential Indicator 7 – Credit Risk:**

42. The Council considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution and its sovereign
- Sovereign support mechanisms
- Credit default swaps (where quoted)
- Share prices (where available)
- Economic Fundamentals, such as a country's net debt as a percentage of its GDP
- Corporate developments, news articles, markets sentiment and momentum
- Subjective overlay

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

#### **Prudential Indicator 8 - Actual External Debt:**

1. This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities (this represents our finance leases). This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

<b>Actual External Debt as at 31/03/2015</b>	<b>£'000</b>
Borrowing	0
Other Long-term Liabilities (Finance Leases)	334
<b>Total</b>	<b>334</b>

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

2. This limit represents the maximum amount that SSDC may borrow at any point in time during the year. If this limit is exceeded the Council will have acted ultra vires.

It also gives the Council the responsibility for limiting spend over and above the agreed capital programme. A ceiling of £12 million was set for each year.

	2013/14 Actual £'000	2014/15 Original Estimate £'000	2014/15 Actual £'000	2014/15 Variance £'000	Reason for Variance
Borrowing	0	11,000	0	(11,000)	SSDC currently has no borrowing
Other Long-term Liabilities	511	1,000	334	(666)	Within limit
<b>Total</b>	<b>511</b>	<b>12,000</b>	<b>334</b>	<b>(11,666)</b>	

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

- The operational boundary sets the limit for short term borrowing requirements for cash flow and has to be lower than the previous indicator, the authorised limit for external debt. A ceiling of £10 million for each of the next three years was set.

	2013/14 Actual £'000	2014/15 Original Estimate £'000	2014/15 Actual £'000	2014/15 Variance £'000	Reason for Variance
Borrowing	0	9,200	0	(9,200)	SSDC currently has no borrowing
Other Long-term Liabilities	511	800	334	(466)	Within limit
<b>Total</b>	<b>511</b>	<b>10,000</b>	<b>334</b>	<b>(9,666)</b>	

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

- This indicator is relevant when we borrow, then we can take a portfolio approach to borrowing in order to reduce interest rate risk. This indicator is shown as the Council has set limits in anticipation of future borrowing.

Maturity structure of fixed rate borrowing	2012/13 Upper Limit %	2013/14 Lower Limit %	2013/14 Actual %	2013/14 Variance %
Under 12 months	100	0	0	Not applicable
12 months and within 24 months	100	0	0	Not applicable
24 months and within 5 years	100	0	0	Not applicable
5 years and within 10 years	100	0	0	Not applicable
10 years and within 20 years	100	0	0	Not applicable
20 years and within 30 years	100	0	0	Not applicable
30 years and within 40 years	100	0	0	Not applicable
40 years and within 50 years	100	0	0	Not applicable
50 years and above	100	0	0	Not applicable

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

5. SSDC must show the effect of its annual capital decisions for new capital schemes on the council taxpayer. Capital spend at SSDC is financed from additional receipts so the figure below actually shows the possible decreases in council tax if all capital receipts were invested rather than used for capital expenditure.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2013/14 Actual £</b>	<b>2014/15 Actual £</b>
Decrease in Band D Council Tax	0.29	0.04

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

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

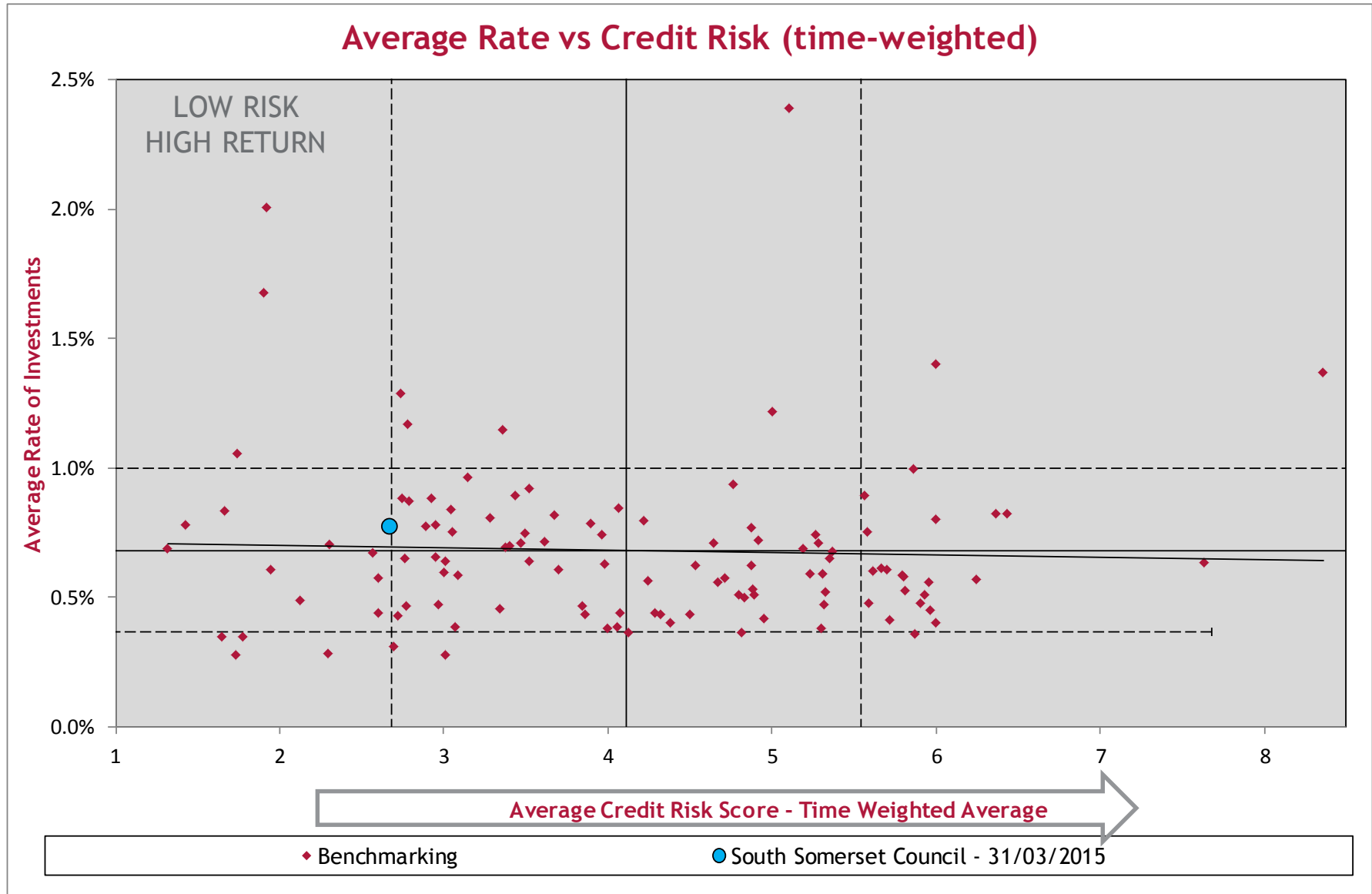
Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 18 <sup>th</sup> April 2002.

**Conclusion**

7. The council operated within all of the Prudential Indicators during 2014/15

**Background Papers:** Prudential Indicators Working Paper, Treasury Management Strategy Statement 2014/15, Capital Monitoring Qtr 4 2014/15.





# Agenda Item 12

## **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*

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## AUDIT COMMITTEE - FORWARD PLAN 2015/16

Committee Date	Responsible Officer
25 June 2015 <ul style="list-style-type: none"> <li>• 2014/15 Annual Governance Statement</li> <li>• Review of Internal Audit</li> <li>• Internal Audit Plan – Review 2014/15</li> <li>• Approve Annual Treasury Management Activity Report 2014/154 – <b>Needs to go on to Full Council</b></li> <li>• External Audit – Audit of financial controls 2014/15</li> </ul>	Donna Parham Donna Parham Jo George Karen Gubbins  Donna Parham Jo George
23 July 2015 <ul style="list-style-type: none"> <li>• Review exemptions given through Procurement Procedure Rules 2014/15</li> <li>• Register of staff interests – Annual Review</li> <li>• Risk Management Update</li> <li>• Debt Write Offs Report</li> </ul>	Gary Russ  Ian Clarke Gary Russ Amanda Card
27 August 2015 <ul style="list-style-type: none"> <li>• Treasury Management – First quarter monitoring report</li> <li>• Internal Audit – First quarter update</li> <li>• Annual Governance Statement Action Plan</li> <li>• Update report and Certification Work Plan</li> </ul>	Karen Gubbins  Jo George Donna Parham Donna Parham
30 September 2015 ( <b>NEW DATE</b> ) <ul style="list-style-type: none"> <li>• Treasury Management Practices</li> <li>• Approve Annual Statement of Accounts</li> <li>• Approve Summary of Accounts</li> <li>• Audit Findings Report</li> <li>• <i>External Audit - Value for Money (VFM) conclusion to include an update of the Council's financial resilience and a comparison of how well similar councils are doing</i></li> </ul> Mid-year review of Treasury Strategy – <b>Needs to go on to Full Council</b>	Karen Gubbins Amanda Card Amanda Card Donna Parham Donna Parham  Karen Gubbins
22 October 2015	
26 November 2015 <ul style="list-style-type: none"> <li>• Treasury Management – Second quarter monitoring report</li> <li>• Annual Audit Letter</li> <li>• Internal Audit – second quarter and half year update</li> <li>• Annual Governance Statement Action Plan</li> <li>• Risk Management Update</li> </ul>	Karen Gubbins  Donna Parham Jo George  Donna Parham Gary Russ
17 December 2015 <b>TBC</b> <ul style="list-style-type: none"> <li>• Certification and Update report</li> <li>•</li> </ul>	Donna Parham
28 January 2016 <ul style="list-style-type: none"> <li>• Annual Fraud Programme</li> </ul>	Tom Chown/Lynda Creek

<p>25 February 2016</p> <ul style="list-style-type: none"> <li>• Treasury Management Strategy and Prudential Indicators for 2015/16 – <b>Needs to go to Full Council in March</b></li> <li>• Annual Governance Statement Action Plan</li> <li>• Treasury Management – Third quarter monitoring report</li> <li>• Internal Audit – third quarter update</li> <li>• External Audit – Certification of Housing Benefit Subsidy Claim</li> </ul>	<p>Karen Gubbins</p> <p>Donna Parham Karen Gubbins</p> <p>Donna Parham Donna Parham</p>
<p>24 March 2016</p> <ul style="list-style-type: none"> <li>• Risk Management Update</li> <li>• Health, Safety, and Welfare (Annual Report)</li> <li>• Internal Audit Plan – approve 16/17 plan</li> <li>• Internal Audit - Charter</li> <li>• External Audit – Audit Plan</li> </ul>	<p>Gary Russ Pam Harvey Jo George Jo George Donna Parham</p>