



CORPORATE GOVERNANCE COMMITTEE

YOU ARE REQUESTED TO ATTEND A MEETING OF THE CORPORATE GOVERNANCE COMMITTEE TO BE HELD IN PRINCIPAL COMMITTEE ROOM ON WEDNESDAY 28TH JUNE 2006 AT 06:15.

AGENDA

1. Apologies
2. Minutes of the meeting of the Corporate Governance Committee held on 9 November 2005 (attached)
3. Public Question Time
4. Declaration of Interests
To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct
5. Audit and Inspection Plan Terry Bowditch, Audit Commission
6. Strategic Risk Management. This report sets out the significant progress that has been achieved in embedding Risk Management within the organisation since the last report in November 2005. Pete Weaver
7. Internal Audit Annual Report 2005/2006 Chris Gunn
8. Internal Audit - Progress Report Chris Gunn
9. South West Audit Partnership (SWAP) Financial Performance 2005/2006. Update on the 2005/2006 financial performance of the South West Audit Partnership Shirlene Adam
10. Statement on Internal Control 2005/2006. This report invites the Corporate Governance Committee to consider and part approve the attached Statement on Internal Control (SIC) which will form part of the 2005/2006 Statement of Accounts Shirlene Adam
11. Statement of Accounts 2005/2006. Paul Carter

G P DYKE
Member Services Manager
20 June 2006

Corporate Governance Committee Members:-

Councillor Williams (Chairman)

Councillor Mrs Lewin-Harris (Vice-Chairman)

Councillor Denington

Councillor Hall

Councillor Ms Lisgo

Councillor Meikle

Councillor Prior-Sankey

Councillor Smith

Councillor Wedderkopp

Councillor Mrs Whitmarsh



Members of the public are welcome to attend the meeting and listen to the discussion. Lift access to the main committee room on the first floor of the building is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available. There is a time set aside at the beginning of the meeting to allow the public to ask questions



An induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact Greg Dyke on:



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Corporate Governance Committee – 9 November 2005

Present: Councillor Mrs Lewin-Harris (Vice-Chairman) (In the Chair)
Councillors Beavan, Denington, Hall, Mrs Jones, Meikle, Prior-Sankey,
Wedderkopp and Mrs Whitmarsh.

Officers: Ms S Adam (Strategic Director), Mr P Weaver (Head of Environment
and Leisure), Mr C Gunn (Internal Audit Manager), Mr D Woodbury
(Health and Safety Advisor), Mrs G Croucher (Review Support Officer).

Also Present: Mr D Baker (Chairman, Standards Committee).

(The meeting commenced at 4.00 pm.)

22. Apologies/Substitution

Apologies: The Chairman (Councillors Williams) and Councillors Lisgo and
Mrs Smith.

Substitution: Councillor Mrs Jones for Councillor Mrs Smith.

23. Minutes

The minutes of the meeting held on 13 July 2005, were taken as read and
were signed.

24. Standards Committee – Annual Report 2004/05

Mr David Baker, Chairman of the Standards Committee, presented the Annual
Report of the Standards Committee for 2004/05. The Committee had been in
operation since 2000. Membership was made up of a majority of independent
members who were not connected with the Council, together with two parish
council representatives and one councillor from each of the political groups
represented on the Council.

The Standards Committee was responsible for:-

- Promoting and maintaining high standards of conduct by the Members and
co-opted Members of the Authority;
- Assisting Members to observe the Code of Conduct;
- Advising on the adoption of a Code of Conduct;
- Monitoring its operation; and
- Advising, training or arranging to train Members on matters relating to the
code.

Training sessions on ethics and probity had been organised for all Taunton Deane and Parish Councillors. These had been well attended and would be incorporated in the induction training for new councillors in the future. The political group leaders of the Council had been asked to emphasise the importance of ethics and probity to their Members, and one further training session would be made available for those few Members who had not yet attended one of the sessions. Noted that refresher training would be included in the 2005/06 Member Training Programme.

Members of the Standards Committee had also received training on how to deal with Local Determinations and had been represented at the Annual Assembly of Standards Committees.

The Standards Committee had met on four occasions during the past year. The areas that had been discussed were:-

- Training;
- Consultation papers from both the Government and the Standards Board for England;
- Feedback from forums and meetings;
- Parish Councils and the Code;
- The future of the ethical agenda and the role of the Standards Board for England;
- A review of the existing Code of Conduct.

The Committee had responded to consultation papers from the Office of the Deputy Prime Minister (ODPM) and the Standards Board for England on Local Determination Regulations and Local Investigations – Draft Guidance for Monitoring Officers.

The Code of Conduct had been reviewed by the Standards Board for England and all Standards Committees had been invited to consider the Board's consultation paper. The Committee felt that the main issues had not been addressed. It was emphasised that most cases needed to be dealt with locally. In addition, the Committee felt that the process did not need to be as prescriptive and legalistic and a reserve power should be introduced giving the Standards Board the ability to call in cases within a particular time period.

The Committee on Standards in Public Life had produced a report which looked at the ethical agenda and the role of the Standards Board for England. The Standards Committee agreed with the views of this report and had submitted them to the Standards Board for England with copies to the ODPM, the Local Government Association and the National Association of Local Councils.

Mr Baker reported that in the future the Standards Committee intended to continue to provide training for Borough and Parish Councillors. It would continue to press for the local determination of cases with all but the most

serious to be dealt with by local Standards Committees rather than centrally by the Standards Board for England.

Further support would be offered to Parish Councils. Guidance on the appointment of Members would also be looked at shortly. The need for the Standards Committee to be open and transparent was recognised with meetings being more formally timetabled and advertised fully.

Mr Baker said the term of office for both Chairman and Committee Members was two terms with a new Chairman being elected every year. However, difficulties had been experienced in recruiting members of the public. It had therefore been agreed to approach the Somerset Influence Panel for help with recruitment.

RESOLVED that the report be noted.

25. Strategic Risk Management

Considered report previously circulated, which updated the Committee on the following issues:-

- The work that had been carried out to manage Strategic Risk throughout the Authority;
- The work that had been carried out on Project Risk Management; and
- The action plan for future work.

The management of risk was an important element of good management in local authorities for the following reasons:-

- It minimised the chance of unplanned and unforeseen problems occurring;
- It identified opportunities that might fall within our appetite for risk;
- It ensured that as an organisation we remained insurable; and
- It was recognised as an essential element of good management by the Comprehensive Performance Assessment (CPA).

It was reported that there were two types of risk:-

- Direct threats (damaging events) which could lead to a failure to achieve objectives; and
- Opportunities (constructive events) which if exploited could offer an improved way of achieving objectives, but which were surrounded by threats

Risk in management terms was the likelihood that a business threat to the organisation actually occurred or that opportunities would be lost.

Risk Management provided a framework that enabled Taunton Deane to identify, assess, manage, monitor and report risks in a way that would enable the Council to minimise losses and maximise opportunities.

A Risk Management Strategy had been produced which set out the Council's approach to Risk Management, together with a sharepoint intranet site to form a comprehensive database of risk management activity and information.

A Corporate Risk Register monitored by the Corporate Management Team (CMT) had been produced. This had been updated and the existing Directorate register had been regrouped in "Heads" groupings. This allowed Heads to take responsibility for managing the risks within their area. The Risk registers could now be incorporated into the Heads Service Plans and formed part of the performance monitoring system. The process could then be cascaded down to service level with appropriate support from the Risk Management Team (RMT) as necessary.

All major projects would now be subject to the Risk Management process with the appropriate project leader taking responsibility for the project risk register. Smaller projects would be assessed if requested by the project leader or CMT.

The proposed actions would be as follows:-

ACTION	TARGET DATE	RESP
Allocate new risk management trainees to service areas to facilitate deployment of Risk Management to service level	Oct 05	RMT
Update CMT Risk Register	Dec 05	CMT
Update Heads of Service Registers on annual basis (for inclusion in Heads Plans)	Nov 05	Heads
Completion of Risk Assessment Exercises At Service Level (for inclusion in Operational Plans)	Dec 05	SUMs
Update Risk Management Strategy	Apr 06	Pete Weaver
Populate Sharepoint site and keep up to date	Apr 06	Chris Gunn
Ensure list of projects undergo risk assessment	On going	Brendan Cleere
Report to Corporate Governance Committee at 6 monthly frequency	May 06	Pete Weaver

It was agreed that the Group Auditor would give a demonstration using Sharepoint to explain Risk Management to Members of the Committee at the next meeting.

RESOLVED that the report be noted.

26. Health and Safety Management (HSM) System Briefing Note

Considered report previously circulated, which outlined progress on the development and introduction of a Health and Safety Management System (HSM System).

The HSM System would provide clarity, direction and understanding on the safety roles and responsibilities of all employees. It would ensure legal compliance and safe delivery of services. When fully implemented, the HSM System would provide visible coherence and integration throughout. It would combine the “hard” (information and systems) with the “soft” (cultural and leadership) issues and would make a strong contribution to the operating culture and well-being of the Council.

The Corporate Health and Safety Advisor had a key support role in:-

- Providing health and safety advice across all aspects of the Council’s activities;
- Auditing and reviewing health and safety performance across all service units;
- Promoting opportunities to develop a positive safety culture;
- Developing effective Health and Safety Management System, policies and procedures;
- Evaluating risk and advising on impending legislation;
- Promoting consultation and health and safety partnerships;
- Supporting the drive for continuous improvement.

The HSM System would be phased in over a period of three years, which would link into other opportunities to maintain steady progress and an increased awareness of health and safety within the Council’s operations.

There was good health and safety practice within the Council, although some gaps did exist which would need significant improvement. The programme of team workshops to support the Health and Safety Executive Project and the introduction of the Management Standards on Work Related Stress and the IT “Sharepoint” programme were now available to speed up the successful introduction of the HSM System.

By April 2006 the workforce should be equipped to accept and manage their health and safety responsibilities. The final part of the implementation process would be developing the role of the Council’s Executive.

RESOLVED that:- (1) the report be noted; and (2) the Executive be recommended to note the actions planned and be requested to continue to support this initiative.

27. Internal Audit Services – Progress Report

Considered report previously circulated, which provided Members with an update on the progress made on audit recommendations from 2004/2005. The report also provided information on the activities of the Internal Audit team for the period July 2005 to November 2005.

During 2004/2005 31 audit reviews had been completed, resulting in 269 recommendations. Of these recommendations 101 did not need to be followed up as they related to the last leisure centre audits.

70 of the 88 recommendations made during 2004/2005 that had been retested so far had been implemented. The remaining 18 were either no longer appropriate or had been re-reported during the 2005/2006 audits.

Future reports by the Internal Audit team would now include a breakdown for each audit undertaken and performance would be monitored to ensure that recommendations were implemented.

Submitted for information a list of the audits completed from July to November 2005.

Further reported that the Internal Audit Team was currently operating with a full-time vacancy due to a recent promotion. Although the previously reported secondment had ended, until the current vacancy was filled, it was unlikely the 2005/2006 Audit Plan would be achieved.

RESOLVED that the report be noted and a further report made to the next meeting.

(The meeting ended at 5.48 p.m.).

Audit and Inspection Plan

May 2006



Audit and Inspection Plan

Taunton Deane Borough Council

Audit 2006-2007

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

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If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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Introduction

- 1 This plan sets out the audit and inspection work that we propose to undertake in 2006/07. The plan has been drawn up from our risk-based approach to audit planning and reflects:
 - the Code of Audit Practice;
 - audit and inspection work specified by the Audit Commission for 2006/07;
 - your local risks and improvement priorities; and
 - current national risks relevant to your local circumstances.
- 2 Your relationship manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.

Our responsibilities

- 3 In carrying out our audit and inspection duties we have to comply with the statutory requirements governing them, and in particular:
 - the Audit Commission Act 1998;
 - the Code of Audit Practice (the Code) with regard to audit; and
 - the Local Government Act 1999 with regard to best value inspection and audit.
- 4 The Code defines auditors' responsibilities in relation to:
 - the financial statements of audited bodies; and
 - audited bodies' arrangements for securing economy, efficiency and effectiveness in their use of resources. Auditors are now required to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources. We will give the first such conclusion by 30 September 2006 as part of the 2005/06 audit.

The fee

- 5 For 2006/07 the Audit Commission has changed its fee scale structure and details are set out in the Commission's Work Programme and Fee scales 2006/07. Audit fees are based on a number of variables, including the type, size, location and complexity of the audited body and the national and local risks.
- 6 Inspection fees are based on the actual number of days included in the plan for each programmed activity.
- 7 The total fee estimate for the audit work planned for 2006/07 is £79,672 and the total fee estimate for inspection work planned for 2006/07 is £5,557, giving an overall fee of £85,229. This compares with a total audit and inspection fee of £78,824 in 2005/06.
- 8 In addition we estimate that we will charge approximately £20,000 for the certification of claims and returns. Further details are provided in paragraph 34 to 35 below and in Appendix 1.
- 9 The audit and inspection fees include all work identified in this plan unless specifically excluded. Further details are provided in Appendix 1 which includes specific audit risk factors, the assumptions made when determining the audit fee, specific actions Taunton Deane Borough Council could take to reduce its audit fees and the process for agreeing any additional fees.
- 10 Changes to the plan and the fee may be necessary if our audit risk assessment changes during the course of the audit. This is particularly relevant to work related to:
 - the opinion on the 2006/07 accounts since we have yet to audit the accounts for 2005/06 and detailed financial reporting requirements for 2006/07 are not yet known; and
 - work on selected performance indicators, since we have yet to assess your overall arrangements for securing the quality of this data and then to undertake a formal risk assessment.
- 11 We will formally advise you if any changes to the fee become necessary.

CPA and inspections

- 12 The CPA framework for district councils from 2006 has been subject to consultation and pilots are currently underway. It is expected that the proposed methodology will be published by April 2006 and that the opportunity for re-categorisation will be available for some councils during 2006/07.
- 13 If the new methodology identifies the need or opportunity for a revised corporate assessment for your council, we will discuss an amendment to this plan and agree an additional fee for completion of the work.
- 14 Following the Council's classification as an excellent council in 2004 we have applied the principles of strategic regulation recognising the key strengths in your performance. In March 2006 we produced a direction of travel report which was included in the annual audit and inspection letter. This reviewed the Council's progress since the CPA inspection in 2004 and highlighted areas still in need of improvement. The review found many positive developments and progress in key areas including:
- improving strategic planning and leadership with greater clarification of priorities, improving access to services, delivering better value for money and progress in building capacity;
 - consistently high public satisfaction in many service areas; and
 - improvement plans which are driving continuous improvement.
- 15 However, some areas were identified that are in need of improvement. These include workforce planning, providing a consistent approach to managing equality and diversity, being more specific about the Council's role and objectives for economic regeneration activity, and in using the results of consultation more effectively.
- 16 Our inspection activity will focus on the following.

Table 1 Summary of inspection activity

Inspection activity	Reason/impact
Relationship Manager role	To act as the Commission's primary point with the Council and the interface at the local level between the Commission and the other inspectorates, Government Offices and other key stakeholders.
Direction of Travel review	To provide focus for continuous improvement. Likely to be included in CPA scorecard.

Summary of key audit risks

- 17 This section summarises our assessment and the planned response to the key audit risks which may have an impact on our objectives to:
- provide an opinion on your financial statements;
 - provide a conclusion on your use of resources;
 - provide a scored judgment on the use of resources to feed into the CPA process;
 - undertake audit work in relation to specified performance indicators to support the service assessment element of CPA; and
 - provide a report on the Council’s best value performance plan (BVPP).
- 18 In assessing risk we have had regard to our 2005 assessments and your response to them, to the developments within the Council and to relevant changes taking place nationally.
- 19 Our planned work takes into account information from other regulators, where available. Where risks are identified that are not mitigated by information from other regulators, or your own risk management processes, including Internal Audit, we will perform work as appropriate to enable us to provide a conclusion on your arrangements.

Financial statements

- 20 We will carry out our audit of the 2006/07 financial statements and follow the International Standards on Auditing (UK and Ireland).
- 21 We are also required to review whether the Statement on Internal Control has been presented in accordance with relevant requirements and to report if it does not meet these requirements or if the statement is misleading or inconsistent with our knowledge of the Council.
- 22 On the basis of our preliminary work to date we have identified the following audit risks.

Table 2 Summary of opinion risks

Opinion risks	Response
Changes in the 2006 SORP, particularly associated with capital accounting and presentation of the consolidated revenue account.	Seek assurance on compliance with the latest SORP.

Opinion risks	Response
The Council is increasingly involved in a range of significant partnerships, in particular, the 'Improving Services in Somerset' project (ISIS).	We will meet regularly with officers to discuss their proposed accounting arrangements for the ISIS and other relevant partnerships.
The Council is planning to introduce two new financial systems during 2006/07: payroll and revenues/benefits.	We will identify and test the controls relevant to our opinion in the new systems, and we will carry out testing to confirm that data has been accurately transferred from the old to the new systems.

- 23** Our fee estimate for 2006/07 is based on the assumption that the current standard of working papers will be maintained and that internal audit will complete their planned work on key information systems to the agreed quality and by the agreed date and that the accounts will be prepared and fully supported by working papers by 30 June 2007.
- 24** We have yet to undertake the audit of the 2005/06 financial statements and our 2006/07 financial statements audit planning will continue as the year progresses. This will take account of:
- the 2005/06 opinion audit;
 - our documentation and initial testing of material information systems;
 - our assessment of the 2006/07 closedown arrangements; and
 - any changes in financial reporting requirements.
- 25** When we have finalised our risk assessment in respect of your financial statements, we will update our plan in advance of the audit detailing our specific approach, including any impact on the fee quoted above.

Whole of government accounts

- 26** The government is introducing whole of government accounts (WGA) in order to produce consolidated accounts for the whole public sector. WGA will include the accounts of local authorities and WGA data returns will be required to be audited. The Audit Commission is currently discussing the scope of the likely audit work with the NAO and other stakeholders. The fee for this work is not included in this plan and we will discuss this with the Director of Resources when further details are available.

Value for money conclusion

- 27 The Code of Audit Practice requires us to issue a conclusion on whether you have proper arrangements in place for securing economy, efficiency and effectiveness in the use of your resources (the value for money conclusion). The Audit Commission has developed relevant criteria for auditors to apply in reaching our value for money conclusion as required under the Code of Audit Practice. In meeting this responsibility, we will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. We will give the first such conclusion by the end of September 2006 as part our audit of the 2005/06 accounts. This may influence our risk assessment for similar work to be carried out as part of the 2006/07 audit and we will keep you informed of any changes to this plan that may become necessary.

Use of resources judgement

- 28 Over and above the Code requirements described above, the Audit Commission requires auditors to make more qualitative assessments of the effectiveness of those arrangements in the form of a series of use of resources judgements. The key lines of enquiry (KLOEs) issued in June 2005 will be updated in spring 2006 to reflect the lessons learned from the first year's experiences of applying the KLOEs, following a post implementation review of the assessment. Our fee estimate 2006/07 assumes that the KLOEs will be broadly similar to those used in 2005/06. If this changes we will discuss with you the implications, including any impact on the fee.
- 29 These judgements may also used by the Commission as the basis for its overall use of resources judgement.
- 30 Using our cumulative knowledge and experience, including the results of previous work and other regulators' work, we have identified the following areas of audit risk to be addressed.

Table 3 Summary of use of resources audit risks

Audit risk	Response
When we carried out our 2005 use of resources judgements, we concluded that the Council's risk management arrangements did not provide members with regular assurance that the key corporate business risks were being managed effectively.	We will review progress in developing these arrangements.

Audit risk	Response
The proposed joint venture with Somerset County Council for the provision of key corporate services (the ISIS project) will, if it proceeds, have a wide-ranging impact on the Council's management arrangements.	We will continue to have regular meetings with key officers to discuss the Council's proposals and their potential impact for our audit.
The Councils engaged in a housing stock options project, with a tenants' ballot on stock transfer proposals planned for later this year.	We will continue to have regular meetings with key officers to discuss progress on this project. This will help us to decide at what stage, if any, we will need to carry out specific additional work, which could involve additional fees.

Performance information

- 31 In 2006/07, auditors are required to undertake audit work in relation to specified performance indicators to support the service assessment element of CPA, subject to the basis of the agreed methodology. This work will be risk based and will link at least in part to our review of the Council's overall arrangements to secure data quality (as required for our value for money conclusion). Our fee estimate includes an element for this work on the basis that we will assess Taunton Deane Borough Council as low risk in relation to its performance indicators.
- 32 This risk assessment may change depending on our assessment of your overall arrangements. When we have finalised our risk assessment we will update our plan including any impact on the fee.

Best value performance plan

- 33 We are required to report on whether or not you have complied with legislation and statutory guidance in respect of the preparation and publication of your best value performance plan (BVPP).

Claims and returns certification

- 34** We will continue to certify the Council's claims and returns.
- Claims for £50,000 or below will not be subject to certification.
 - Claims between £50,001 and £100,000 will be subject to a reduced, light touch, certification audit.
 - Claims over £100,000 have an audit approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced audit approach for these claims.
- 35** Charges for this work are based on skill-related fees scales set out in the Audit Commission's work programme and fee scales 2006/07. Based on this, and on the assumption that the level of grant work will remain unchanged, we estimate that the fees for grant certification work will be around £20,000.

Voluntary improvement work

36 We will continue to discuss any opportunities for us to carry out voluntary improvement work to support the Council's improvement programme. No detailed proposals are currently under discussion, although we have had initial discussions around a range of possible areas, including:

- affordable homes;
- the scrutiny function;
- partnership working;
- regeneration; and
- sickness absence management.

Other information

Outputs from the audit and inspection plan

- 37 The expected outputs from our planned audit and inspection work are listed in Appendix 2.

The team

Table 4

Name	Title
Rob Hathaway	Relationship Manager
Peter Lawrence	District Auditor
Terry Bowditch	Audit Manager
Steven Frank	Local Performance Lead
Stephen Clarke	Audit Team Leader

- 38 We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.
- 39 We comply with the ethical standards promulgated by the Auditing Practices Board and with the Commission's requirements in respect of independence and objectivity as set out at Appendix 3.

Appendix 1 - Audit and inspection fee

Table 5

Fee estimate	Plan 2006/07 (£)	Plan 2005/06 (£)
Audit		
Accounts	55,713	50,463
Use of resources	23,959	24,798
Total audit fee	79,672	75,261
Inspection		
Relationship management	5,557	*
Service inspection	0	*
Corporate inspection	0	*
Total inspection fee	5,557	3,563
Total audit and inspection fee	85,229	78,824
Certification of claims and returns	20,000	27,000
Voluntary improvement work	0	0

* Comparative information is not available for 2005/06 due to the changed fee structure.

- 1 The total audit fee compared to the indicative fee banding equates to 19 per cent below mid-point.
- 2 The fee (plus VAT) will be charged in 12 equal instalments from April 2006 to March 2007.
- 3 The fee above includes all work contained in this plan except:
 - any work required in relation to the whole of government accounts (discussed in paragraph 25); and
 - any specific work required for CPA in 2006/07.

Specific audit risk factors

- 4 In setting the audit fee we have taken account of the following specific risk factors:
- the revisions to the 2006 Statement of Recommended Practice;
 - preparations for a possible housing stock transfer; and
 - planned introduction of new payroll and revenues/benefits system.

Assumptions

- 5 In setting the audit fee we have assumed:
- you will inform us of significant developments impacting on our audit;
 - Internal Audit meets the appropriate professional standards;
 - Internal Audit undertakes appropriate work on all material information systems that provide figures in the financial statements sufficient that we can place reliance for the purposes of our audit recognising the shift in requirements introduced by the International Standards on Auditing (ISA);
 - officers will provide good quality working papers and records to support the financial statements by 30 June 2007, or alternative agreed date;
 - officers will provide requested information within agreed timescales;
 - officers will provide prompt responses to draft reports;
 - your performance indicators will be adequately prepared and reviewed; and
 - the key lines of enquiry (KLOEs) issued in June 2005 will be updated in spring 2006 to reflect the lessons learned from the first year's experiences of applying the KLOEs, following a post implementation review of the assessment.
- 6 Where these requirements are not met or our assumptions change, we will be required to undertake additional work which is likely to result in an increased audit fee.
- 7 Changes to the plan will be agreed with you. These may be required if:
- new risks emerge;
 - additional work is required of us by the Audit Commission or other regulators; and
 - there are any changes to financial reporting requirement, professional auditing standards or legislation which results in additional work.

Specific actions Taunton Deane Borough Council could take to reduce its audit fees

- 8 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit fees. We have identified the following actions Taunton Deane Borough Council could take:
- the Head of Finance should review and sign off all working papers supporting the financial statements to ensure that they tie in to the approved draft accounts and are clearly cross-referenced to supporting evidence, before the audit commences; and
 - provide an updated action plan, reporting how issues raised at audit (in the annual letter or in reports produced during the year) have been addressed, with cross-references to evidence.

Process for agreeing any changes in audit fees

- 9 If we need to amend the audit or inspection fees during the course of this plan, we will firstly discuss this with the Director of Resources. We will then prepare a report outlining the reasons why the fee needs to change for discussion with the corporate governance committee.

Appendix 2 – Planned outputs

- 1 Our reports will be discussed and agreed with the appropriate officers before final versions are issued to the Council.

Table 6

Planned output	Start date	Draft due date	Key contact
Audit and Inspection Plan*	February 2006	April 2006	Relationship Manager
BVPP opinion/ PI audit memorandum	July 2006	September 2006	District Auditor/ Audit Manager
Interim audit memorandum	February 2007	May 2007	Audit Manager
Report on financial statements to those charged with governance (ISA 260)	August 2007	September 2007	District Auditor
Opinion on financial statements	TBA	September 2007	District Auditor
VFM conclusion	TBA	September 2007	District Auditor
Final accounts memorandum	July 2007	October 2007	Audit Manager
Annual audit and inspection letter (including direction of travel assessment)	October 2007	December 2007	Relationship Manager

** To be revisited during the year to reflect outcome of 2004/05 final visit and 2006/06 interim visit.*

Appendix 3 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 Auditors appointed by the Audit Commission are subject to the Code of Audit Practice (the Code) which includes the requirement to comply with ISA UKIs when auditing the financial statements. Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm’s independence and the objectivity of the audit engagement partner and audit staff. Standards also place requirements on auditors in relation to integrity, objectivity and independence.
- 2 The standards define ‘those charged with governance’ as ‘those persons entrusted with the supervision, control and direction of an entity’. In your case the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 3 Auditors are required by the Code to:
 - carry out their work with independence and objectivity;
 - exercise their professional judgement and act independently of both the Commission and the audited body;
 - maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
 - resist any improper attempt to influence their judgement in the conduct of the audit.
- 4 In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors’ functions under the Code. If the Council invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under s 35 of the Audit Commission Act 1998.
- 5 The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:
 - any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner or Regional Director;
 - audit staff are expected not to accept appointments as lay school inspectors;

- firms are expected not to risk damaging working relationships by bidding for work within an audited body’s area in direct competition with the body’s own staff without having discussed and agreed a local protocol with the body concerned;
- auditors are expected to comply with the Commission’s statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors’ conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors’ independence;
- auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission;
- auditors are expected to comply with the Commission’s policy for both the District Auditor/Partner and the second in command (Senior Manager/Manager) to be changed on each audit at least once every five years with effect from 1 April 2003 (subject to agreed transitional arrangements);
- audit suppliers are required to obtain the Commission’s written approval prior to changing any District Auditor or Audit Partner/Director in respect of each audited body; and
- the Commission must be notified of any change of second in command within one month of making the change. Where a new Partner/Director or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual’s relevant qualifications, skills and experience.

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE – 28 June 2006

Strategic Risk Management

EXECUTIVE SUMMARY

This report sets out the significant progress that has been achieved in embedding Risk Management within the organisation since the last report in November 2005

The “Hearts and Minds“ presentation normally given to officers will be presented at the meeting to assist members in understanding the process.

The report recommends members to note the way in which risk is being managed in the Council

1. Purpose of Report

The purpose of this report is to update the Committee on the progress that has been achieved in embedding Risk Management within the organisation since the last report in November 2005

2. Background

Risk Management is not new it is the very basis of all decision making where consequences and likelihood of outcomes is assessed either consciously or subconsciously prior to and during actions.

As such it can be considered to be merely “*common sense*”. However, in a large and complex organisation dealing with a range of services and projects it is necessary to provide a format for “*common sense thinking*” to ensure that a corporate and consistent approach is taken to the management of risk.

This provides a baseline by which to judge the acceptability of a risk and to identify how it can be controlled and also to identify opportunities that might otherwise have been dismissed as “*too risky*”

Risk Management forms a big element in managing, planning and providing the safe delivery of economic, efficient and effective Council services. It is recognised by the Audit Commission to be an essential and integral part of good management practice and governance.

To be most effective, risk management should become part of the Council’s culture and be integrated into our philosophy, practices and service planning process rather than being viewed as a separate initiative.

In relation to insurance it is imperative that we have a robust system in place to manage risk. Failure to do so will lead to spiralling insurance costs and the danger that we will not be able to attract an insurance company prepared to insure the Council.

Risk Management is now an important part of the Comprehensive Performance Assessment (CPA) and if we wish to retain our "Excellent" status it is necessary to demonstrate that there is a robust system in place to monitor and manage risk.

This includes a requirement for this Committee to:

- Consider and approve the Council's framework for risk management
- Monitor progress on risk management and receive reports from the risk management group.

3 Report

Significant progress has been made in introducing and implementing Risk Management throughout the organisation as detailed below.

- Since December 2002, the Risk Management Team (RMT) has been working with the Chief Executive, Directors and Heads of Service firstly to identify and manage high level corporate risks across the authority and secondly to start cascading and embedding the risk assessment process throughout the authority.
- Strategic Risk Registers are now in place at Corporate level and for each Head of Service area.
- The Corporate Risk Register has been reviewed and this will be repeated at 6 monthly intervals.
- The Heads of Service Risk management registers will be incorporated into the Heads of Service plans and reviewed as part of the planning and monitoring process
- All large projects have also been assessed for risk and Management action plans put in place.
- A number of officers have been trained in the methodology to assist in the facilitation of Risk Management workshops
- Work has now been completed to assess the risks at operational level throughout the Council and every unit has now produced Management Action Plans to control the risks identified.
- Risk Management has now been included in the corporate staff induction day.

- The Risk Management Strategy is currently being revised and is at first draft stage.

At the last meeting of the Committee some challenging questions were asked around the subject and it was agreed to demonstrate the presentation normally given to officers so that the Committee could better understand the process.

4 Actions planned for the future

Now that the system has been set up it will be necessary to ensure that it is maintained.

- Registers and Management Action Plans will be reviewed on a regular basis
- A mechanism will be devised to ensure that risks can move between the plans to ensure that they are being managed at the appropriate level
- The Risk Management Strategy will be revised and presented to the next Corporate Governance Committee.

It is recommended that a risk identification exercise is carried out with members at the next Corporate Governance Committee to identify high level strategic risks from a members perspective.

5. Conclusions

Significant progress has been achieved in managing risk in the organisation in line with all current guidance and best practice and plans are in place to further improve and maintain this level of performance

6. Recommendations

The Corporate Governance Committee are recommended to:

- a. Note the progress made so far in Managing Risk within the Authority.
- b. Note the Actions that are planned for the future.
- c. Agree to undertake an exercise at the next meeting to identify high level strategic risks from a members perspective

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TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 28TH JUNE 2006

INTERNAL AUDIT ANNUAL REPORT 2005/2006

REPORT OF THE GROUP AUDITOR (This matter is the responsibility of Councillor Williams, the Leader of the Council)

EXECUTIVE SUMMARY

Under the Account and Audit Regulations 2003, the Council is required to maintain an adequate and effective system of internal audit of its financial management and system of internal control, in accordance with proper internal audit practices. This report summarises internal audit activity over the 2005/06 financial year.

1. PURPOSE

The Accounts and Audit Regulations (England) 2003 came into force on 1 April 2003. Regulation 4 has the requirement for public authorities to publish a Statement on Internal Control (SIC).

The Statement incorporates an annual review of the System of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. Standard 9 of the SIC requires "the Head of Internal Audit to include in the annual Internal Audit Report to the authority an opinion on the overall adequacy and effectiveness of the authority's internal control environment, providing details of any weaknesses that qualify this opinion and bringing to the attention of the authority any issues particularly relevant to the preparation of the SIC" – *Meeting the Requirements of the Accounts and Audit Regulations 2003 (CIPFA Publication)*.

The purpose of this report is to satisfy this requirement.

2. THE ROLE OF INTERNAL AUDIT

The Internal Audit Service for Taunton Deane Borough Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors.

Internal Audit provides an independent and objective opinion on the authority's control environment by evaluating its effectiveness. Primarily the work of the Unit includes:

- 4 -Year Plan of Systems Audit Reviews
- Annual Review of Key Financial System Controls
- Follow Up Reviews

3. INTERNAL AUDIT WORK PROGRAMME FOR 2005/2006

3.1 RISK MANAGEMENT

As part of rolling out Risk Management at service level, Internal Audit staff along with other trained officers across the Council were charged with ensuring that every service of the Council has engaged in the Risk Management process. The role of Internal Audit in these sessions was to act as facilitators in capturing service risks and helping Service Managers compile risk registers. This resultant Risk Registers are contained within the Council's Risk Management Intranet Site.

The following sessions were completed:

- Environmental Services
- Information Services
- Member Services
- Legal Services
- Property Services
- Finance
- Forward Planning and Regeneration
- Benefits
- DLO
- Housing Supported Services
- Personnel and Payroll
- Housing Operations
- Housing Assets
- Policy & Performance
- Building Control
- Customer Services
- Health & Safety
- Car Parks
- Leisure Development
- Cemeteries & Crematorium
- Revenues
- Communications
- Economic Development & Regeneration
- Development Control
- Horticulture & Highways
- Housing Strategic Services
- Waste Services

3.2 SYSTEMS AUDITS

Systems Audits are a detailed evaluation of a services' control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated. In total 19 full systems audits were planned and 3 were completed from the previous year as follows:

3 were completed from the previous year:

- Housing Elderly Services (Piper)
- Officers Allowances and Overtime
- DLO/DSO Accounts

6 have been issued as draft reports:

- Personnel Recruitment & Selection
- Street Cleansing
- Housing Repairs
- VAT
- Car Parks
- Building Control

1 is in progress and will be completed this year:

- Dog Wardens

12 audits were not completed from the plan with the agreement of management:

- IS Development
- BS7799
- Software Licensing
- Computer Networks
- Tourism (Covered as part of 2006/07 Audit Plan)
- Valuation and Estates (Covered as part of 2006/07 Audit Plan)
- Community Safety
- Leisure Services (Review of Trust Arrangements)
- Refuse Collection Covered as part of 2006/07 Audit Plan)
- Deane Building Design Group (Covered as part of 2006/07 Audit Plan)
- Home Improvement Agency
- Estates Management

The following reviews were undertaken at the request of management:

- Financial Regulation compliance
- Contract Site Visits
- Wessex Reinvestment Trust
- NFI 2004
- Project Assurance ISIS, Revenues / Benefits and Housing Systems

Other work that the Internal Audit Section has undertaken to support management include the following:

- Participation in the SIC Working Party
- Use of Resources Review
- Data Protection and FOI Advice
- Review of Final Accounts (Contract Audit)
- General advice to services (Financial and internal control issues)

3.3 MANAGED / PART SYSTEM AUDITS

Managed audits are completed to assist the External Auditor in their assessment of the Council's financial control environment. In total 13 managed audits / part system reviews were undertaken as follows:

- Bank Reconciliation
- Capital Accounting
- Cash Receipting
- Council Tax
- Creditors
- Debtors
- Housing Benefits
- Housing Rents
- Investments
- Loans
- Main Accounting

- Non-Domestic Rates
- Payroll

3.4 FOLLOW UP REVIEWS

Follow Up Reviews – In total 23 follow up reviews were due:

19 reviews were completed to final:

- Debtors
- Creditors
- Housing Rents
- Main Accounting System
- Treasury Management
- Capital Charges
- DLO Accounts
- Piper Lifeline
- Bank Reconciliation Systems
- Treasury Management
- Concessionary Travel
- Members Allowances
- Car Loans
- Licensing
- Non Domestic Rates
- Cash Receipting
- Council Tax
- Housing Benefits (Including Post Room special review)
- Payroll

1 review is at draft stage:

- Officers Allowances

3 reviews are outstanding:

- Review of Control Team
- Mobile phones
- CCTV

4. INTERNAL AUDIT MANAGER'S OPINION

The following is a summary of my opinion resulting from those reviews referred to above:

The reviews identified in the majority of cases only minor areas for improvement and on the whole found that key controls for the major financial systems are operating well. Where any significant control weaknesses were identified recommendations for improvement have either been adopted or have been acknowledged by Service Managers. In general I am assured by the management response to address the identified control weaknesses. However, the following issues, while in the process of being addressed, are in my opinion significant and remain outstanding.

Quality of systems and procedural documentation:

One theme that emerged in many of the audits covered was either the lack of procedural manuals or the quality and their coverage of key areas of the Council's activities. Procedures and documentation must be robust in order that management can assess compliance with the processes undertaken by officers, to ensure that services are being delivered in accordance with defined service objectives. This is of particular significance as from 2006-07, the key systems definition previously mainly restricted to financial systems is being widened by the

Audit Commission to incorporate key service provision thus strengthening the requirement for adequate internal control documentation.

Lone worker arrangements:

It was noted on occasions that there are issues in respect of lone officer working where service managers have not made adequate arrangements to ensure the Health and Safety of their staff. There is a risk that if an employee is injured during the course of their normal duties and the service manager has not assessed the health and safety risks, a claim could be made against the Council.

Recruitment and Selection of Staff:

The Recruitment and Selection audit review highlighted a number of control weaknesses, the significant one being that the process surrounding the completion of CRB checks on staff working for the Council requires review. Whilst all successful candidates taken on in positions which deal with children and vulnerable adults, for example Kilkenny Court, Benefits and Finance, have a CRB (Criminal Records Bureau) check carried out it is not always completed in time for when they commence their probationary period. There was also some confusion as to whether checks were undertaken on all Council staff who undertake visits to customer's homes (ie DLO employees). The risk that remains for the Council is that an applicant who is not suitable to be working with children or vulnerable persons is employed in such a role.

Main Accounting System:

The Internal Audit review of the Council's Main Accounting System picked up on the ongoing issues that face the Council in staying with an outdated Financial Management System. The issues raised included the very basic profiling of budgets, the lack of adequate management information available from the current system and the need for system improvements.

The Council's Main Accounting System represents an area where previous audit recommendations have not been implemented and has been the subject of criticism from the Council's External Auditors.

5. SUMMARY

Overall and with the exception of the issues raised above, I can offer reasonable assurance that key controls are in place and working well. Where weaknesses have been identified I am satisfied by the management response, in terms of an agreed action plan.

6. RECOMMENDATION

The Committee should note the content of this report.

Chris Gunn
Group Auditor
South West Audit Partnership

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 28th June 2006

INTERNAL AUDIT – PROGRESS REPORT

REPORT OF THE GROUP AUDITOR (this matter is the responsibility of Councillor Williams, the Leader of the Council)

EXECUTIVE SUMMARY

This report highlights significant findings and recommendations that have occurred since the Committee last met in November 2005. Also included in this report is an update on management responses to Internal Audit findings and the implementation of recommendations for audits completed during the 2005/06 financial year and any outstanding recommendations from previous financial years.

1. Purpose of Report

To provide members with an update on the progress made against agreed audit recommendations from 2005/06 and to present an update on the activities of the Internal Audit team for the period November 2005 to June 2006.

2. Summary of Agreed Actions 2005/06 Audits and any outstanding recommendations from previous financial years

There were 20 audit reviews completed during 2005/06 that resulted in 164 recommendations. Follow-up visits have yet to be completed for most of those audit areas. Summary details of progress against the recommendations is attached as Appendix A.

The Internal Audit team have now started to issue audit reports that include individual risk ratings for recommendations (High and Medium), with Low risk items being communicated via a memo only and not followed up. Future reports will include a breakdown for each audit undertaken and performance will be monitored to ensure that recommendations are implemented.

3. Work undertaken by Internal Audit November 2005 to June 2006

Included at appendix B are details of the audits completed from November 2005 June 2006 including any **significant** findings or recommendations.

4. Recommendation

The Committee should note the content of this report.

Summary of progress made against 2005/06 recommendations

Appendix A

Audit Area	2005/06 Recommendations	No. actioned	No. outstanding	Comments
Bank Reconciliations	4	4	-	
Payroll	21			No follow up – Managed Audit only
Treasury Management	2	2	-	
Creditors	5			No follow up – Managed Audit only
NNDR	11			No follow up – Managed Audit only
Main Accounting System	6	2	4	Outstanding recommendations: <ul style="list-style-type: none"> • review of financial regulations – in progress • budget requirements – awaiting ISIS • financial awareness training – awaiting close down of accounts • system improvements – awaiting ISIS
Bank and Cash	3			Follow up in progress
Capital Accounts	4			Follow up in progress
Housing Rents	6			No follow up – Managed Audit only
Housing Benefits	13			No follow up – Managed Audit only
Council Tax	9			No follow up – Managed Audit only
Debtors	7			No follow up – Managed Audit only
System Access and Computer Backups	None			None to follow up
VAT (Draft)	12			Follow up not yet due
Personnel – Recruitment and Selection (Draft)	15			Follow up not yet due
Street Cleansing (Draft)	9			Follow up not yet due
Car Parks	13			Follow up not yet due

Housing Repairs	6			Follow up not yet due
Building Control	4			Follow up not yet due
Compliance with Financial Procedures	7			Follow up not yet due
Wessex Reinvestment Trust	7			Follow up not yet due
Totals	164	8	4	

NNDR: 😊

The review concentrated on the testing of the Non-Domestic Rates System examining the overall controls in place. It is our opinion that the NNDR system operates within a satisfactory system of internal control in most key areas. However, the review identified several controls weaknesses that included inadequate separation of duties, delay in reconciliation of the NNDR system with the valuations list and in some cases inadequate action taken to pursue debts.

Main Accounting System: 😊

The review concentrated on the testing of the Main Accounting System examining the overall controls in place. The Accountancy Section is one of the services which could be part of the joint venture "ISIS". The current effect of this on the accounting system is that the planned new Financial Information System (FIS) will not be introduced at present. It is our opinion that the Main Accounting system operates within a satisfactory system of internal control in most key areas. However, the review identified issues around the Financial Regulations not reflecting the current management structure, budget monitoring information being insufficient and the need for system improvements which could be addressed when the new FIS is implemented.

Capital Accounts: 😞

The review concentrated on the testing of the Capital Accounts system examining the overall controls in place. Capital Accounts are the accounting entries for assets held by the Authority, including their value and the associated capital charges. It is our opinion that the Capital Accounts system operates within a poor system of internal control represented by significant control weakness. The review identified issues around the Asset Register not being kept up to date, the possible inaccuracy of the Asset Register including revaluations and impairments.

Housing Rents: 😊

The review concentrated on the testing of the Housing Rents system examining the overall controls in place. The Housing Rents function is handled by 2 departments. The Rent, Recovery and Void Team deal with the creation, termination and accounting side of rents, including write offs and refunds. The Estate Management Team deals with collection of rent and rental arrears and the day to day management of the properties. It is our opinion that the Housing Rents system operates within a satisfactory system of internal control in most key areas. However, the review identified issues around recovery of arrears not being in accordance with agreed procedures, delays in the issue of rents refunds and the managers not test checking work.

Housing Benefits: 😊

The review concentrated on the testing of the Housing Benefits system examining the overall controls in place. It is our opinion that the Housing Benefits system operates within a satisfactory system of internal control in most key areas. However, the review identified errors surrounding administrative procedures on receipt of applications, images taken by camera are not electronically date stamped, the correct administration of overpayments and posting imbalances between Housing Benefits and other financial systems.

Compliance with Financial Procedures: 😊

The review concentrated on the testing of compliance with the Council Financial Procedures and Standing Orders. It is our opinion that generally staff at the Council comply with Financial Regulations. However the review identified issues around authorisation of virements, incorrect use of income which exceeds budget and inadequacy of financial information for budget monitoring.

Debtors: 😊

The review concentrated on the testing of the Debtors system examining the overall controls in place. It is our opinion that the Debtors system operates within a satisfactory system of internal control in most key areas. However the review identified issues around inadequate separation of duties, delays in creation of accounts, there was a backlog of write offs and no contingency plans in place.

System Access and Computer Backups: 😊

The review concentrated on the testing of the Council's computer system access and backup arrangements. The review did not identify and errors.

Wessex Reinvestment Trust: 😊

The review concentrated on the testing of the controls in place in the Wessex Reinvestment Trust. Launched in September 2002 WRT is a not-for profit Community Development Financial Institution (CDFI). It is our opinion that the Wessex re0investment Trust system operates within a satisfactory system of internal control in most key areas. However the review identified issues around the accuracy of contact database spreadsheet, advertising of the service on individual Council websites and home loan advisors not following standard practices.

VAT: 😞

The review concentrated on the testing of the VAT system examining the overall controls in place. It is our opinion that the VAT system has some control weaknesses, however, these have not yet been discussed with the relevant Service Manager in detail.

Personnel – Recruitment and Selection: ☹️

The review concentrated on testing the controls in place in Personnel Department for Recruitment and Selection. It is our opinion that there are some control weaknesses in this section, however, this has not yet been discussed with the relevant Service Manager in detail.

Street Cleansing: 😊

The review concentrated on testing the controls in place in Street Cleansing. It is our opinion that the Street Cleansing system operates within a satisfactory system of internal control in most key areas, although this has not yet been discussed with the relevant Service Manager in detail.

Car Parks: ☹️

The review concentrated on testing the controls in place in Car Parks. It is our opinion that the Car Parks system has some control weaknesses which include the following; wheelchair access to disabled spaces, regulations not being displayed on on-street parking machines, “cash removed daily” signs not being displayed on all car park or on-street machines, delays in the banking of income and there is no procedure guide of consistence of treatment for appeals.

Housing Repairs: 😊

The review concentrated on testing the controls in place in the performance of Housing Repairs. It is our opinion that the Housing Repairs system operates within a satisfactory system of internal control in most key areas, although there are some areas which require management attention. These include the following; repair work outstanding at the time of re-let, customer satisfaction surveys are not signed by the customer and cosmetic work had been carried out to properties where the rent account was in arrears.

Building Control: 😊

The review concentrated on testing the controls in place in the Building Control section. It is our opinion that the Building Control system operates within a satisfactory system of internal control in most key areas, although there are some areas which require management attention. These include the following; members of the public are left alone in the filing room when reviewing microfilmed files which compromises the security of data, budget monitoring is not effective as some budgets were overspent while others were under spent and it was found that in some cases tendering procedures had not been followed.

Abandoned Vehicles (2006/07): 😊

The review concentrated on testing the controls in place in the management of Abandoned Vehicles. It is our opinion that the Abandoned Vehicles system operates within a satisfactory system of internal control in most key areas, although there are some areas which require management attention. These include the following; there is no formal contract in place with the external firm used, fees are charges are not regularly reviewed and have not been formally approved and the contractor does not issue copies of receipts to the Council.

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 28TH JUNE 2006

REPORT OF THE STRATEGIC DIRECTOR (SA)

This matter is the responsibility of Councillor Williams (Leader of the Council)

SOUTH WEST AUDIT PARTNERSHIP (SWAP) FINANCIAL PERFORMANCE 2005/06

Executive Summary

This report updates the Corporate Governance Committee on the 2005/06 financial performance of the South West Audit Partnership.

1. Background

- 1.1 South West Audit Partnership (SWAP) was formed in April 2005 to provide an effective internal audit service to Taunton Deane Borough Council and South Somerset District Council. During 2005/06, both Mendip District Council and West Somerset District Council joined SWAP.
- 1.2 The Partnership is operated as a Joint Committee. The next meeting of the SWAP Members Committee will formally consider the Statement of Accounts 2005/06.

2. Performance 2005/06

- 2.1 The Partnership required £60,000 of start-up funding. This Council contributed £20,000 towards this, and agreed that this would be repaid in four annual instalments, starting in 2006/07. The Partnership is on track to repay this start-up funding, and indeed, has outperformed its financial business plan in 2005/06 by £7.5k. This will be retained in a Partnership reserve.
- 2.2 It is also pleasing to report that the Partnership has largely delivered against its performance targets, despite facing a number of staffing vacancies during the year. A more detailed update on this will be presented to the next Corporate Governance Committee.

3. Recommendation

- 3.1 The Corporate Governance Committee is requested to note the 2005/06 financial performance update on SWAP.

Contact Officer:-

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TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 28TH JUNE 2006

REPORT OF THE STRATEGIC DIRECTOR (SA)

This matter is the responsibility of Councillor Williams (Leader of the Council)

STATEMENT ON INTERNAL CONTROL 2005/06

Executive Summary

This report invites the Corporate Governance Committee to consider and approve the attached Statement on Internal Control (SIC) which will form part of the 2005/06 Statement of Accounts.

1. Background

1.1 From 1 April 2003, the Accounts and Audit Regulations (England) 2003 require Taunton Deane Borough Council to:-

- conduct a review at least once a year of the effectiveness of its system of internal control; and
- publish a Statement on Internal Control (SIC) each year with the authority's financial statements.

1.2 The review process will give assurance (or otherwise) that the Council has a sound internal control framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives. The process of preparing the SIC itself does add value to the corporate governance and internal control framework of the authority. **The 2005/06 review has concluded that there are no significant control issues to be addressed.**

1.3 Corporate Management Team has considered and adopted the draft SIC Statement attached at Appendix A. The SIC Statement, once approved, will be signed by the Leader of the Council, the Chief Executive, and the Chief Finance Officer and published with the Council's Statement of Accounts 2005/06.

2. Recommendation

2.1 The Corporate Governance Committee is requested to approve the Statement on Internal Control.

Contact Officer:-

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1. SCOPE OF RESPONSIBILITY

Taunton Deane Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Taunton Deane Borough Council 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, Taunton Deane Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Taunton Deane Borough Council's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Taunton Deane Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Taunton Deane Borough Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the Council's internal control environment are described below: -

Establishing and monitoring the achievement of the Authority's objectives

Taunton Deane Borough Council is one of a number of organisations represented on the Taunton Deane Local Strategic Partnership (LSP), formed to ensure that the joint efforts and resources of local agencies are combined as far as possible to identify and address the issues that really matter to the residents of Taunton Deane. The LSP have an agreed Community Strategy for Taunton Deane that sets out a broad agenda of action to improve the quality of life in Taunton Deane. Work is underway on developing a series of mini-community strategies focussed on specific areas of the Deane. This has now been completed for the Vision for Taunton, the West Deane Area and

Wellington Area. A robust Community Plan for North and East Taunton is due to be completed early in 2006/07.

Following extensive consultation with residents, Taunton Deane Borough Council have produced a rolling 3-year Corporate Strategy that builds on that broad agenda to clearly establish the Council's own set of ambitions and priorities. The Corporate Strategy sets out detailed objectives and supporting actions under each of the corporate priorities – specifying what Taunton Deane Borough Council will do to secure improvement in each area. In addition, the Corporate Strategy sets out a series of organisational objectives, embodying “how the Council will deliver services” and meet its statutory requirements.

The Corporate Strategy is the Council's core planning document – from which the Council's financial strategy, medium term financial plan and annual budget, Asset Management Plan, Capital Strategy, Housing Strategy are formed. Heads of Service Plans are produced from the Corporate Strategy to show how each Headship within the Council will contribute to the delivery of the objectives. These are supported by detailed Operational Plans for each service area.

Progress against the agreed objectives and actions is reported to CMT, Executive and Review Board on a quarterly basis to ensure the Council remains focussed on delivering its ambitions and priorities. In addition, the Review Board scrutinise the performance of each Headship against its plan on a six monthly basis.

The facilitation of policy and decision-making

Taunton Deane Borough Council has a published Constitution that sets out the decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals. There is also a robust budget and policy framework, and detailed financial regulations, which are monitored by the Chief Financial Officer and Monitoring Officer. The Constitution will be updated during 2006/07 to fully reflect the restructure of senior management, and the review of the Council's Overview and Scrutiny Arrangements.

All reports are reviewed for legal and financial considerations, and link the recommendation to the Council's corporate priorities prior to being presented to Members of Taunton Deane Borough Council for formal decision-making.

The Executive has a published Forward Plan of Decisions to be taken and meets in public on a monthly basis. Executive Councillors have delegate authority to make certain decisions – and these are published in the Councils Weekly Bulletin. This, together with an appropriate level of delegation to senior managers enables speedy and effective decision-making.

Scrutiny of Taunton Deane Borough Council decisions and performance is carried out through a number of Review Panels. The Panels also have the freedom to make recommendations on future policy options, and to review the general policy and service delivery of the Council. A full review of the operations of the Scrutiny function at Taunton Deane Borough Council had been undertaken. Clear recommendations to further improve our Scrutiny have been developed and will be implemented during 2006/07.

The Corporate Management Team of Taunton Deane Borough Council meet weekly and provide the strategic direction of the Council in delivering Members requirements.

The statutory roles of Monitoring Officer and Chief Finance Officer are well established and have their own control regimes in place to enhance the control environment.

Ensuring compliance with established policies, procedures, laws and regulations

Taunton Deane Borough Council has a Standards Committee that is designed to be chaired by, and have a clear majority of independent members. It includes 7 independent members, two Parish Council members, and one member from each political group. The terms of reference for this Committee include promoting and maintaining high standards of conduct by Councillors, advising and training on the members Code of Conduct, dealing with referrals from the Standards Board for England, and dealing with any issues reported by the Monitoring officer.

Taunton Deane Borough Council launched a Whistle-blowing Policy in September 1999, details of which are published on the Councils staff handbook. The staff handbook is regularly updated and published on the intranet system – which is accessible by all staff. The handbook contains all key personnel policies, standards and procedures, and codes of conduct.

The Corporate Governance Committee deals with the formal approval of the accounts and any external audit reports arising from that, has an overview of the internal audit function, an overview of the strategic risk management process, and deals with any changes to the authorities Constitution.

Internal and external audit work together to review and provide annual opinions on the control framework, governance and validity of the annual accounts. Various other inspection agencies such as the Audit Commission also look at specific areas of this Councils business.

During 2005/06 the Council's internal audit function was transferred to a Partnership arrangement – South West Audit Partnership (SWAP). This has significantly improved the quality of reporting and the volume of audits covered.

The Chief Financial Officer and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for member decision comply with the budget and policy framework.

The Council has adopted its own “Members Planning Code of Practice” which clearly sets out the standards expected from Members in relation to planning matters.

Members are encouraged to undertake training relevant to the area of decision making in which they are involved, for example, probity in planning, Human Rights Act requirements. New members joining the Council receive a detailed induction folder and receive induction training, including a separate session devoted to Ethical Standards with the Monitoring Officer.

The Monitoring Officer and the Member Services Team provide advice to Members and Officers on the law, regulations and internal procedures.

The Council has a robust complaints policy and system in place. Corporate Management Team and Members review the summary outcomes on a six-monthly basis to identify ongoing operational problems and “hot spots”.

The corporate risk management process

Taunton Deane Borough Council introduced the concept of strategic risk management in March 2003 by the adoption of a Risk Management Strategy, and Risk Management Implementation Plan. The process identifies, prioritises and manages the risks that exist in order to ensure the Council achieves its aims and objectives. There is a corporate Risk Management Team (RMT) charged with cascading and embedding the risk management process throughout the organisation.

Good progress has been made, with strategic risk registers now in place for CMT, Heads of Service, all major corporate projects, and all service units. Corporate Management Team receive regular reports from the Risk Management Team – updating them on project risk assessments undertaken and progress against the strategic risk register action plans. The Risk Management Strategy will be updated and enhanced during 2006/07.

Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised

Taunton Deane Borough Council was rated as an “Excellent Council” by the CPA assessment in 2004. The Council has produced a high level strategic improvement plan setting out the major areas for improvement for the Council as a whole, based around the corporate aims and ambitions. This Improvement Plan is managed by Corporate Management Team and the Executive, and is monitored on a regular

basis to ensure the effective implementation of the Improvement Plan to Best Value principles within agreed timescales and resources.

The use of resources is agreed on an annual basis through the budget setting regime. The predicted resources position is reported to Members via the medium term financial plan (MTFP) (a 3-year rolling financial forecast of the revenue and capital budget position). The MTFP process continues to be refined and strengthened by improving linkages between inputs and outcomes. The Council agreed a "Profile of Services" during 2004/05. This document profiled services against the Council's Corporate Priorities, and clearly sets out what services are the most important in helping to deliver the Corporate Priorities, and also, what services, although important, are not fundamental to the delivery of those priorities.

The Council has recently been rated as a "3" for the Audit Commission Review of Use of Resources and Value for Money. An action plan is being developed to progress the areas for improvement identified.

The Council has recognised the need to improve project management skills throughout the organisation to ensure that resources are deployed effectively in delivering its ambitions. The Council has embraced the philosophy of PRINCE2, and has tailored this local authority use. A number of officers have been fully trained in PRINCE2 and are acting as project managers across the Council. A Project Management Advisory Team has been established to ensure good practice is cascaded throughout the Council.

The financial management of the Authority

The Council's overall financial arrangements are governed by its Financial Strategy and MTFP which set out the financial framework for the delivery of the Council's established Corporate Strategy.

In determining the revenue and capital financial framework to deliver the Council's plans a number of factors are taken into account, including the national context, the distribution of local government funding by central government, together with local and external funding sources. The MTFP currently considers new legislation and legislative pressures, advances in technology, changing demand for services and the need for better access to services. It also takes account of council taxpayers concerns at the level of council tax, feedback from consultation and the needs and aspirations of local people. The MTFP process will continue to develop over the coming year to incorporate a risk analysis process.

The Council has well-developed robust budget monitoring arrangements. Regular reports are presented to Corporate Management Team, with quarterly exception reports considered by members of the Executive and Scrutiny functions.

The robustness of the budget critically depends on the maintenance of a sound financial control environment including effective financial management in each of the Council's service areas. The Financial Regulations, embedded in the Council's Constitution set clear guidelines, procedures and limits in relation to financial activities.

Performance management

The performance management arrangements of the Council have been further improved during 2005/06. Corporately – a dashboard of indicators has been developed to monitor progress against key objectives, and this will be the core reporting mechanism on "performance" in 2006/07.

Heads of Service are responsible for ensuring progress against the objectives set out in their Heads of Service Plans, and the Review Board monitors this throughout the year.

Individual services are responsible for monitoring their progress towards achieving the objectives and actions outlined in their Operational Plans. Members consider Corporate Performance Management summary reports on a quarterly basis. These reports provide Members with assurance that the Council is making progress on delivering its agreed strategic objectives and actions, its CPA improvement plan, and that performance is matching the PI targets agreed, and that the spending against budget is on-track.

4. REVIEW OF EFFECTIVENESS

Taunton Deane Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The review for the 2005/06 statement was carried out by a working group made up of the Strategic Director, Head of Policy and Performance, Internal Audit Manager, and Internal Auditor. The review took into account:

- comments of internal audit.;
- comments of external auditors ;
- comments of other review agencies and inspectorates.

In order to obtain assurances on the effectiveness of key controls, the following were also consulted:

- the Chief Executive;
- the Risk Management Team ;
- the Heads of Service and Directors of the Council;

The results of the review were reported to the Corporate Management Team prior to approval by the Corporate Governance Committee in June 2005 (where the accounts are presented for approval). The Review Board will consider the full SIC action plan at their July meeting.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

Taunton Deane Borough Council has reassessed its systems and procedures and has identified that in the vast majority of cases, robust arrangements are in place.

No significant control issues were found.

A number of actions need to be carried out during 2006/07 to strengthen the control framework:

- To develop a local code of Corporate Governance to help ensure that effective corporate governance arrangements are further embedded in the organisation.
- To further develop the corporate governance arrangements in relation to Partnership working.
- To fundamentally review the existing community planning framework.
- To embrace the Equalities and Diversity training received by all staff and Members to ensure that the Council achieves Equality Standard For Local Govt 2 by March 07 and Level 3 by March 08.
- To complete phase 1 of the Leadership Development Programme by March 07.
- To refresh the corporate strategy and priorities by March 07.
- To implement the recommendations from the Overview and Scrutiny Review during 2006/07, to ensure a more pro-active, better informed and accountable decision-making process is in place.
- To continue to monitor the levels of staff absence, and try and develop new innovative systems to reduce the average sickness per employee.
- To develop Corporate Service Standards and implement them throughout the organisation.
- To put systems in place to encourage and share good practices throughout the organisation (corporate learning).
- To fundamentally review and enhance the current asset management practices to ensure weaknesses identified are addressed.
- To cascade the risk management process to service level within the authority.
- To fully review the Constitution and Financial Regulations during 2006/07 to reflect the senior management structure, to reflect the results on the current review of the Scrutiny function, and to reflect on Partnership Working.
- To develop sustainable accounting and reporting arrangements.

- To improve existing budget monitoring process.
- To fully review the Health and Safety Management System and cascade throughout the authority.

We have been advised on the implications of the result of the review of the effectiveness of internal control by the Authority, and plan to address weaknesses and ensure continuous improvement of the system is in place.

Signature of the Chief Executive

Date

Signature of the Chief Finance Officer

Date

Signature of the Leader of the Council

Date

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE, 28 JUNE 2006

REPORT OF THE FINANCIAL SERVICES MANAGER

This matter is the responsibility of Executive Councillor Williams (Leader of the Council)

STATEMENT OF ACCOUNTS 2005/06

EXECUTIVE SUMMARY

The Annual Statement of Accounts for 2005/06 is required to be approved by the Corporate Governance Committee. To promote debate on the Annual Accounts, members of the Financial Services Unit will do a presentation on the main financial highlights arising from the Accounts and will be available to answer questions that the Committee may have.

1 Purpose

- 1.1 To obtain the Committee's approval of the annual Statement of Accounts as signed by the Strategic Director.

2 Background

- 2.1 Under the Accounts and Audit Regulations the Statement of Accounts is required to be approved by a resolution of a nominated committee. The current constitutional arrangements allocate this responsibility to the Corporate Governance Committee. In addition to being signed by the Council's S151 officer (the Strategic Director), the annual accounts have to be signed by the Chair of the Council Committee that approves those accounts. This responsibility therefore falls upon the Chair of this Committee.
- 2.2 The existing legislation requires the 2005/06 Statement of Accounts to be formally approved by Members by the end of June. When compared to 2004/05 this deadline has been brought forward one month.
- 2.3 The 2005/06 Accounts presented this evening are subject to audit, which will shortly be undertaken by the Audit Commission. The Accounts presented are complete, subject to the Auditors Opinion.

3 Statement of Accounts

- 3.1 The format of the Statement of Accounts is largely the same as last year, and complies fully with current local authority accounting arrangements. There have been only minor changes to the content of the Annual Accounts when compared to 2004/05.
- 3.2 The Principal Accountant and Financial Services Manager will do a brief presentation on the main highlights shown in the Annual Accounts and will be available to answer queries which the Committee may have. However as the Annual Accounts are a largely technical document it would be useful to receive advance notification of

particular questions in order that a comprehensive answer can be provided at the meeting.

4 Notice of Conclusion of Audit

4.1 Following the conclusion of Audit, this Committee will be informed of any significant amendments arising. If there are no significant amendments, there will be no further report on the 2005/06 Statement of Accounts.

5 Effect on Corporate Priorities

5.1 Being a corporate document detailing all of the financial activities of the Council the Statement of Accounts for 2005/06 impacts on all corporate priorities.

6 Recommendations

6.1 The Committee is recommended to:

a) Approve the Statement of Accounts for 2005/06.

b) Make the following determinations in respect of the year ended 31 March 2006:-

1. Section 42(2)(g)

That £1,415k of expenditure for capital purposes, which was financed by grant, be capitalised.

2. Section 60(2)

That £390k of useable capital receipts be applied to meet capital expenditure.

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