



CORPORATE GOVERNANCE COMMITTEE

YOU ARE REQUESTED TO ATTEND A MEETING OF THE CORPORATE GOVERNANCE COMMITTEE TO BE HELD IN THE PRINCIPAL COMMITTEE ROOM, THE DEANE HOUSE, BELVEDERE ROAD, TAUNTON ON WEDNESDAY 27TH JUNE 2007 AT 18:15.

AGENDA

1. Appointment of Chairman of the Corporate Governance Committee
2. Appointment of Vice-Chairman of the Corporate Governance Committee
3. Apologies
4. Minutes of the meeting of the Committee held on 5 April 2007 (attached)
5. Public Question Time
6. Declaration of Interests. To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct
7. Audit and Inspection Plan 2007/2008. Report of the Audit Manager, Audit Commission (attached) Terry Bowditch
8. The Role of the External Auditor. Verbal presentation by the Audit Manager, Audit Commission Terry Bowditch
9. Statement of Accounts 2006/2007. Report of the Financial Services Manager (attached). Please note that the Accounts will be sent under separate cover. Paul Carter
10. The South West Audit Partnership (SWAP) - an introduction by the Internal Audit Manager Chris Gunn
11. Internal Audit Annual Report 2006/2007. Report of the Internal Audit Manager (attached) Chris Gunn
12. Update on Corporate Improvement Plan (CPA). Report of the Corporate Performance Officer (attached) Michelle Hale
13. Statement of Internal Control. Report of the Strategic Director (attached) Shirlene Adam

G P DYKE
Democratic Services Manager
19 June 2007

Corporate Governance Committee Members:-

Councillor Critchard
Councillor Denington
Councillor Govier
Councillor Hall
Councillor Henley
Councillor Meikle
Councillor Prior-Sankey
Councillor Mrs Smith
Councillor Wedderkopp
Councillor Mrs Whitmarsh
Councillor Williams



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 – 5 April 2007

Present: Councillor Williams (Chairman)
Councillors Denington, Hall, Meikle, Mrs Smith and Wedderkopp

Officers: Ms S Adam (Strategic Director)
Mr P Carter (Financial Services Manager)
Mrs G Croucher (Democratic Services Officer)
Mr C Gunn (Internal Audit Manager)
Mrs K Hughes (Leisure Development Manager)
Mr S Lewis (Scrutiny and Performance Manager)
Mr I Taylor (Chief Solicitor)
Mrs L Webb (Housing Enabling Manager)

(The meeting commenced at 6.20 p.m.)

1. Apologies

Apologies were received from Councillors Beaven, Lisgo, Prior-Sankey and Mrs Whitmarsh.

2. Minutes

The minutes of the meeting held on 18 December 2006 were taken as read and were signed.

3. Standards Committee Annual Report 2005/2006

Mr David Baker, Chairman of the Standards Committee, presented the Annual Report of the Standards Committee for 2005/2006. 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.

Reported that additional resources were needed to enable the Standards Committee to better function and that its profile should be raised. It was also considered that the Committee should be more proactive in its monitoring and advice role. Public awareness of the Committee and its work needed to be increased so that Councillors, Parish Councils and the public were aware of the work being undertaken to develop, promote and maintain high standards of conduct across Local Government.

Members had been updated on ethical standards issues and their attention had been drawn to planned changes to the Code of Conduct.

Mr Baker gave a review of the past year that included:-

- The first local hearing to consider an allegation against a former Parish Councillor. The Committee concluded that there had been a breach of the Code of Conduct and suitable action had been taken;
- A meeting with political group leaders of the Council to discuss in particular the forthcoming changes in legislation and the proposal that local Standards Committees would have greater responsibility for appeal hearings;
- Group leaders were informed of the Committee's view that sufficient funding would need to be made available to ensure no delays occurred when hearings were heard locally;
- Group leaders would encourage all its members to attend ethics and probity training/briefings;
- The Monitoring Officer had agreed that a review of the Employees Register of Interests would be undertaken;
- The Council's Hospitality Registers and the Register of Interests would be made available for regular inspection by the Committee;
- Independent members would continue to attend the South West Independent Members Forum to hear from officers of the Standards Board and share good practice;
- The Monitoring Officer would continue to provide regular briefings on ethics and probity issues.

The Parish Liaison Officer continued to make Parish Councils aware of their responsibilities with regard to ethics and probity and would periodically report back to the Committee.

It was necessary to build monitoring into Parish Council meetings and it was felt that the Committee should do more to fulfil its statutory role in relation to Parish Councils. As Parish Council elections would be taking place in 2007

there would be a need for formal training sessions for the new Parish Councillors.

Members of the Standards Committee agreed to visit and observe meetings of Parish Councils from time to time. Independent members of the Committee would also present a small road show explaining the work of the Committee during an information evening with Parish Councils.

A new Government paper had been produced on the development of the conduct regime for Local Government. It was anticipated that the Standards Board for England would move towards the provision, maintenance and monitoring of a national framework to ensure high standards locally, rather than investigating cases.

This would result in the need to strengthen local Standard Committees and provide sufficient capacity for Monitoring Officers to undertake investigations. Even though this would take some time to complete, the Standards Board for England intended to continue referring an increasing number of cases for local investigation and determination.

A new Code of Conduct was also being developed that would change the existing rules relating to personal and prejudicial interests. The Standards Committee had welcomed the changes but acknowledged that further resources would be necessary if investigations were to be undertaken locally.

The Chairman thanked Mr Baker for his report.

RESOLVED that the report be noted.

4. Section 106 Agreements

Reference Minute No 19/2006, considered report previously circulated, that gave full details of the level of Section 106 Agreements held by the Council and also an indication of those that were due in the foreseeable future.

The Council currently held £822,000 in Section 106 monies with a further £1,709,000 due from future agreements. These monies had to be used for the following:-

Use	Amount Already Held £000	Amount expected from Future S106 agreements £000	Total £000
Sport	388	707	1,095
Recreation	302	395	697
Affordable Housing	132	607	739
Total	822	1,709	2,531

Reported that a Section 106 Strategy was being developed to ensure the opportunities available were maximised. It was hoped, in due course, to employ an officer to deal solely with Section 106 Agreements and to ensure there was co-ordination between the sections of the Council who currently dealt with these agreements.

RESOLVED that the report be noted.

5. Review of Asset Management Arrangements

Considered report previously circulated, which detailed changes that had recently been made to Asset Management practices following comments made in the previous Annual Governance Report by the Council's external auditor.

Details were submitted that showed the improvements made to asset management practices that had previously been identified as weak.

RESOLVED that the report be noted.

6. Update on Corporate Improvement Plan

Considered report previously circulated, concerning the 2006/2007 Corporate Improvement Plan. The progress made against key improvement areas for the Council and "Use of Resources weaknesses", which had both been identified through Audit Commission inspections, were highlighted.

The Audit Commission undertook an annual assessment of the Council and examined the overall performance, progress against Corporate Aims and accounts and governance arrangements. These findings were reported in an Annual Audit and Inspection Letter.

In March 2006 the Annual Audit and Inspection Letter gave a score of 3 out of 4 for Use of Resources. As part of the Performance Management Framework the assessment was used to identify weaknesses and formulate a Corporate Improvement Plan that also incorporated the Statement of Internal Control Action Plan.

The Improvement Plan identified nine Key Council Improvement Areas, five of which no longer appeared in the 2007 Annual Audit Inspection Letter.

Under "Use of Resources" 29 areas had been identified for improvement, seven of which were no longer considered a weakness by the Audit Commission and a further nine areas from the Statement of Internal Control.

The recently published Annual Audit and Inspection Letter for 2007 had again given a score of 3 out of 4. Further areas for improvement had also been identified as follows:-

- Monitoring general fund expenditure closely to agree timely and effective action for any overspends;

- Reviewing working balances in the Housing Revenue Account, taking account of key financial risks;
- Ensuring clarity and communication of high level efficiency gains and workforce implications of large scale transformation projects;
- Reviewing systems for producing performance indicators, especially key indicators; and
- Providing and enabling the development of more affordable housing.

The Audit Commission was happy that some of the Use of Resources weaknesses had been addressed but had now introduced additional criteria to focus on for 2007/2008.

RESOLVED that the report be noted.

7. Internal Audit Plan 2006/2007 – Progress Review

Considered report previously circulated, which provided an update on the progress made against agreed audit recommendations from 2006/2007. The report also detailed the management responses to Internal Audit findings and the implementation of recommendations for audits completed during the 2005/2006 financial year.

Reported that the 22 audit reviews completed during 2005/2006 had resulted in 177 recommendations being made. Although follow up visits had yet to be completed for all of these audit areas, summary details of progress against the recommendations was submitted.

Details were also reported of the audits completed for the period between January and March 2007 which included any significant findings or recommendations.

RESOLVED that the report be noted.

8. Internal Audit Plan 2007/2008

Considered report previously circulated, concerning the 2007/2008 Audit Plan. The Plan would enable Internal Audit Services to continue to meet the emerging needs of the Council.

The Annual Audit Plan had been drawn up to reflect the wide range of work undertaken by the Internal Audit Section that included:-

- Audit of the Council's main financial systems;
- Audit of services;

- Advice on Corporate Management issues;
- A programme of special contract, computer audits and Value for Money studies;
- Special investigations to meet management requirements; and
- Provision of advice to managers on financial and control issues.

The Annual Audit Plan consisted of Managed Audits and Operational Audits. Managed Audits were completed to assist the assessment of the Council's financial control environment and eight audits would be completed this year. Operational Audits provided a detailed evaluation of a services control environment with 15 reviews to be completed this year.

RESOLVED that the 2007/2008 Annual Audit Plan be approved.

(The meeting ended at 7.50 p.m.)

Audit Plan

May 2007



Audit and Inspection Plan

Taunton Deane Borough Council

Audit 2007/2008

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

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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

Copies of this report

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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Contents

Introduction	4
Responsibilities	4
CPA and Inspection	5
Work under the Code of Audit Practice	6
Financial statements	6
Use of resources	6
Data quality	7
Best Value Performance Plan	8
Assessing risks	9
Work specified by the Audit Commission	10
Whole of Government Accounts (WGA)	10
National Fraud Initiative	10
Voluntary improvement work	11
Certification of grant claims and returns	12
The audit and inspection fee	13
Other information	14
The audit and inspection team	14
Independence and objectivity	15
Quality of service	15
Planned outputs	15
Appendix 1 – Initial risk assessment – use of resources	16
Appendix 2 – Audit and inspection fee	18
Assumptions	19
Specific actions Taunton Deane Borough Council could take to reduce its audit and inspection fees	20
Process for agreeing any changes in audit fees	20
Appendix 3 – Independence and objectivity	21

Introduction

- 1 This plan has been developed by the Relationship Manager and the appointed auditor. It sets out the audit and inspection work that we propose to undertake for the 2007/08 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2007/08;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 Your Relationship Manager will continue to help ensure further integration and co-ordination with the work of other inspectorates.
- 3 As we have not yet completed our audit for 2006/07, the audit planning process for 2007/08, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 4 We comply with the statutory requirements governing our audit and inspection work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999 (best value inspection and audit); and
 - the Code of Audit Practice.
- 5 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the Statement on Internal Control (SIC)); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 6 The Audit Commission's Statement of responsibilities of auditors and of audited bodies sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

CPA and Inspection

- 8 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 9 The Council's CPA category is therefore a key driver in the Commission's inspection planning process. For CPA 2006, the Council was categorised as excellent. Following this, we have applied the principles set out in the CPA framework, 'CPA – district council framework from 2006', recognising the key strengths and areas for improvement in the Council's performance.
- 10 In March 2007 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:
 - achieving steady progress in delivering economic regeneration plans;
 - meeting local and national objectives in improving the environment; and
 - improving the quality of services in many areas, whilst keeping costs relatively low generally.
- 11 However, some areas were identified that are in need of improvement. These include affordable housing, where the Council is falling well short of its own target for new homes, and greater clarity is needed in communication to staff of its high level efficiency aims and their overall workforce implications.
- 12 On the basis of our planning process we have identified where our inspection activity will be focused for 2007/08 as follows.

Table 1 Summary of inspection activity

Inspection activity	Reason/impact
Relationship Manager (RM) role	To act as the Commission's primary point of contact 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 (DoT) assessment	An annual assessment, carried out by the RM, of how well the Council is securing continuous improvement. The DoT statement will be reported in the annual audit and inspection letter. The DoT assessment summary will be published on the Commission's website.

Work under the Code of Audit Practice

Financial statements

- 13 We will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 14 We are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year.
- 15 We are also required to review whether the SIC has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the SIC is misleading or inconsistent with our knowledge of the Council.

Use of resources

Value for money conclusion

- 16 The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires auditors to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at their conclusion.
- 17 In meeting this responsibility, we will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators we will normally place reliance on their reported results to inform our work.
- 18 We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment

- 19 The Audit Commission has specified that auditors will complete a use of resources assessment for 2007. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services.
- 20 The work required to arrive at the use of resources assessment is fully aligned with that required to arrive at the auditor's value for money conclusion.

- 21 We will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes.

Theme	Description
Financial Reporting	<ul style="list-style-type: none"> • Preparation of financial statements. • External reporting.
Financial Management	<ul style="list-style-type: none"> • Medium-term financial strategy. • Budget monitoring. • Asset management.
Financial Standing	<ul style="list-style-type: none"> • Managing spending within available resources.
Internal Control	<ul style="list-style-type: none"> • Risk management. • System of internal control. • Probity and propriety.
Value for Money	<ul style="list-style-type: none"> • Achieving value for money. • Managing and improving value for money.

- 22 We will report details of the scores and judgements made to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve its services.
- 23 The auditor's scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of CPA.

Data quality

- 24 The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:
- stage 1 - management arrangements;
 - stage 2 - completeness check; and
 - stage 3 - risk-based data quality spot checks of a sample of performance indicators.
- 25 The work at stage 1 will link to our review of the Council's arrangements to secure data quality as required for our value for money conclusion and, together with the results of stage 2, will inform the risk assessment for the detailed spot check work to be undertaken at stage 3. The results of the work at stage 3 will inform the Commission's CPA assessment.

- 26 Our fee estimate reflects an assessment of risk in relation to the Council's performance indicators. This risk assessment may change depending on our assessment of your overall management arrangements at stage 1 and we will update our plan accordingly, including any impact on the fee.

Best Value Performance Plan

- 27 We are required to carry out an audit of your Best Value Performance Plan (BVPP) and report on whether it has been prepared and published in accordance with legislation and statutory guidance. Based upon our findings in previous years, where we have found the required level of compliance to be achieved, this is likely to be a relatively brief exercise.

Assessing risks

- 28** The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning our audit work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is co-ordinated with the work of other regulators, and that our work helps you to improve.
- 29** Our risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
- our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.
- 30** We have not included a risk assessment for our audit of the financial statements as many of the specific risks may not become apparent until after we have completed our 2006/07 audit. We will issue a separate opinion audit plan for our audit of the financial statements in April 2008.
- 31** The main development that is likely to impact on our audit of the financial statements is the 'Improving Services in Somerset' (ISIS) project, planned to be implemented from July 2007. In the longer-term, this is likely to result in major changes to a number of the Council's key financial systems. If any of these changes occur before 31 March 2008, we will need to revise the audit fee for 2007-8 to reflect the additional testing that will be required on the controls within those new systems that are critical to our opinion.
- 32** For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly.
- 33** Our initial risk assessment for use of resources work is provided in Appendix 1. This will be updated through our continuous planning process as the year progresses.
- 34** Following the issue of the Local Government White Paper last October, Somerset County Council has submitted a bid for a unitary council across Somerset. If this bid is successful - the Government will make a final announcement in July - we will need to issue a revised audit plan which takes account of the work we will need to carry out to assess the Council's preparations for the new local government arrangements, which will come into full effect from April 2009, and in shadow form a year earlier.

Work specified by the Audit Commission

Whole of Government Accounts (WGA)

- 35 We will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office which is proportionate to risk.

National Fraud Initiative

- 36 The Council participates in the National Fraud Initiative which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated on public bodies. This work will be carried out by an individual appointed to assist in the audit of the Council's accounts (in accordance with section 3(9) of the Audit Commission Act 1998).

Voluntary improvement work

- 37 Under section 35 of the Audit Commission Act 1998, the Commission may undertake voluntary improvement work at the request of the audited body. We will continue to discuss any opportunities for us to carry out such work to support the Council's improvement programme. No detailed proposals have been agreed currently.

Certification of grant claims and returns

38 We will continue to certify the Council's claims and returns on the following basis:

- claims below £100,000 will not be subject to certification;
- claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and
- claims over £500,000 will be subject to a certification 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 certification approach for these claims.

The audit and inspection fee

- 39 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2007/08. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 40 The total indicative fee for audit and inspection work included in this audit and inspection plan for 2007/08 is £92,380 (plus VAT) which compares with the planned fee of £87,224 for 2006/07. This fee is 19 percent below the Audit Commission's guideline figure.
- 41 Further details are provided in Appendix 2 which includes a breakdown of the fee; specific audit risk factors; the assumptions made when determining the audit fee, for example, the timeliness and quality of draft accounts presented for audit and the supporting working papers and the impact of the ISIS project. It also sets out specific actions the Council could take to reduce its audit and inspection fees and the process for agreeing any changes to the fee. The fee includes all work identified in this plan unless specifically excluded.
- 42 In addition we estimate that we will charge approximately £20,000 for the certification of claims and returns
- 43 As indicated in paragraphs 30 to 34 above, the audit planning process will continue as the year progresses and it is likely that there will be some changes to our planned work and hence to the indicative fee quoted in paragraph 40 above. Any changes to the fee will be agreed with you.

Other information

The audit and inspection team

- 44 The key members of the audit and inspection team for the 2007/08 audit are shown in the table below.

Table 2

Name	Contact details	Responsibilities
Rob Hathaway Relationship Manager	r-hathaway@audit-commission.gov.uk 01392 315600	The primary point of contact with the authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Martin Robinson District Auditor	m-robinson@audit-commission.gov.uk 01305363709	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and Corporate Governance Committee.
Terry Bowditch Audit Manager	t-bowditch@audit-commission.gov.uk 07733 280448	Manages and co-ordinates the different elements of the audit work. Key point of contact for the s151 officer.
Steven Frank Performance Specialist	s-frank@audit-commission.gov.uk	Responsible for the delivery of elements of the use of resources work including the value for money theme of the use of resources assessment.
Stephen Clarke Team Leader	st-clarke@audit-commission.gov.uk	Key contact for regularity audit including the statement of accounts.

Independence and objectivity

- 45 We are not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 46 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised at Appendix 3.

Quality of service

- 47 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact the Relationship Manager or District Auditor in the first instance. Alternatively you may wish to contact the South West Region Head of Operations, Bill Sanderson.
- 48 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet *Something to Complain About* which is available from the Commission's website or on request.

Planned outputs

- 49 Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 3

Planned output	Indicative date
Opinion audit plan	April 2008
Data quality report	November 2007
Annual governance report	September 2008
Opinion on the financial statements and value for money conclusion	September 2008
Final accounts memorandum (to the Director of Finance)	October 2008
Use of resources report	December 2008
Annual audit and inspection letter	TBC
BVPP report	December 2008

Appendix 1 – Initial risk assessment – use of resources

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
The Council is involved in a number of major projects, and the overall implications on management and staff capacity is unclear.	The Council has recently re-structured its senior management team, and is working closely with partners to increase capacity.	Yes	We will continue to monitor the Council's performance and progress in delivering its key services and objectives.	VFM conclusion
Proposals for the Somerset Waste Partnership are now well-advanced, with the appointment of a preferred bidder and agreement of all the partners to the draft constitution and Heads of Terms for a Somerset Waste Board.	The Council is receiving regular reports from the Partnership and is monitoring the situation.	Yes	Monitor progress as part of the audit.	Opinion and VFM conclusion
The Council continues to face significant financial challenge to bridge the gap between service demands and resourcing.	The Council has robust financial planning processes, and is involved in a number of major projects which are intended to deliver efficiency savings.	Yes	We will continue to monitor closely the Council's financial and budgetary monitoring and management.	Use of resources - financial management and financial standing

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
Our work last year identified weaknesses in some of the systems used to prepare and validate performance indicators.	The Council is taking action to strengthen its PI systems.	Yes	We will consider the impact of our previous findings when we carry out our detailed planning for this year's data quality audit.	VFM conclusion
Following the tenants' vote against a transfer of the Council's housing stock, the Council is engaged in a restructuring of the housing services department, which is likely to involve a number of redundancies.	Members are receiving timely and detailed reports on the restructuring proposals.	Yes	We will review the Council's arrangements for ensuring that any severance payments meet are in line with statutory requirements and the Council's agreed policies, and that the Council has due regard to value for money considerations.	
The SORP for 2007 introduces some significant changes to the statement of accounts.	The Council has a good track record of compliance with mandatory accounting requirements.	Yes	We will work closely with the Council to ensure that it makes adequate arrangements to comply with the new requirements.	Use of resources - financial reporting

Appendix 2 – Audit and inspection fee

- 1 Table 4 provides details of the planned audit and inspection fee for 2007/08 with a comparison to the planned fee for 2006/07.

Table 4

Audit area	Planned fee 2007/08 £	Planned fee 2006/07 £
Audit		
Financial statements	58,562	55,713
Use of resources (including Data Quality)	25,886	23,959
Whole of government accounts	2,032	1,995
Total audit fee	86,480	81,667
Inspection		
Relationship management	2,950	2,779
Direction of Travel	2,950	2,778
Total inspection fee	5,900	5,557
Total audit and inspection fee	92,380	87,224
Certification of claims and returns	20,000	20,000
NFI fee	625	0

- 2 The Audit Commission scale fee for Taunton Deane Borough Council is £107,637. The fee proposed for 2007/08 is 19 per cent below the scale fee and is within the normal level of variation specified by the Commission.
- 3 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.

- 4 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.
- 5 The fee (plus VAT) will be charged in 12 equal instalments from April 2007 to March 2008.
- 6 The Audit Commission will be billing each audited body separately for its share of the cost of this year's NFI exercise. The charge to Taunton Deane Borough Council will be £625.

Assumptions

- 7 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2006/07;
 - there will be no significant changes to the Council's main financial systems during the year;
 - 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 systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
 - good quality working papers and records will be provided to support the financial statements;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 8 Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.
- 9 Changes to the plan will be agreed with you. These may be required if:
 - new residual audit risks emerge, such as in the event of Somerset County Council's bid for the establishment of a Somerset unitary council being successful;
 - additional work is required of us by the Audit Commission or other regulators; and
 - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

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

- 10 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit and inspection fees. The most significant action that Taunton Deane Borough Council could take is to ensure there are robust arrangements for the preparation of its key performance indicators.

Process for agreeing any changes in audit fees

- 11 If we need to make any significant amendments to the audit fee during the course of this plan, we will firstly discuss this with the s151 officer. We will then prepare a report outlining the reasons why the fee needs to change for discussion with the Corporate Governance Committee.

Appendix 3 – Independence and objectivity

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 4 The standard defines '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 authority on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor’s opinion and conclusions, it should be clearly differentiated within the audit plan as being ‘additional work’ and charged for separately from the normal audit fee;
- auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission;
- the District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years;
- the District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body; and
- the District Auditor and members of the audit team must abide by the Commission’s policy on gifts, hospitality and entertainment.

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE, 27 JUNE 2007

REPORT OF THE FINANCIAL SERVICES MANAGER

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

STATEMENT OF ACCOUNTS 2006/07

EXECUTIVE SUMMARY

The Annual Statement of Accounts for 2006/07 is required to be approved by the Corporate Governance Committee. To promote debate on the Annual Accounts, both the External Auditor and members of the Financial Services Unit will do presentations on the Accounts and will be available to answer any 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 2006/07 Statement of Accounts to be formally approved by Members by the end of June.

- 2.3 The 2006/07 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. The Council's external auditor will be present during the debate on the accounts and will do a brief presentation on the role of External Audit in the process.

3 Statement of Accounts

- 3.1 Recognising that many Members of the Committee have only recently been appointed a training session on the Statement of Accounts took place on 21 June. This outlined the Committee's responsibility and the control mechanisms in place to enable Members to have assurance on the figures presented.

- 3.2 The format of the Annual Accounts has changed substantially from previous years with changes to both presentation of the Statements

themselves and some technical accounting amendments. Neither of these changes have an impact on the “bottom line” of the Council but are necessary to ensure compliance with the mandatory CIPFA Statement of Recommended practice on Local Authority Accounting.

- 3.3 The Principal Accountant and Financial Services Manager will do a brief presentation on the main changes and 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 2006/07 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 2006/07 impacts on all corporate priorities.

6 **Recommendations**

- 6.1 The Committee is recommended to:

a) Approve the Statement of Accounts for 2006/07.

b) Make the following determinations in respect of the year ended 31 March 2007:-

1. Section 42(2)(g)

That £2,322k of expenditure for capital purposes, which was financed by grant, be capitalised.

2. Section 60(2)

That £690k of useable capital receipts be applied to meet capital expenditure.

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Financial Services Manager
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South West Audit Partnership

A Report to the Corporate Governance Committee

Taunton Deane Borough Council

Annual Report 2006/2007

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 requires public authorities to publish a Statement on Internal Control (SIC).

The Statement is 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 TDBC is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors. The Partnership is also guided by the Internal Audit Charter approved by the Corporate Governance Committee at its meeting on 25th September 2006.

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

- 4 -Year Plan of Operational Audit Reviews
- Annual Review of Key Financial System Controls (Managed Audits)
- Follow Up Reviews

3. INTERNAL AUDIT WORK PROGRAMME FOR 2006/2007

3.1 OPERATIONAL AUDITS

Operational Audits are a detailed evaluation of the internal control environment that operates within a particular Council service. A risk evaluation matrix is devised and the internal controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated. In total 15

operational audits were planned during 2006/07, however, 2 of these reviews, Waste & Recycling (rescheduled for Quarter 1 of 2007/08) and Land Charges (dropped from the 2006/07 plan) were not completed during the year with the agreement of the Strategic Director.

As part of the Auditor's Opinion, each review is given a 'star' rating offering management the following levels of assurance:

△△△ Full - The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively at all times and risks against the achievement of objectives are well managed.

△△△ Reasonable - Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

△△△ Partial - Most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

△△△ None - 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.

The normal expectation is for reviewed areas to be assessed as 'Reasonable' and for management to address the issues identified with the aim of moving the next audit assessment towards 'Full' assurance. Where the assessed area falls below 'Reasonable', management should give particular attention to the findings of the review and take the necessary action to improve the internal control environment.

The following is a summary of reviews completed which resulted in a number of actions for improvement:

6 audits were completed and final reports issued:

- ABANDONED VEHICLES - △△△ Reasonable
- ASSET MANAGEMENT - △△△ Reasonable
- CREDITORS - △△△ Reasonable
- CASH & BANK - △△△ Reasonable
- CUSTOMER SERVICES - △△△ Reasonable
- LICENSING - △△△ Reasonable

3 audits are at draft stage:

- TOURISM
- COUNCIL TAX
- CORPORATE POLICY AND PERFORMANCE - (BVPI'S ONLY)

3 audits - testing has been completed:

- STRATEGIC HOUSING
- NNDR
- PAYROLL

1 audit where testing is underway:

- CORPORATE GOVERNANCE

3.2 MANAGED AUDITS

Managed audits (reviews of the Council's key financial systems) are completed to assist the External Auditor in their assessment of the Council's financial control environment. The following reviews have been completed which resulted in a number of actions for improvement:

- CAPITAL ACCOUNTING
- MAIN ACCOUNTING
- HOUSING BENEFITS
- TREASURY MANAGEMENT
- CREDITORS
- DEBTORS
- COUNCIL TAX
- NNDR
- HOUSING RENTS
- PAYROLL

A summary of all actions arising from the Managed Audits has been provided to the Strategic Director and relevant service manager in order that these actions can be monitored through to completion.

3.4 FOLLOW UP REVIEWS

Follow up audits are carried out to assess progress made against agreed actions and areas for improvement from completed reviews. Follow-ups will be completed within 12 months of the original review, 14 follow up reviews were completed during the 2006/07 year:

- CAPITAL ACCOUNTING
- COUNCIL TAX
- CREDITORS
- DEBTORS
- TREASURY MANAGEMENT
- NNDR
- HOUSING BENEFITS
- MAIN ACCOUNTING
- HOUSING RENTS
- PAYROLL
- STREET CLEANSING
- RECRUITMENT & SELECTION
- HOUSING REPAIRS
- CAR PARKS

4. OTHER ACTIVITIES

In addition to the above activities SWAP continue to provide support and advice to management on a wide range of internal control and risk matters. Two specific reviews completed this year were the provision of project assurance for the ISiS project and the audit of the Local Public Service Agreement indicators.

SWAP have provided project assurance for the ISiS project which has included monitoring of actions taken by TDBC to mitigate the key programme risks and have been involved with overseeing the bid evaluation process. SWAP staff have also

carried out substantive testing of key Council performance indicators that TDBC maintained as part of the LPSA targets agreed with central government. The purpose of this exercise was to provide reliable assurance to central government that the indicators reported in support of the LPSA were correctly calculated and recorded.

5. SUMMARY

All of the Operational Audits issued to date have resulted in SWAP being able to provide reasonable assurance that most of the areas reviewed were found to be adequately controlled. Where weaknesses exist, agreed action plans have been drawn up with the cooperation of the Service Manager to address the identified weaknesses.

While the review of the Managed Audits by SWAP did not identify any serious concerns, there were a number agreed improvement actions resulting from the weaknesses identified.

Although not considered to be material concerns the following issues (while in the process of being addressed) are in my opinion significant and therefore worthy of being brought to the attention of the Council:

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 financial 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 processes. Management recognise this is an area of weakness and is anticipated that the ISiS project will address this area of weakness.

Main Accounting System:

SWAP's 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 acknowledges that changes to the current system and reporting facilities are needed and this is recognised as key objective of the ISiS project.

Payroll:

During 2006/07 the Council transferred the processing of its payroll to Somerset County Council. Prior to the transfer there were a number of weaknesses identified within the internal control environment operating within the Council. Although some of the weaknesses have been addressed as a result of the transfer (notably capacity, separation of duties and reliance on key staff) the transfer has highlighted that there are some areas where the responsibility for the operation of the internal control needs to be clarified. Management are aware of the issues and are reviewing the current arrangements.

Quality control checks within the Housing Benefits System:

During the completion of the Housing Benefits audit it was noted that the 4% checking of HB claims had lapsed during 2006/07 due in the main to the impact of the transfer to the new IBS system. Management were aware of the weakness and the intention is for checking to recommence from June 07.

Monitoring of collection rates – Council Tax and NNDR:

During the Council Tax and National Non-Domestic Rates Managed audits it was noted that collection rates had not been reported / monitored during the year. The lack of monitoring was down to the difficulty in extracting the information from the IBS system, management recognise this weakness and have stated that monitoring / reporting will recommence during 2007/08.

Once these areas of weakness have been addressed I will be able to offer management adequate assurance that the main financial system controls are operating adequately. As mentioned above, the Strategic Director has been provided with a summary of the actions arising from the key financial systems and will be monitoring them through to completion.

6. GROUP AUDITOR'S OPINION

Overall and with the exception of the issues raised above, I am able to 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. I will continue to report to management and Corporate Governance Committee on the progress made against the agreed actions.

7. RECOMMENDATION

The Committee should note the content of this report.

Chris Gunn
Group Auditor
South West Audit Partnership
June 27 2007

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 27 JUNE 2007

REPORT OF THE CORPORATE PERFORMANCE OFFICER

This matter is the responsibility of Ross Henley (Leader of the Council)

UPDATE ON CORPORATE IMPROVEMENT PLAN

Executive Summary

This report details the 2007/08 Corporate Improvement Plan, highlighting progress against key improvement areas for the Council and 'Use of Resources' weaknesses. These have both been identified through Audit Commission inspections.

1. Background

1.1 The Audit Commission undertakes an annual assessment of the Council to review our Use of Resources including value for money. This also covers our 'Direction of Travel' and examines our overall performance, progress against our Corporate Aims and our accounts and governance arrangements. The Audit Commission reports its findings in an Annual Audit and Inspection Letter (AAIL). The AAIL can be viewed through the following web-link:

<http://www.tauntondeane.gov.uk/tdbcsites/polperf/annualauditandinspectionletters.asp>

1.2 The Audit Commission scored us 3 out of 4 overall for Use of Resources in their March 2007 AAIL, with the following breakdown:

Element	Assessment
Financial Reporting	3 out of 4
Financial Management	3 out of 4
Financial Standing	3 out of 4
Internal Control	2 out of 4
Value for Money	3 out of 4
Overall	3 out of 4

This was the same breakdown and score as we received in 2006. The Audit Commission passed comment that we were doing well to have retained this scoring, as the judgements were becoming stricter and we had also been focussing on other priorities (particularly ISiS and Stock Transfer). To put this into context we are still ranked amongst the top four in the South West and are in the top quartile of all 238 District Councils.

1.3 As part of our Performance Management Framework, we used the AAIL and Use of Resources assessment to identify our weaknesses and formulate a Corporate Improvement Plan. We agreed this improvement plan with relevant

managers and officers and then monitored progress on a six-monthly basis. This Improvement Plan was last taken to the Corporate Governance Committee in April 2007.

2. The Improvement Plan

2.1 Following the AAIL March 2007 letter and our updated Use of Resources feedback in April 2007, the Improvement Plan has been updated. This is attached as Appendix A.

2.2 The first page of the Improvement Plan (points 6.1 to 6.9) outlines nine key Council Improvement areas identified from the 2007 Annual Audit inspection Letter.

2.3 The following pages 3 to 9 of the Improvement Plan identify 54 areas for improvement under 'Use of Resources' with progress to date outlined. Weaknesses that are highlighted in red are those that we need to demonstrate progress against in order to retain our scores for next year. Other weaknesses listed for each of the categories are not critical but those that are seen as achievable have been updated by the relevant officers.

3. 2007 Timetable

3.1 Given the stricter criteria for 2007/08 and the inspection taking place initially in July, the aim is to ensure that we retain our current score for Use of Resources. This will be a challenge given the additional resource implications resulting from ISiS placed on those officers responsible for objectives.

4. Recommendation

4.1 The Corporate Governance Committee is requested to note progress against the Corporate Improvement Plan and to raise any concerns identified.

Contact Officer

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CPA Improvement Plan for Use of Resources 2007

Weakness	Lead Officer	Source of Weakness	Outcomes and Targets/Comments	Progress at 31st March 2007	Planned Actions	Timescales
ANNUAL AUDIT INSPECTION LETTER FEEDBACK						
PERFORMANCE MANAGEMENT						
6.1 Review systems for producing performance indicators, focussing initially on those it has identified as the key indicators	S Lewis/ MHale	AAIL	Robust data systems used for the calculation of performance indicators	An audit of systems used for performance indicators has been undertaken for key indicators and will be undertaken for all indicators for the end of year collection	To review Data Quality systems during collection of the year-end 2006/07 performance indicators	May/June 07
PARTNERSHIPS						
6.2 The effectiveness of less formal partnerships and use of grants is still not being fully evaluated	B Cleere/ J Chipp	AAIL	Reports produced and actioned which demonstrate effectiveness of partnerships and use of grants. SLAs in place and "Fit for purpose" LSP from Jan 07. Also 'Somerset Compact' operating effectively	Formal evaluation of grants to key voluntary sector bodies is now under way, implementing the findings of the VS policy commission. Use of grant monies by the CDRP and LSP is also performance managed rigorously.	The LSP will be operating under new governance arrangements from June 2007. We need to review partnerships and SLAs to ensure their actions support key local priorities in the sustainable Community Strategy that feed into wider LAA targets. They will demonstrate clear alignment to the 35 national targets. Further work to strengthen performance management of grants to other bodies supported by TDBC is also planned (through the Ext Funding Group).	2007/8
BUDGET MONITORING						
6.3 Monitor general fund expenditure very closely for the remainder of this year and throughout 2007-08, so that the Council can agree timely and effective action in response to any further overspendings against budget that arise	P Carter	AAIL	Agreement of effective action in response to overspends and any budget problems	We are closely monitoring this and working with officers and managers to address the overspend	2006/07 outturn will be reported to members with ongoing impact on 2007/08 budgets incorporated into budget monitoring. Budget Monitoring reports will identify solutions	2007/08
6.4 Carry out a thorough review of working balances on the HRA, taking account of the key financial risks the Council faces locally, to ensure these are maintained at adequate levels throughout the period of its medium term financial plan	P Carter	AAIL	Maintain appropriate levels of HRA working balance	Housing restructure report March 07 with forecasts balances. These do not fall below the amount recommended of £150 per dwelling. Working balances on the HRA account are high for decent home work to be carried out.	Will use 2006/07 outturn to review this position	2007/08
COMMUNICATION						
6.5 Ensure clarity and communication of the high level efficiency aims and workforce implications of the large scale transformation projects	S Adam	AAIL	Clear understanding across the organisation and across stakeholders of the aims and impact of transformation projects	Regular ISiS newsletters and contact with Housing Staff over the Stock Transfer has taken place. We continue to update staff on Team Somerset and the Unitary position	All staff (in and out of scope for ISiS) were briefed at Preferred Bidder decision stage (March 07). Regular updates are provided via Core Brief and dedicated ISiS newsletters. In addition, in-scope staff have been briefed in depth on employment choices, and on the opportunities the PB is offering for their service. Finally, the transformation projects are progressing - and a selection of in and out of scope managers and staff are involved in that scoping exercise.	Ongoing

CPA Improvement Plan for Use of Resources 2007

Weakness	Lead Officer	Source of Weakness	Outcomes and Targets/Comments	Progress at 31st March 2007	Planned Actions	Timescales
AFFORDABLE HOUSING						
6.6 Provide and enable the development of more affordable houses to meet identified need	L Webb / S Adam	AAIL	An increase in the development of affordable housing for residents	We have completed 54 units in 2007/08 and have more in the pipeline	We have development in the pipeline including the BT building, we anticipate over 300 units in 2007/08. A Task and Finish Review will report to the Executive on Affordable Housing in summer 2007.	2007/08
CUSTOMER SERVICE						
6.7 The vision for the level of customer service lacks clarity. For example, it is not clear what level of customer satisfaction the Council is aiming for, or how it will develop its enabling role.	C Bramley	AAIL	Clear Customer Service standards communicated to customers and staff	New customer standards currently being communicated to all managers. New contact standards live from 1 April. Customer charter now available for all customers in paper format - on web by 2nd week in April	Further communication and monitoring of customer service standards across the organisation. Further development of the standards will take place on an on-going basis, monitoring methods being reviewed.	2007/08
SCRUTINY						
6.8 Scrutiny to date has had limited success in external results	S Lewis	AAIL	Scrutiny embedded within the council and no longer seen as a 'weakness'. Scrutiny drives innovation and improvement.	Members Forward Plan in place, Chairing training agreed, officer and member guidance published, Task and Finish reviews launched and having an impact. Discussions taking place to roll out Task and Finish Reviews as the main medium of scrutiny	Continue to develop Scrutiny and move towards more Task and Finish reviews with more tangible outcomes. We are starting a Corporate Project on Scrutiny in June 2007 to be completed with improved outcomes by Dec 07	Dec-07
LEADERSHIP						
6.9 The Council is considering a number of arrangements to work more closely with other councils in Somerset. A great deal of management and councillor capacity is being used in dealing with these proposals and the final outcome is unclear.	P James	AAIL	Clear direction, focus on outcomes and deployment of resources to achieve these outcomes. The outcome will be to deliver Team Somerset or the Unitary Proposal.	An outline business case for Team Somerset has been developed.	An implementation plan for Team Somerset will be delivered by September 2007- this will include clear focus on priorities and resources required. There is a Corporate Project focussed on reducing unnecessary bureaucracy to be completed by Dec 07 which will help free up resources	Sep-07

CPA Improvement Plan for Use of Resources 2007

Weakness	Lead Officer	Source of Weakness	Outcomes and Targets/Comments	Progress at 31st March 2007	Planned Actions	Timescales
FINANCIAL REPORTING - How good are the Council's financial accounting and reporting arrangements?						
1.1 The council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers						
1.2 The Council promotes external accountability						
1.1	Ensure the fixed asset register includes adequate information on equipment and housing infrastructure	P Carter	UoR Feedback	March 07 feedback: this has dropped from a 4 to a 3	Currently developing infrastructure and equipment data	Complete infrastructure and equipment data Apr-07
1.1.12	LEVEL 4: The accounts presented for audit contained only 'trifling' errors and misstatements which did not require reporting to those charged with governance or adjustment	P Carter		March 07 feedback: non trifling errors in 2005-06 re: fixed assets	2006/07 accounts being prepared	Complete accounts Jun-07
1.1.13	LEVEL 4: The quality of working papers provided was exemplary	P Carter		See above re: fixed asset wps	2006/07 accounts being prepared	Complete accounts Jun-07
1.2.4	LEVEL 3: A process of consultation has been carried out with a range of stakeholders to establish their requirements in respect of the publication of summary accounts or an annual report	P Carter		March 07 feedback: need to demonstrate that there has been consultation with a range of stakeholders	Letter sent annual to Parish Councils, key stakeholders and councillors requested their views on summary accounts	Continue as present -
1.2.5	LEVEL 3: The council publishes summary accounts that are intelligible and accessible to members of the public	P Carter		March 07 feedback: need to publish the summary accounts on a timely basis	The annual report published summary information and signposts more detailed summary and full accounts available in public places and website. Summary accounts sent to key stakeholders (Oct 06)	Ongoing -
1.2.6	LEVEL 3: The most recent published accounts, in either full or summary format, are available on the council's website	P Carter		March 07 feedback: accounts should be on the website shortly after the opinion is given	Currently on the website	Continue as present -
1.2.8	LEVEL 4: The council publishes an annual report or similar document which includes summary accounts and an explanation of key financial information and technical terms designed to be understandable by members of the public.	P Carter	UoR Feedback	Summary accounts and key financial information produced in a report, easily accessible to the public.	The 2006/07 Annual Report included very basic financial information, plus we produced the summary accounts and Council Tax leaflet	We need to include more detailed unaudited summary accounts in the 2007/08 Annual Report April 2007 for June publication

CPA Improvement Plan for Use of Resources 2007

Weakness	Lead Officer	Source of Weakness	Outcomes and Targets/Comments	Progress at 31st March 2007	Planned Actions	Timescales	
FINANCIAL MANAGEMENT							
2.1 The council's medium-term financial strategy/plan, budgets and capital programme are soundly based and designed to deliver its strategic priorities							
2.2 The organisation manages performance against budgets							
2.3 The council manages its asset base							
2.1.15	LEVEL 3: The corporate business plan projects forward at least three years and takes account each of the following: - risk assessments and financial contingency planning - sensitivity analysis	P Carter	UoR Feedback	March 07 feedback: need evidence of financial contingency plans in response to budget risks identified, and use of sensitivity analysis in relation to variations in demand for services	Sensitivity analysis is built into the MTFP (which covers 5 years)	New Medium Term Financial Plan to include risk update	Apr-07
2.1.21	LEVEL 4: The medium term financial strategy describes in financial terms joint plans agreed with partners and other stakeholders	P Carter		Medium Term Financial Plans will describe joint plans		Will highlight changes to partnership funding arrangements in MTFP	Apr-07
2.1.25	LEVEL 4: The council monitors and can demonstrate how its financial plans and strategies have contributed to the achievement of its corporate objectives	P Carter		March 07 feedback: no structured process for evaluating impact of past financial plans on achievement of objectives		Summary of investment analysed to correlate to corporate aims and will be included in quarterly finance/performance reports	2007/08
2.2.12	LEVEL 2: The financial performance of partnerships is regularly reviewed, linked to outputs, and the results shared with partners and acted upon.	B Cleere/ J Chipp		March 07 feedback: Some good individual examples of this, but overall, more needs to be done to identify priorities and outcome-focused PIs for partnerships	Many key partnerships to provide financial information (e.g. CDRP, Tone Leisure, SWAP etc)	Review partnerships to ensure their actions support key local priorities in the sustainable Community Strategy that feed into wider LAA targets.	2007/08
2.2.13	LEVEL 3: The council's financial information systems have flexible reporting tools to enable specialist reports to be designed	P Carter		March 07 feedback: still non bold, ageing FMS	More flexible reporting tools introduced following ISIS allowing specialist reports to be designed	Awaiting ISIS	2007/08
2.2.15	LEVEL 3: There is a regular training programme providing training on financial issues for members and non-finance staff	P Carter		March 07 feedback: there needs to be an organised programme of training	We have provided recent training for members and have very close working relations with officers for ad-hoc advice and training	Induction session for new members on finance scheduled. Series of bite sized workshops on finance in place for 2007/08	2007/08
2.2.21	LEVEL 4: The council ensures through regular testing of its financial systems that the report outputs are timely, accurate, reliable, clear, in a convenient format (hard copy and online, in summary and in detail, as appropriate) and readily understood by their recipients	P Carter		Ageing FMS	-	Awaiting ISIS	2007/08
2.2.22	LEVEL 4: The Executive has reviewed its effectiveness and the leadership it provides with regard to financial management, and is taking appropriate action to address areas of weakness	S Adam		Need evidence of such a review	-	-	-
2.2.24	LEVEL 4: The council consults with, advises and train users so that it develops and provides the financial information systems to meet their needs.	P Carter		March 07 feedback: Y but need evidence of improvements in response to consultation	We undertake various training and advice	Awaiting ISIS	Ongoing
2.2.25	LEVEL 4: Savings and efficiency gains are profiled over the year and there is monitoring throughout the period by members to ensure their achievement	P Carter		March 07 feedback: are they profiled?	Feedback provided to members on Annual Efficient Statement on progress	To continue	Ongoing

CPA Improvement Plan for Use of Resources 2007

	Weakness	Lead Officer	Source of Weakness	Outcomes and Targets/Comments	Progress at 31st March 2007	Planned Actions	Timescales
2.3.3	LEVEL 2: The council maintains an up to date asset register	G Stark / P Carter		March 07 feedback: Y but weaknesses in asset register identified last year - are these being addressed?	Currently developing infrastructure and equipment data	Complete infrastructure and equipment data	Apr-07

CPA Improvement Plan for Use of Resources 2007

Weakness	Lead Officer	Source of Weakness	Outcomes and Targets/Comments	Progress at 31st March 2007	Planned Actions	Timescales
2.3.11 LEVEL 3: The council has developed a set of local performance measures in relation to assets that link asset use to corporate objectives	G Stark / S Lewis		March 07 feedback: Need to demonstrate that now using a set of local Pis to evaluate performance	We are currently using a basic set of performance measures and will develop this further in 2007	To identify Best Practice and incorporate into Asset Management Practise and the AMP	May-07
2.3.12 LEVEL 3: The council makes investment and disposal decisions based on thorough option appraisal and whole life costing	G Stark / P Carter	UOR Assessment	March 07 feedback: Need to show that WLC is being used routinely	We have some good examples e.g. Greenslade Taylor Hunt options appraisal of Nursery site	Option appraisal to be used more consistently and procedures reviewed as part of capital strategy	Apr-07
2.3.13 LEVEL 4: Performance measures and benchmarking are being used to describe and evaluate how the council's asset base contributes to the achievement of corporate and service objectives, including improvement priorities	G Stark / S Lewis		A clear understanding of how assets support the corporate aims	We have identified some Best Practice and are agreeing benchmarking through the Somerset Procurement Group	To identify Best Practice and incorporate into Asset Management Practise and the AMP	May-07
2.3.14 LEVEL 4: The results of performance measurement and benchmarking are communicated to stakeholders where relevant	G Stark		Benchmarking information is communicated, reported and acted upon	We have agreed benchmarking arrangements across the Somerset Procurement Group	Await ISiS	-
2.3.15 LEVEL 4: The council has developed an approach for the co-ordination of asset management information and its integration with relevant organisation financial information	G Stark		A robust framework in place for asset decisions	-	Await ISiS	-
FINANCIAL STANDING						
3.1 The Council manages its spending within the available resources						
3.1.2 LEVEL 2: The council maintains its overall spending within budget	P Carter		March 07 feedback: forecast overspend in 2006-07	We have identified an overspend for 2006-07	We aim to minimise the impact of the overspend in a number of ways such as through salary underspends, no carry forwards etc. To review following 06/07 closedown, June 07	Ongoing
3.1.3 LEVEL 2: The council has a policy on the level and nature of reserves and balances it needs that has been approved by members and reflected in the budget and medium-term financial strategy	S Adam		March 07 feedback: need to demonstrate that the policy is reviewed annually	Financial strategy in place, we have recently reviewed the reserves	The council's financial strategy will be reviewed in the summer of 2007 (after the elections). The current policy on "reserves" which was agreed in April 2004 will be revisited at this point.	Summer 07
3.1.8 LEVEL 2: The council sets and monitors targets for income collection and recovery of arrears, based on age profile of debt	H Tiso		March 07 feedback: Reporting arrangements slipped in 2006	This has been monitored through the collection of performance indicators as well as basic monitoring taking place	Awaiting ISiS	-
3.1.9 LEVEL 3: The council consistently maintains its spending within its overall budget and without significant unexpected overspends or under-spends	P Carter		March 07 feedback: Y?Overspend in 2006/07	As 3.1.2 we anticipate an overspend	Actions as 3.1.2	Ongoing
3.1.10 LEVEL 3: The council's policy for reserves and balances is based on a thorough understanding of its needs and risks, and clearly reported to members	P Carter		March 07 feedback: Y? Need evidence of a thorough, risk -based review of target levels	A review of reserves and report to members was undertaken in Feb 07	Will continue to review as part of the financial management procedures	Ongoing

CPA Improvement Plan for Use of Resources 2007

Weakness	Lead Officer	Source of Weakness	Outcomes and Targets/Comments	Progress at 31st March 2007	Planned Actions	Timescales
3.1.11 LEVEL 3: Monitoring information is available that evaluates the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly	H Tiso		March 07 feedback: Y? Need evidence of regular reviews of the effectiveness of debt recovery procedures	New debt system has prevented progress	More detailed reporting of debt recovery (including aged debt analysis) should be available through new software for Revenues & Benefits. With regular reporting being resumed from the end of the first quarter of 2007/08, the effectiveness of recovery action can be more closely scrutinised.	-
3.1.12 LEVEL 4: Members monitor key financial health indicators and set challenging targets, e.g. income collection, levels of variances from budget, prudential framework indicators, cp	S Lewis		Robust monitoring of key financial health indicators	Largely covered through quarterly performance management reports	To develop further as part of performance reporting	Ongoing
3.1.13 LEVEL 4: When target levels for reserves and balances are exceeded, the council has identified and reported to members the opportunity costs of maintaining these levels and compares this to the benefits it accrues.	P Carter		Identify opportunity costs of excess reserves and balances	Not a priority	-	-
INTERNAL CONTROL - How well does the Council's internal control environment enable it to manage its significant business risks? (Striving to achieve Level 3) □						
4.1 The Council manages its significant business risks						
4.2 The council has arrangements in place to maintain a sound system of internal control						
4.3 The Council has arrangements in place designed to promote and ensure probity and propriety in the conduct of its business						
4.1.7 LEVEL 3: The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks. (amended definition).	J Thornberry	UoR Feedback	Risk management strategy produced and includes significant partnerships, to effectively manage risks. March 07 feedback: Need a process to provide assurance on how the risks identified are being managed - say via an annual report to the CG Ctee?	Work has started on the strategy	Strategy under progress. A review of the Risk Management Process to ensure it is fit for purpose, streamlined and effective	2007/08
4.1.10 LEVEL 3: Members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council as appropriate. (amended definition).	J Thornberry	UoR Feedback	Risk reports produced for corporate governance committee or Review Board, to ensure effective risk management. March 07 feedback: Members should receive reports at least annually which provide a summary of how corporate business risks are being managed.	The Corporate Governance Committee has had training and some update reports	Reports to corporate governance committee or Review Board. A review of the Risk Management Process to ensure it is fit for purpose, streamlined and effective	2007/08
4.1.12 LEVEL 4: The council can demonstrate that it has embedded risk management in its corporate business processes, including: - strategic planning - financial planning - policy making and review - performance management	J Thornberry		March 2007: N	-	We will review the risk management process to ensure it is fit for purpose, streamlined and effective	2007/08

CPA Improvement Plan for Use of Resources 2007

Weakness		Lead Officer	Source of Weakness	Outcomes and Targets/Comments	Progress at 31st March 2007	Planned Actions	Timescales
4.1.13	LEVEL 4: All members have received risk management awareness training	J Thornberry		March 2007: N	Some councillors have received training	We will review the risk management process to ensure it is fit for purpose, streamlined and effective	2007/08
4.1.14	LEVEL 4: The council considers positive risks (opportunities) as well as negative risks (threats)	J Thornberry		March 2007: N		We will review the risk management process to ensure it is fit for purpose, streamlined and effective	2007/08
4.2.8	LEVEL 2: The councils has a business continuity plan in place which is reviewed on a regular basis	J Lewis		March 2007 feedback: Need evidence that regularly updated P&CCM will put in place mechanism requiring all managers to confirm status of BC plans. Probably quarterly.	We have nearly completed a Pandemic Flu Business Continuity Plan for the Council	To complete Pandemic Flu BC Service Plans, overarching Corporate Plan. To move into other BC scenarios, eg. non-availability to premises or IT systems.	2007/08
4.2.12	LEVEL 2: The council has identified its significant partnerships and has appropriate governance arrangements in place for each of them. (new definition).	B Cleere	UoR Feedback	Reports produced and actioned which demonstrate governance arrangements effectiveness of partnerships. March 07 feedback: all significant partnerships?	We are aware of all of our major partnerships and have corporate governance arrangements in place for ISIS, Tone Leisure, SWAP and will build this in to the Waste Partnership and review our other partnerships	We will review our partnerships to ensure they support the priorities of the Sustainable Community Strategy and feed into wider LAA targets. Refer to CPA Improvement plan under 'Partnerships'	2007/08
4.2.17	LEVEL 3: The procedure notes/manuals for those systems identified by the council as being business-critical are reviewed and updated at least annually.	S Adam	UoR Feedback	Up to date manuals exist for all key systems. March 07 feedback: need evidence of a review process	We have flow charts for all major financial systems	To review 2007/08. The ISIS partnership will assess current systems and provide clear direction on moving forward.	2007/08
4.2.18	LEVEL 3: The standing orders, standing financial instructions and scheme of delegation are reviewed and updated as appropriate. (change to definition).	S Adam/ J Thornberry	UoR Feedback	Scheme of delegation updated March 07 feedback: need evidence that regularly reviewed and updated	Delayed until Sept 07	Scheme of delegation to be updated.. Standing Orders and Financial Regulations to be reviewed in 2007 (after the elections).	Sep-07
4.2.19	LEVEL 3: Compliance with standing orders, standing financial instructions and the scheme of delegation is monitored by management, and any breaches identified and appropriate action taken.	S Adam	UoR Feedback	Essential monitoring in place to ensure compliance. March 07 feedback: need evidence of a monitoring process	This is reviewed by SWAP	We can prove this has been have carried out with a special regs audit. Additionally, the year end timetable specifically allows for "review of compliance" meetings with budget holders on their outturn position.	-
4.2.21	LEVEL 4: The council can demonstrate corporate involvement in/ownership of the process for preparing the SIC	S Adam		Need evidence of member involvement in the preparation of the SIC	SIC working party established with a cross-section of officers deciding actions. This is taken to CMT for approval and ownership	Continue working group	-
4.2.22	LEVEL 4: An audit has been established that is independent of the executive function, with terms of reference that are consistent with CIPFA's guidance. It provides effective challenge across the council and independent assurance on the risk management framework and associated internal control environment to members and the public, and can demonstrate the impact of its work	C Gunn		March 07 feedback: ? Can demonstrate impact of its work? Effective audit committee challenges performance across the Council. E.g. CCTV review led to Sedgemoor now managing our contract.	The Audit Commission are undertaking a review of the effectiveness of internal audit. Recommendations from this review will be acted upon to improve further	The Audit Commission are undertaking a review of the effectiveness of internal audit. Recommendations from this review will be acted upon to improve further	-
4.2.23	LEVEL 4: The standing orders, standing financial instructions and scheme of delegation make specific reference to partnerships	J Thornberry		March 07 feedback: need specific refs in Sos and FRs	Delayed until Sept 07	Standing Orders and Financial Regulations to be reviewed in 2007	Sep-07

CPA Improvement Plan for Use of Resources 2007

Weakness		Lead Officer	Source of Weakness	Outcomes and Targets/Comments	Progress at 31st March 2007	Planned Actions	Timescales
4.2.24	LEVEL 4: Governance arrangements with respect to are subject to regular review and updating	C Gunn		March 07 feedback: need evidence of regular updating	The Audit Commission are undertaking a review of Corporate Governance	Actions as required from Audit Commission Review. Restructure of the Council creates the post of Director of Corporate Governance	-
4.3.20	LEVEL 3: Weaknesses revealed by instances of proven fraud and corruption, including NFI data matches, are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements. <i>(moved from Level 3).</i>	S Adam	UoR Feedback	The Council learns and strengthens systems to reduce the risk of fraud March 07 feedback: need a structured process to ensure procedures are reviewed when weaknesses have been identified	There have been no occurrences, therefore no reviews have been undertaken, but we currently participate in the 2006 fraud initiative	Annual	Ongoing
	Introduce arrangements for all staff to acknowledge their responsibilities in respect to preventing fraud and corruption	C Gunn	Significant area from AAIL	All staff are aware of responsibilities	This is covered in the staff corporate induction and is publicised on the intranet	No actions required	-
	Review periodically the effectiveness of whistle-blowing procedures	C Gunn	Significant area from AAIL	Process is up to date and communicated	This is covered in the staff corporate induction and is covered on the intranet	No actions required	-
VALUE FOR MONEY							
5.1 The Council currently achieves good value for money							
5.2 The Council manages and improves value for money							
5.1	Ensure that clear efficiency and VFM targets are in place and monitored for key project and partnership working	SMT Corporate Business Group / S Lewis		All major Council projects have clear efficiency and VFM targets	n/a	New Council structure to include a Corporate Business Group to work on key projects. A consistent approach to building in and measuring efficiency and VFM	2007/08
5.1	Ensure that the full impact of the rejection of the LSVT are understood and integrated into budget planning	S Adam	UoR Feedback 2007	Appropriate structures, business plan and budgets are in place	Budgets and actions have been agreed	We will continue to deliver and monitor the delivery plan for Housing to ensure we meet Decent Homes Standard and deliver the best housing service possible	Ongoing
5.2	Use the proposed procurement strategy to assess and address wider community needs, and to drive a consistent approach to procurement across all services	S Lewis		Procurement Strategy driving procurement across the Council and addressing wider Community needs	Scrutiny of required Community Benefits of Procurement by members and agreement of the Joint Procurement Strategy (RR Panel)	Work closely with the IsiS bidder to revise the Joint Procurement Strategy to ensure that outcomes are achievable, meet wider IsiS requirements and our own needs	April 2007 onwards
5.2	Further develop the benchmarking of value for money. There is scope for making comparisons based on costs (including staff costs) and service performance	S Lewis		Effective measures and benchmarking in place to improve focus and reporting on Value for Money	We have written a position statement on our existing benchmarking. We have agreed an approach to developing Asset Management benchmarking	Complete a review of the opportunity of benchmarking at the Council with recommendations. Work with the Asset Management Group to identify which performance measures and how to benchmark in future	Jul-07
5.2	Continue to develop appropriate local indicators for cost-effectiveness and value for money for each service and major project	S Lewis		Local indicators for cost effectiveness and value for money being used and driving Value for Money	We have reviewed Best Practise from other Councils (Wychavon, Chichester, Horsham) and identified measures for cost-effectiveness and vfm	To review this further to ensure it is robust	Ongoing

CPA Improvement Plan for Use of Resources 2007

Weakness	Lead Officer	Source of Weakness	Outcomes and Targets/Comments	Progress at 31st March 2007	Planned Actions	Timescales
5.2 Focus on improving the performance of the scrutiny function so that it is actively engaged in reviewing value for money of services and projects	S Lewis		Effective Scrutiny, focussed on outcomes, improving decisions by members and making a difference to local communities	An agreement to review this to move towards Task and Finish Reviews and develop Area Working post election	Working Group to agree final model and delivery of Scrutiny post election	May-07

TAUNTON DEANE BOROUGH COUNCIL STATEMENT ON INTERNAL CONTROL

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 2007 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 Project Taunton, the West Deane Area and Wellington Area and Blackdown Hills. A robust Community Plan for North and East Taunton is due to be completed early in 2007/08.

Following extensive community consultation with residents undertaken in May 2006 (Your Council Your Views), 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 Strategy sets out the Council's overall vision and priorities for the district describing how it will achieve these, giving a clear lead for service planning activities and budget setting decisions guiding its dealings with its partners and the community.

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 and 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 the Council's Corporate Business Group (CBG), 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 services against 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 2007/08 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 delegated authority to make certain decisions – and these are published in the Council's 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. During the last couple of years officers and Councillors have worked together to make several changes to the Scrutiny function. These included the appointment of a Scrutiny and Performance Manager and Scrutiny Officer, changes in the way that information is provided to Members, the development of task and finish reviews and improved training. A further review of the operations of the Scrutiny function at Taunton Deane Borough Council has been undertaken during the year and will be implemented during 2007/08. The review proposes a move away from the traditional committee system that will allow Non-Executive Councillors greater opportunities to make a positive difference to the people and businesses they represent further improving our Scrutiny arrangements.

As Council Taunton Deane is going through a period of significant change and in preparation for the establishment of a new core Council, the "traditional style" Council's Corporate Management Team has been disbanded during 2006/07.

The day to day working of the Council is now dealt with by the CBG which comprises the senior managers and the Chair of the Council's Senior Management Team.

The strategic direction of the organisation, and sponsorship of key objectives and priorities is undertaken by the Directors – who meet on a weekly basis with the Chief Executive.

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 has established Whistle-blowing and Anti-Fraud and Corruption policies, details of which are published within the Council's staff handbook. The staff handbook is regularly updated and published on the intranet site – 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 Council's 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 Council's business.

The Council's internal audit function is delivered via a Partnership arrangement – South West Audit Partnership (SWAP). The Internal audit function operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Working in partnership has significantly improved the quality of reporting and the extent of assurance provided.

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.

In February 2007 as part of the review that altered the Council's management arrangements the post of Corporate Governance Director

was created in recognition of the need to focus on internal governance matters including partnership and local area governance and accountability issues.

The Council has a robust complaints policy and system in place. The Corporate Business Group 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.

Good progress has been made, with a strategic risk register now in place as well as individual registers covering all major corporate projects and all service units. As part of its role the Corporate Business Group will receive regular reports from individual Council services updating it on significant risks that could have a major impact on either individual services or projects failing to meet their objectives. The Risk Management Strategy has been updated and enhanced during 2006 setting out clear lines of responsibility for risk management across the Council..

Members of the Council’s Corporate Governance Committee have undergone training in Risk Management during the year and receive update reports outlining the current Risk Management arrangements and any future actions.

The Internal Audit function provides management with reports commenting on the effectiveness of risk management arrangements when undertaking individual operational audits.

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. Progress against the Improvement Plan is managed by Corporate Business Team and the Council’s Corporate Governance Committee, 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 it to 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 the Chief Finance Officer, with quarterly exception reports considered by the Directors and Chief Executive prior to consideration 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

Corporately – a dashboard of indicators has been developed to monitor progress against key objectives, and this is now the core reporting mechanism on “performance” in 2006/07 being periodically reported to the Council's Review Board.

Service Managers, supported by Directors, are responsible for ensuring progress against the objectives set out in the Corporate Strategy. Progress is monitored by the Review Board every 6 months

Individual services are responsible for monitoring their progress towards achieving the objectives and actions outlined in their Operational Plans. Members of the Council's Review Panel 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.

The Council's Performance Management Framework ensures that the links between the Council's Corporate Objectives, Operational Plans and those of individual officers are clear. Staff receive Performance Review and Employee Development interviews every 12 months.

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 2006/07 statement was carried out by a working group made up of Strategic Directors and the Council's Group Auditor. The review was informed by:

Comments of Internal Audit – Internal Audit are responsible for monitoring the effectiveness of the systems of internal control. Their work is based on a 4 year rolling programme based on risk covering financial and operational audits. Audit reports are copied to management and carry an independent opinion on the adequacy and effectiveness of the Council's internal controls.

Comments of external auditors – External Audit provide the Council with assurance in the form of their Annual Audit and Inspection Letter,

Use of Resources Assessment (which includes a value for money judgement) and data quality report.

Comments of other review agencies and inspectorates.

The results of the review were reported to the Corporate Business Group prior to approval by the Corporate Governance Committee in June 2007 (where the accounts are presented for approval). The Review Board will consider the SIC action plan at their July 2007 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 2007/08 to strengthen the control framework:

Corporate Governance

- To develop a local code of Corporate Governance to help ensure that effective corporate governance arrangements are further embedded in the organisation.

Partnership Working

- To further develop the corporate governance arrangements in relation to Partnership working.
- To review partnerships and SLAs to ensure their actions support key local priorities in the sustainable Community Strategy that feeds into wider LAA targets.

Scrutiny

- To continue to develop Scrutiny and move towards more Task and Finish reviews with more tangible outcomes.

Staffing & Customers

- To continue to monitor the levels of staff absence, and try and develop new innovative systems to reduce the average sickness per employee.
- To ensure that staff are regularly updated on major projects / initiatives that will affect the Council such as ISiS and the Unitary debate.

Health and Safety / Risk Management

- To review the Risk Management Process to ensure it is fit for purpose, streamlined and effective.
- To fully review the Health and Safety Management System and cascade throughout the authority.

- To review the Council's business continuity planning arrangements.

Financial Systems Issues

- To monitor and report on targets for income collection and recovery of arrears.
- To review the operation of the internal controls governing the processing of Payroll data.
- To introduce adequate quality control checks over the processing of data within the Council's Revenues Systems.

Performance / Financial Management

- To develop the Council's Asset Management arrangements.
- To fully review the Constitution and Financial Regulations during 2007/08.
- To improve budget monitoring process and reporting to members.
- To review Data Quality systems for producing performance indicators on the Council's key indicators

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