



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 MONDAY 24TH SEPTEMBER 2007 AT 18:15.

AGENDA

1. Apologies
2. Minutes of the meeting of the Committee held on 27 June 2007 (attached)
3. Public Question Time
4. Declaration of Interests. To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct
5. Corporate Governance Workshop Steve Haworth, Audit Commission
6. Annual Governance Report. Report of the Audit Manager, Audit Commission (attached) Terry Bowditch
7. Internal Audit - Review of Internal Audit Charter. Report of the Group Auditor (attached) Chris Gunn
8. Internal Audit Plan 07/08 - Progress Review. Report of the Group Auditor (attached) Chris Gunn

G P DYKE
Democratic Services Manager
18 September 2007

Corporate Governance Committee Members:-

Councillor Williams (Chairman)
Councillor A Wedderkopp (Vice-Chairman)
Councillor Critchard
Councillor Denington
Councillor Govier
Councillor Hall
Councillor Henley
Councillor Meikle
Councillor Paul
Councillor Mrs Smith
Councillor Mrs Whitmarsh



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



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



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Corporate Governance Committee – 27 June 2007

Present: Councillors Critchard, Denington, Hall, House, Meikle, Paul, A Wedderkopp and Williams

Officers: Ms S Adam (Strategic Director)
Mr P Carter (Financial Services Manager)
Mrs E Collacott (Principal Accountant)
Mrs G Croucher (Democratic Services Officer)
Mr C Gunn (Internal Audit Manager)
Ms M Hale (Corporate Performance Officer)
Mr J Thornberry (Strategic Director)

Also Present: Mr T Bowditch (Audit Commission) and Councillor Horsley

(The meeting commenced at 6.15 p.m.)

9. Appointment of Chairman

RESOLVED that Councillor Williams be appointed as Chairman of the Corporate Governance Committee for the remainder of the Municipal Year.

10. Appointment of Vice-Chairman

RESOLVED that Councillor A Wedderkopp be appointed as Vice-Chairman of the Corporate Governance Committee for the remainder of the Municipal Year.

11. Apologies/Substitution

Apologies: Councillors Govier, Henley and Mrs Whitmarsh

Substitution: Councillor House for Councillor Mrs Whitmarsh

12. Minutes

The minutes of the meeting held on 5 April 2007 were taken as read and were signed.

13. Audit and Inspection Plan 2007/2008

Mr Terry Bowditch, Audit Manager, the Audit Commission (AC) introduced Taunton Deane Borough Council's Audit and Inspection Plan 2007/2008.

The plan set out the audit work proposed to be undertaken by the AC. It had been drawn up from the AC's risk based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA) and reflected:-

- the audit and inspection work specified by the AC for 2007/2008;

- the Council's local risks and improvement policies; and
- current national risks relevant to the Council's local circumstances.

Following the Council's classification as an "excellent" Council in the 2004 CPA, the AC had applied the principles of strategic regulation recognising the key strengths and areas for improvement in the Council's performance. A Direction of Travel Report had been produced which provided a review of the Council's progress since the CPA inspection and highlighted areas still in need of improvement. The review found many positive developments and progress in key areas which included:-

- progress in the delivery of economic regeneration plans;
- local and national objectives in improving the environment being met; and
- improvements to the quality of services in many areas, whilst keeping costs relatively low.

Areas identified as still in need of improvement included affordable housing and communication to staff of the Council's high level efficiency aims and their workforce implications.

An in depth study of the inspection of the Council would be undertaken based on the following summary:-

Inspection activity	Reason/impact
Relationship Manager (RM) Role	To act as the Commission's primary point with the Council and the interface at the local level between the Commission and the other inspectorates, Government offices and other key stakeholders
Direction of Travel Assessment	An annual assessment carried out by the RM of how well the Council was securing continuous improvement. The Direction of Travel statement would be reported in the annual Audit and Inspection letter. The assessment summary would be published on the Commission's website

The AC would also be carrying out an audit of the 2007/2008 financial statements and in accordance with the International Standards on Auditing.

Noted that the audit of the 2006/2007 had yet to be completed and the audit planning process for 2007/2008, including the risk assessment, would

continue as the year progressed. A separate opinion audit plan would be issued in April 2008.

The total fee estimate for the audit and inspection work planned was £92,380. Details as to how this fee had been determined were submitted.

RESOLVED that the report be noted.

14. The Role of the External Auditor

Mr Terry Bowditch, Audit Manager, Audit Commission explained the role of the External Auditor in the audit of the Council's financial statements.

He gave details of the Code of Audit Practice that was approved by Parliament at five yearly intervals and prescribed how auditors carried out their statutory functions. The audit opinion on the financial statements would look at whether they presented fairly the financial position of the Council and its income and expenditure for the year, that they had been prepared in accordance with relevant legislation and applicable accounting standards and that they met the 30 September deadline.

He also gave details of the financial systems required for the audit of accounts, how the risks identified from the review of systems would be addressed and how the audit of the year-end financial statements would be tested.

The Annual Governance Report was issued before the opinion of the Auditor was given.

The Chairman thanked Mr Bowditch for his interesting presentation.

15. Statement of Accounts 2006/2007

Considered report previously circulated, concerning the annual Statement of Accounts for 2006/2007 which was required to be approved by the Corporate Governance Committee prior to the accounts being signed by the Council's Section 151 Officer and Strategic Director, Shirlene Adam, and by the Chairman of the Committee Councillor Williams. The statutory deadline for the signing of the accounts was the end of June.

The 2006/2007 Accounts presented were subject to audit which would shortly be undertaken by the Audit Commission.

The format of the Statement of Accounts had changed substantially from previous years in both presentation of the Statements and in some technical accounting amendments. These changes were necessary to ensure compliance with the Chartered Institute of Public Finance and Accountancy Statement of Recommended Practice on Local Authority Accounting.

A detailed presentation was made to Members by the Financial Services Manager, Paul Carter, and the Principal Accountant, Emily Collacott, on the Statement of Accounts which included information on the following topics:-

- Income and Expenditure Account;
- Statement of Movement on the General Fund Balance;
- Statement of Recognised Gains and Losses;
- Consolidated Balance Sheet;
- Housing Revenue Account;
- Collection Fund;
- Group Accounts.

Reported that following the conclusion of the audit to be undertaken by the Audit Commission, the Committee would be informed of any significant amendments that arose.

RESOLVED that:-

- 1) The Statement of Accounts for 2006/2007 be approved;
- 2) The following determinations in respect of the year ended 31 March 2007 be made:-
 1. **Section 42(2)(g)** – that £2,322k of expenditure for capital purposes, which was financed by grant, be capitalised; and
 2. **Section 60(2)** – that £690k of useable capital receipts be applied to meet capital expenditure.

16. South West Audit Partnership – An Overview

The Internal Audit Manager, Chris Gunn, presented an overview of the South West Audit Partnership (SWAP).

SWAP started six years ago, initially with South Somerset District Council, Mendip District Council and Taunton Deane Borough Council. More recently West Somerset District Council had joined and from July 2007 Sedgemoor District Council would become a member of the Partnership.

SWAP had 15 full-time employees who offered a range of skills and experience. The benefits included a more sustainable service that remained an integral part of each partner.

The services provided by SWAP included:-

- Assurance against risk;
- Operational reviews of all activities;
- Follow up to agreed actions;
- Managed audit reviews;
- Reports to audit committees;
- Annual Report to support Statement of Internal Controls; and
- Ad hoc advice.

Mr Gunn went on to explain the relationship that existed between the partners and the guiding principles which the Partnership sought to follow.

The Chairman thanked Mr Gunn for his interesting presentation.

17. Internal Audit Annual Report 2006/2007

Submitted for consideration the Annual Report 2006/2007 of the Council's Internal Audit Services.

A total of 15 operational audits had been planned for 2006/2007. However, two reviews had not been completed during the year with the agreement of the Strategic Director.

The following was a summary of the work undertaken during the year:-

- 6 audits had been completed and final reports issued;
- 3 audits were at the draft stage;
- 3 audits had completed testing;
- 1 audit had testing underway;

10 managed audits had been undertaken to assist the External Auditor which had resulted in a number of actions for improvements.

14 follow-up reviews had been completed during the year 2006/2007.

In addition, SWAP had provided support and advice on two specific reviews completed this year.

The review of the Managed Audits had not identified any serious concerns, although there were a number of agreed improvement actions resulting from the weaknesses identified.

A number of significant areas that had been identified included:-

- Quality of systems and procedural documentation;

- Main accounting system;
- Payroll;
- Quality control checks within the Housing Benefits system; and
- Monitoring of collection rates – Council Tax and NNDR.

RESOLVED that the report be noted.

18. Update on Corporate Improvement Plan (CPA)

Considered report previously circulated, concerning the 2007/2008 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 the Annual Audit and Inspection Letter.

In March 2007 the Annual Audit and Inspection Letter gave the Council a score of 3 out of 4 for Use of Resources. This was the same breakdown and score received in 2006 and the judgements had become more strict. As part of the Performance Management Framework the assessment was used to identify weaknesses and formulate a Corporate Improvement Plan which has been updated.

The Improvement Plan identified nine Key Council Improvement Areas identified from the 2007 Annual Audit Inspection Letter.

Under “Use of Resources”, 54 areas had been identified for improvement.

It was recognised that the 2007/2008 criteria would be more strict and initial inspections would be taking place in July.

RESOLVED that the report be noted.

19. Statement on Internal Control

Considered report previously circulated, concerning the annual Statement on Internal Control (SIC). The effectiveness of the SIC was required to be reviewed at least once a year and would form part of the 2006/2007 Statement of Accounts. The 2006/2007 review had concluded that there were no significant control issues to be addressed.

The SIC statement was required to be approved by the Corporate Governance Committee and then signed by the Leader of the Council, the Chief Executive and the Chief Finance Officer.

RESOLVED that the Council's Statement on Internal Control be approved.

(The meeting ended at 8.55 p.m.)

Annual Governance Report

Date

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Annual Governance Report

Taunton Deane Borough Council

Audit 2006/07

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author Terry Bowditch

Filename AGR 2006-07 TDBC draft

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

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

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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Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance (in this case the Corporate Governance Committee).
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged with Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
 - where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
 - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 1.
- 4 This report has been prepared for presentation to the Corporate Governance Committee on 24 September 2007. Members are invited to:
 - consider the matters raised in the report before the financial statements are approved;
 - approve the representation letter on behalf of the Council and those charged with governance before we issue our opinion; and
 - consider amending the financial statements for unadjusted misstatements, significant qualitative aspects of financial reporting and any recommendations for improvement in the action plan (Appendix 6).
- 5 Our work during the year was performed in line with the plan that we presented to you on 28 June 2006. We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2.

Key messages

- 6 Our work on the financial statements is substantially complete and we propose issuing an unqualified audit opinion before the statutory deadline of 30 September (a draft report is attached at Appendix 3).
- 7 Our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We propose issuing an unqualified conclusion on the use of resources before the statutory deadline of 30 September (a draft report is attached at Appendix 3).
- 8 The Council overspent by £242,000 against budget in 2006-7, and is currently forecasting a further overspend of £370,000 for the current year. It needs to agree prompt and effective action to bring this year's expenditure within or close to budget.

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Audit status

- 9 At the date of issue of this report our detailed audit is substantially complete and we anticipate issuing our report shortly.
- 10 The Council has taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation to you for your assistance and co-operation.

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Accounts and Statement on Internal Control

- 11 Our work on the accounts and the Statement of Internal Control is substantially complete although there are still outstanding issues to be resolved. In particular, our work has yet to be concluded on:
 - reconciliation of control accounts for council tax and non-domestic rates;
 - analytical review of payroll; and
 - movements on reserves.
- 12 Auditors are required to obtain written confirmation of certain representations from management and those charged with governance before an audit report is issued, such as acknowledgement of responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and responsibility for the design and implementation of internal control to prevent and detect error.
- 13 The auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 14 The final draft of the letter of representation has been attached as Appendix 4.

Unadjusted misstatements

- 15 We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. I am able to inform you that all material and non-trivial adjustments have been made to the Statements and therefore I have no items to report to you.

Adjustments to the financial statements

- 16 We are also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. There is one item to bring to your attention:
 - The fixed asset figures in the draft accounts included an addition of £1.067 million for a purchase in connection with the Firepool Development. From our audit work, we found that legal title to the asset involved did not transfer to the Council until early April 2007. The accounts have now been revised so that the accounts only show the ten percent deposit, which had been paid in March 2007, as a payment in advance.

Accounting practices

- 17 We are also required to report to you our view on the qualitative aspects of the Authority's accounting practices and financial reporting and have set out below our observations on key issues affecting the Council.
- 18 The revisions to the SORP introduced this year have been generally well managed. Further changes are to be introduced for 2007/08, and we will continue to discuss these with relevant officers during our 2007-8 audit.
- 19 The audit has not highlighted any major problems and the Council is making revisions to the statements in line with our recommendations
- 20 The issues will be summarised in a separate report to officers to assist in the closedown process in subsequent audits.

Systems of internal control

- 21 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified.
- 22 Our review completed during 2006/07 identified control weaknesses in the new systems introduced in 2006-7:
 - Non-domestic rates
 - Council Tax
 - Benefits
 - Payroll.
- 23 As a result of these weaknesses, our testing provided only limited assurance for our opinion on the 2006-7 accounts, and we therefore carried out additional substantive testing on these systems. As this additional work was not included in our original audit plan, we raised an additional fee invoice for £4,165. We received assurances from officers that they would address the control weaknesses in the current year.
- 24 We have also reviewed whether the Statement of Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. There are no matters arising from our review.
- 25 During the year, we carried out a detailed review of the Council's internal audit, provided by the South West Audit Partnership (SWAP). This confirmed a high level of compliance with the requirements of the CIPFA Code for Internal Audit. SWAP managers have already taken the action necessary to address the few minor areas where they did not fully comply.

Use of resources

Value for money conclusion

- 26 The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources – the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission.
- 27 Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 5. We anticipate issuing an unqualified value for money conclusion by 30 September 2007 (a draft report is attached at Appendix 3), confirming that the Council has met the minimum requirements for all twelve criteria in 2006-7.

Data quality work

- 28 We are currently finalising our data quality review and will report our findings to the relevant officers.

Best value performance plan

- 29 Our report on the Council's 2006/07 Best Value Performance Plan (BVPP) was issued in November 2006. No recommendations were made to the Audit Commission or the Secretary of State.

Financial standing

- 30 The Council has a sound record of delivering expenditure within budget. However, for 2006-7, there was an overspending against budget of £242,000, which represents 1.9 percent of the approved budget of £13.060 million. As a result, general fund balances reduced from £1.38 million at the end of 2005-6 to £1.24 million at 31 March 2007. This is still comfortably above the Council's "acceptable minimum" level of £0.75 million.
- 31 The major area of overspending in 2006-7 was of £505,000 on the concessionary travel budget, with the Council, like many others, having under-estimated the impact of the statutory changes to the concessionary fares scheme from April 2006.

- 32 The Council included an additional £373,000 for concessionary travel in the 2007-8 budget. Despite this, the budget monitoring report for the first quarter of 2007-8 shows a further forecast overspend this year of £340,000 on this budget line, and an overall overspend of £370,000. The Council needs to agree prompt and effective action to address this variance.

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Audit fee update

- 33 We reported our fee proposals as part of the Audit Plan for 2006/07. The table below reports the outturn fee against that plan:

	Plan 2006/07	Actual 2006/07
Financial statements and Statement on Internal Control	55,713	59,878 (see Note 1)
Use of Resources	23,959	23,959
Whole of Government Accounts	1,995	1,995
Total audit fee	81,667	85,832
Inspection	5,557	5,557
Total audit and inspection fee	87,224	91,389
Grant claim fees	20,000	TBC

Note 1. The fee was increased to cover the cost of the additional testing required as a result of control weaknesses identified in the new financial systems - see paragraph 23.

Appendix 1 – The Audit Commission’s requirements in respect of independence and objectivity

- 1 We are required to communicate the following matters to those charged with governance:
 - the principal threats, if any, to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, senior officers and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the audit team and which are required to be disclosed under auditing and ethical standards.

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Appendix 2 – Audit reports issued

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit plan	April 2006	April 2006	Corporate Governance Committee
Annual governance report	25 September 2007	25 September 2007	Corporate Governance Committee
Opinion on financial statements	September 2007	TBC	Council
Value for money conclusion	September 2007	TBC	Council
Final accounts memorandum	October 2007	TBC	Officers
BVPP report	November 2006	November 2006	Council
Use of Resources Auditor Judgements 2006	March 2007	March 2007	Officers
Use of resources Auditor Judgements 2007	November 2007	TBC	Officers
Data quality report	October 2007	TBC	Officers
Annual audit letter	March 2008	TBC	Council

Appendix 3 – Proposed auditor's report

Independent auditor's report to Taunton Deane Borough Council

Opinion on the financial statements

I have audited the financial statements of Taunton Deane Borough Council and its Group for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, the Group Accounts, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Taunton Deane Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

In my opinion:

- 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 2006, the financial position of the Council as at 31 March 2007 and its income and expenditure for the year then ended.

Peter Lawrence
District Auditor
The Audit Commission
3-6 Blenheim Court,
Lustleigh Close
Matford Business Park
Exeter EX2 8PW

September 2007

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Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's Responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Taunton Deane Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

I issued my statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 on 24 November 2006. I did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Peter Lawrence
District Auditor
The Audit Commission
3-6 Blenheim Court,
Lustleigh Close
Matford Business Park
Exeter EX2 8PW

September 2007

Appendix 4 – Management representation letter

To:

Peter Lawrence
District Auditor
The Audit Commission
3-6 Blenheim Court,
Lustleigh Close
Matford Business Park
Exeter EX2 8PW

Dear Mr Lawrence

Taunton Deane Borough Council - Audit for the year ended 31 March 2007

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of t Taunton Deane Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2007

I acknowledge my responsibility under the relevant statutory authorities both for preparing the financial statements which present fairly and for making accurate representations to you.

Taunton Deane Borough Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations:

- Sufficient controls have been established, and have operated, to identify, classify and record correctly transactions processed via the Council's bank account.
- There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.
- The steps taken by the Council to confirm that the data used by the actuary to calculate FRS 17 disclosure information continues to be appropriate and representative of the membership profile as at 31 March 2007.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Committee and Council meetings, have been made available to you.

Related party transactions

I confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and,
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- no financial guarantees have been given to third parties.

Provisions

- The Council is not aware of any equal pay claims for which appropriate provision should be made in the 2006-7 accounts.
- There are no other provisions, other than those that have been properly recorded and disclosed in the financial statements.

Law, regulations and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;

- irregularities involving other employees that could have a material effect on the financial statements; and
- communication from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

Post balance sheet events

Other than those already disclosed in the financial statements, there have been no additional significant post balance sheet events that have occurred since the date of approval of the financial statements by the Council which would require additional adjustment or disclosure in the financial statements.

Signed on behalf of Taunton Deane Borough Council

Shirlene Adam
Strategic Director
Taunton Deane Borough Council
The Council House
Belvedere Road
Taunton

September 2007

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Appendix 5 – Value for money conclusion

- 3 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body’s arrangements for economy, efficiency and effectiveness in its use of resources.
- 4 The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Authority has adequate arrangements in place for the purposes of the Code criteria. The Code criteria and the linked KLoEs are show in the table below.

Code Criteria	Description	Associated UoR KLoE	UoR Score	VFM Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	N/A	N/A	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	N/A	N/A	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	N/A	N/A	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	N/a	N/A	Adequate
5	The body has put in place arrangements to maintain a sound system of internal control.	4.2		Adequate

6	The body has put in place arrangements to manage its significant business risks.	4.1		Adequate
7	The body has put in place arrangements to manage and improve value for money.	5.2		Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	2.1		Adequate
9	The body has put in place arrangements to ensure that its spending matches its available resources.	3.1		Adequate
10	The body has put in place arrangements for managing performance against budgets.	2.2		Adequate
11	The body has put in place arrangements for the management of its asset base.	2.3		Adequate
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	4.3		Adequate

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Appendix 6 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	<p>The Council should strengthen the controls within the following systems introduced during 2006-7:</p> <ul style="list-style-type: none"> • Non-domestic rates • Council tax • Benefits • Payroll. 	3	Strategic Director (Shirlene Adam)	Yes	-	31.12.2007
10	The Council should agree prompt and effective action to try to ensure that actual expenditure in 2007-8 is within or close to budget.	3	Strategic Director (Shirlene Adam)	Yes	-	Ongoing

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 24TH September 2007

INTERNAL AUDIT – REVIEW OF INTERNAL AUDIT CHARTER

REPORT OF THE GROUP AUDITOR (South West Audit Partnership)

EXECUTIVE SUMMARY

This report sets out to seek member approval for the revised terms of reference in the shape of the Internal Audit Charter governing the work of the South West Audit Partnership at Taunton Deane Borough Council.

1. Revision of Internal Audit Charter

- 1.1 The 2003 Code of Practice for Internal Audit in Local Government in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), requires that the Head of Internal Audit (at Taunton Deane Borough Council the Group Auditor – South West Audit Partnership) should develop and maintain terms of reference for delivering the Internal Audit service. The Internal Audit Charter at Appendix A sets out those proposed terms of reference.

Recommendation

It is recommended that the Committee:

Considers the Audit Charter at Appendix A of the report and makes comments as required for amendment and then recommends the Charter for formal adoption by the Council;

Contact Officer:-

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Taunton Deane Borough Council - Internal Audit Charter

Purpose

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

Approval

This Charter was approved by the Corporate Governance Committee on 25th September 2006 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Corporate Governance Committee on (insert date here).

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership (SWAP) on a 5 year contract expiring on 31 March, 2010. This charter should be read in conjunction with the Trading Agreement, which forms part of the legal agreement between the SWAP partners.

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

Role of Internal Audit

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

Responsibilities of Management and of Internal Audit

Management

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

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Chief Executive and the Corporate Governance Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

Internal Audit

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors. Internal Audit also complies with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Internal audit is not responsible for any of the activities which it audits. Members of SWAP will not assume responsibility for the design, installation, operation or control of any procedures. Members of SWAP who have transferred in to the department from other areas of Taunton Deane Borough Council will not be asked to review any aspects of their previous department's work until six months has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

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

Status of Internal Audit in the Organisation

The Head of the Internal Audit Partnership is responsible to the SWAP Management Board and the Partnership Board. The Head of Internal Audit Partnership and the Group Auditor also report to the Strategic Director, as Section 151 Officer, and report to the Corporate Governance Committee as set out below.

Appointment or removal of the Head of Internal Audit Partnership is the sole responsibility of the Partnership Board.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. Members of SWAP engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Taunton Deane Borough Council.

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

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;

- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraising the effectiveness and reliability of the enterprise risk management framework and recommending improvements where necessary;
- assisting management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Taunton Deane Borough Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the Council in support of the Council's anti-fraud and corruption policy.
- at the specific request of management, internal audit may provide consultancy services, provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

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

The annual plan will be developed with reference to a four-year strategic outlook for internal audit work, prepared in conjunction with management and agreed by them.

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

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

The Group Auditor will submit an annual report to the Corporate Governance Committee providing an overall opinion of the status of risk and internal control within the Council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Head of Internal Audit Partnership and the Group Auditor have the unreserved right to report directly to the Leader of the Council, The Chairman of the Corporate Governance Committee, the Chief Executive Officer or the External Audit Manager.

Revised August 2007 version 3.0

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 24th September 2007

INTERNAL AUDIT PLAN 07/08 – PROGRESS REVIEW

REPORT OF THE GROUP AUDITOR (South West Audit Partnership) This matter is the responsibility of Councillor Williams, the Leader of the Council.

EXECUTIVE SUMMARY

This report highlights significant findings and recommendations that have occurred since the Committee last considered the findings of Internal Audit reports in April 2007. Also included in this report is an update on follow-up visits undertaken in respect of completed audits.

1. Purpose of Report

- 1.1 To provide members with an update on the progress made against agreed audit recommendations from 2005/06 and to present an update on the activities of the Internal Audit team for the period April 2007 to September 2007.

2. Work undertaken by Internal Audit April 2007 to September 2007

Included at appendix A are details of the audits completed from April 2007 to September 2007 including any **significant** findings or recommendations.

3. Follow Up Reports on audits undertaken in 2005/06

- 3.1 3 Follow-up reviews have been undertaken since the committee last considered reports in April 2007:-

Street Cleansing – June 2007 – 9 recommendations, all of the recommendations due at the time of the review have now been completed.

Car Parks – August 2007 – 13 recommendations, the majority of the recommendations due at the time of the review have now been completed, outstanding recommendations include failure to promptly update FMS with Car par income and a comprehensive procedural.

Abandoned Vehicles – July 2007 – 7 recommendations, some of the recommendations due at the time of the review have now been completed, outstanding recommendations include review of contract arrangements and formal review of fees an charges.

4. Recommendation

The Committee should note the content of this report.

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Summary of Audits completed April 2007 to September 2007

Appendix A

Debtors (Managed Audit)

The review concentrated on the testing of the Taunton Deane Debtors System examining the overall controls in place. The review found that there were issues over the provision of management information, lack of procedural guides and weak user access controls. The remaining key controls are operating as expected assurance can be provided that the controls and procedures in place for the billing and collection of Sundry Debtors appear to be adequately managed.

Housing Benefits (Managed Audit)

The review concentrated on the testing of the Housing Benefits System examining the overall controls in place. The review found that there were conversion issues with the IBS system, user profiles required amending and management information arrangements required review. The remaining key controls are operating as expected assurance can be provided that the controls and procedures in place for the payment of Housing Benefits.

Payroll (Managed Audit)

The review concentrated on the testing of the Payroll System examining the overall controls in place. The review found that there were many issues raised including inadequate division of duties, lack of authorisation for payments and the absence of procedural guides.