

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 17TH DECEMBER 2007 AT 18:15.

AGENDA

1. Apologies
2. Minutes of the meeting of the Committee held on 24 September 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. Annual Governance Statement - Presentation by Terry Bowditch of the Audit Commission updating the Committee of the new arrangements (attached) Terry Bowditch
6. Annual Efficiency Statement - Report of the Financial Services Manager giving an update of the efficiency saving targets and the Council's progress in meeting those targets (attached) Paul Carter
7. Internal Audit Plan 2007/2008 Progress Review. Report of the Group Auditor (South West Audit Partnership) (attached) Chris Gunn

G P DYKE
Democratic Services Manager
10 December 2007

Corporate Governance Committee Members:-

Councillor Williams (Chairman)

Councillor A Wedderkopp (Vice-Chairman)

Councillor Critchard

Councillor Denington

Councillor Govier

Councillor Hall

Councillor Henley

Councillor Paul

Councillor P 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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Website: www.tauntondeane.gov.uk (Council, Executive, Review Board & Review Panel Agenda, Reports and Minutes are available on the Website)

Corporate Governance Committee – 24 September 2007

Present: Councillor Williams (Chairman)
Councillor A Wedderkopp (Vice-Chairman)
Councillors Denington, Meikle, Mrs Smith, Mrs Waymouth,
Mrs Whitmarsh and Miss Wood

Officers: Mr J Thornberry (Strategic Director)
Mr K Toller (Strategic Director)
Mr C Gunn (Group Auditor, South West Audit Partnership)
Mrs G Croucher (Democratic Services Officer)

Also Present: Councillors Mrs Herbert, Thorne and Watson, Mr T Bowditch and Mr S
Haworth (Audit Commission) and Mr D Wilson (Standards Committee)

(The meeting commenced at 5.00 p.m.)

20. Apologies/Substitutions

Apologies: Councillors Govier, Hall and Paul

Substitutions: Councillor Mrs Waymouth for Councillor Hall
Councillor Miss Wood for Councillor Paul

21. Minutes

The minutes of the meeting held on 27 June 2007 were taken as read and were signed.

22. Corporate Governance Workshop

Reported that the Audit Commission was piloting new Corporate Governance Review Arrangements with the Council. As part of this Review, Steve Haworth of the Audit Commission presented a Corporate Governance Workshop that outlined the Good Governance Framework.

Mr Haworth explained the Good Governance Framework which was made up of the following six issues:-

- Focusing on the organisation's purpose and on outcomes for citizens and users;
- Performing effectively in clearly defined functions and roles;
- Promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
- Taking informed, transparent decisions and managing risk;

- Developing the capacity and capability of the governing body to be effective; and
- Engaging stakeholders, partnership working and making accountability real.

Through interactive voting handsets, the workshop also gave Members the opportunity to give their views on this Council's governance arrangements and to identify areas for improvement and prioritising actions.

The Chairman thanked Mr Haworth for his very interesting presentation.

23. Annual Governance Report

Mr Terry Bowditch, Audit Manager, the Audit Commission (AC) introduced Taunton Deane Borough Council's Annual Governance Report 2006/2007.

The Statement of Internal Control – this was near completion, although there were still outstanding issues to be resolved on:-

- Reconciliation of control accounts for Council tax and non-domestic rates;
- Analytical review of payroll; and
- Movements on reserves

The draft Management Representation letter was presented for the approval of Members.

Mr Bowditch reported on the unadjusted misstatements, adjustments to the financial statements and accounting practices.

The systems of internal control had identified weaknesses in the new systems introduced in 2006/2007. These weaknesses included:-

- Non-domestic rates;
- Council Tax;
- Benefits; and
- Payroll.

The Value for Money Conclusion for the year 2006/2007 would be issued shortly and would confirm that the Council had met the 12 criteria required.

RESOLVED that approval be given to the Strategic Director and Section 151 Officer, Shirlene Adam, to sign the Letter of Representation.

24. Review of the Internal Audit Charter

Considered report previously circulated, setting out the revised terms of reference of the Internal Audit Charter. The Charter governed the work of the South West Audit Partnership (SWAP) at Taunton Deane Borough Council

and was a requirement of the 2003 Code of Practice for Internal Audit in Local Government that the terms of reference for delivering the Internal Audit service should be developed and maintained.

Details of the proposed terms of reference were submitted for consideration by Members.

RESOLVED that the revised Internal Audit Charter be adopted.

25. Internal Audit Plan 2007/2008 – Progress Review

Considered report previously circulated, which provided an update on the progress made against agreed audit recommendations from 2005/2006.

Reported that the three follow-up reviews that had been undertaken since April 2007 had resulted in 29 recommendations being made. The majority of the recommendations due at the time of the review had now been completed. Details of the outstanding recommendations were submitted.

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

RESOLVED that the report be noted.

(The meeting ended at 7.01 p.m.)

December 2007

Annual Governance Statement

Taunton Deane Borough Council

Corporate Governance Committee 17 December 2007

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

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For further information on the work of the Commission please contact:

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Introduction

- 1 In June 2007 CIPFA in conjunction with the Society of Local Authority Chief Executives (SOLACE) published *Delivering Good Governance in Local Government: Framework*. This framework, and the accompanying guidance notes, replaces the previous CIPFA/SOLACE framework, *Corporate Governance in Local Government – A Keystone for Community Governance: Framework*, which was published in 2001.
- 2 The revised framework will also provide support for the new requirement on councils, s from this year, to prepare an Annual Governance Statement. This subsumes the previous requirement to provide an annual Statement of Internal Control (the SIC).
- 3 The framework applies to all local government bodies and is directly relevant to a number of use of resources Key Enquiry (KLOEs), especially the three internal control KLOEs.

The CIPFA/SOLACE Framework: A Summary

- 4 There have been significant reforms to local governance since the first CIPFA/SOLACE governance framework was published in 2001, including the introduction of the executive and scrutiny functions, which were designed to improve local accountability and engagement. Furthermore, with the introduction of the requirement for local authorities to prepare a SIC, there was general confusion about the relationship between that document and the governance statement, identified by the governance framework as best practice. A revision to the framework was, therefore, timely.
- 5 The framework reflects the Commission's own definition of corporate governance as:

"... about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner.

It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities."

- 6 The revised framework builds on recent developments in corporate governance in both the public and the private sector and, in particular, the *Good Governance Standard for Public Services* drawn up by the Independent Commission on Good Governance in Public Services established by CIPFA and the Office for Public Management in partnership with the Joseph Rowntree Foundation. The six core principles from the Good Governance Standard have been adapted in the CIPFA/SOLACE framework for the local government context as follows:
 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risks
 - Developing the capacity and capability of members and officers to be effective
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 7 Councils are encouraged to test their structures against these principles by:
- reviewing their existing governance arrangements against the framework
 - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring its ongoing application and effectiveness
 - preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.
- 8 This final point represents perhaps the most significant development in the new framework. From 2007/08 onwards, the preparation of an annual governance statement will meet the requirement set out in the Accounts and Audit Regulations for the production of a statement on internal control (SIC) in accordance with proper practices.
- 9 The governance statement covers all significant corporate systems, processes and controls, spanning the whole range of an authority's activities, including in particular those designed to ensure that:
- the authority's policies are implemented in practice
 - high-quality services are delivered efficiently and effectively
 - the authority's values and ethical standards are met
 - laws and regulations are complied with
 - required processes are adhered to
 - financial statements and other published performance information are accurate and reliable
 - human, financial, environmental and other resources are managed efficiently and effectively.

- 10 It therefore covers all the areas previously covered by the SIC. However, it also covers performance issues – good governance is a precondition for delivering good services and poor service performance reflects a failure of governance. To reflect the corporate nature of the statement, approval and ownership needs to be at a corporate level and should be confirmed by the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) signing the statement on behalf of the authority.
- 11 A pro forma governance statement, the format of which is similar to that of a SIC, is provided in the framework. The framework also provides guidance on the attributes of an effective governance framework. Further guidance for authorities on the arrangements they should put in place to obtain the necessary assurances they need to prepare the governance statement is available in CIPFA's Financial Advisory Network's *The Annual Governance Statement– Rough Guide for Practitioners*, published in 2007.
- 12 The Accounts and Audit Regulations require that the governance statement is included with the authority's statement of accounts. However, it is the Audit Commission's view that, given the strong corporate focus of the governance statement described above, the most appropriate place for publishing the statement is the annual report, where the authority prepares one. If the authority does not prepare an annual report, it should be encouraged to publish the governance statement as a stand-alone review. In either case, an abbreviated version could then be included with the accounts to meet the requirements of Regulation 4(4).

Annual Governance Statement- Auditor's Role

- 13 The auditor's review of the annual governance statement will be directed at:
 - considering the completeness of the disclosures in the governance statement and whether it complies with proper practice as specified by CIPFA; and
 - identifying any inconsistencies between the disclosures and the information that the auditors are aware of from their work on the financial statements, their use of resources assessments and other work.
- 14 There is no requirement to issue an audit opinion on the governance statement. Where auditors form the view that the governance statement does not accurately reflect the position of the audited body, they should encourage the body to amend the disclosures accordingly. Where auditors are unable to secure the necessary amendments, they may wish to consider the addition of an 'Other Matter' paragraph to the auditors' report after the audit opinion on the financial statements.

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 17 DECEMBER 2007

REPORT OF THE FINANCIAL SERVICES MANAGER

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

ANNUAL EFFICIENCY STATEMENT – UPDATE

| |
|----------------------------|
| 1 Executive Summary |
|----------------------------|

| |
|--|
| 1.1 This report details the Government requirements under the Efficiency agenda for the Council to make 2.5% efficiency savings each year, our progress against those targets and how this is monitored. |
|--|

2 Introduction

2.1 The Government's 2004 Spending Review set out targets for local government to make efficiency gains in the services that they provide. Each authority is required to demonstrate 2.5% per annum efficiency gains between 2005/06 and 2007/08 when compared to the 2004/05 budget position. Efficiency gains are measured against set financial targets and include both capital and revenue spending.

2.2 This report details the progress made by the Council in meeting those targets and how the Authority monitors the Efficiency agenda.

3 Efficiencies Reporting

3.1 The DCLG have issued guidance on how progress is to be measured. The primary source for reporting will be through the Annual Efficiency Statement (AES). The AES has to be signed by the Leader of the Council, the Chief Executive and the S151 Officer. The AES is updated three times a year:

- Firstly, a forward looking AES which outlines the authority's strategy for securing efficiency gains for the forthcoming financial year. This is returned to DCLG during April each year.
- Secondly, a mid year update on the AES. This tracks progress made in securing the planned efficiencies over the first half of the year. This is returned to DCLG during November each year.
- Finally, a backward looking AES reviews the actual progress made in securing efficiencies during a year against those planned. This is returned to DCLG during July each year. This document is subject to external audit.

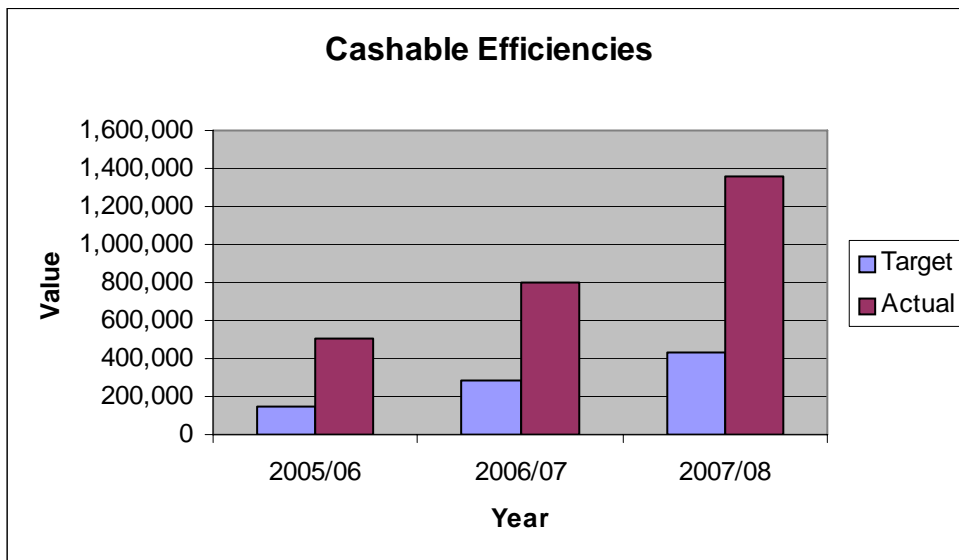
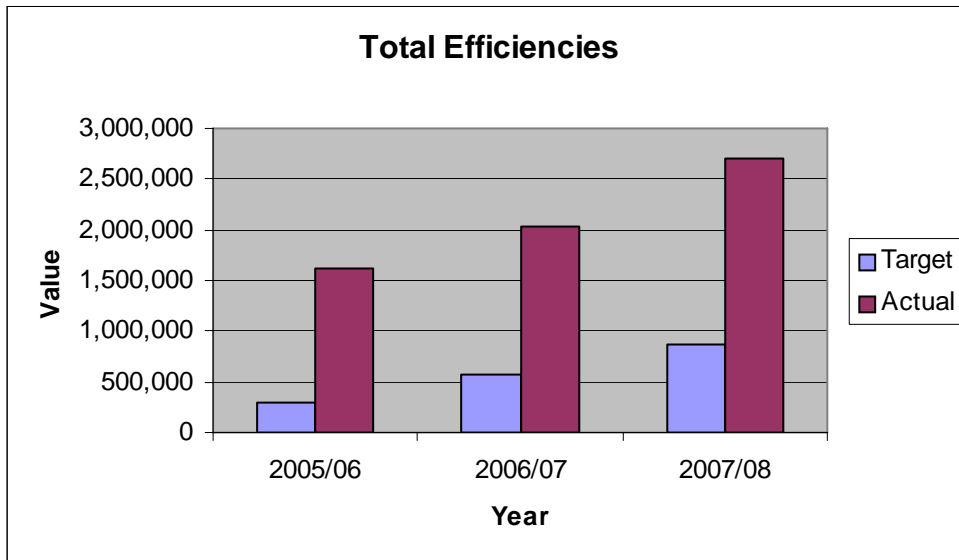
3.2 This is an area which is currently undergoing significant change, further details are shown in section 6 below.

4 Targets and Progress Made to Date

4.1 As mentioned above, the requirement is for the Authority to demonstrate 2.5% annual ongoing efficiencies each year and as a consequence the Council has been issued target efficiency gains to be made between 2005/06 and 2007/08. At least 50% of efficiencies must be cashable. The targets are shown below:

| Year | Overall Efficiency Target £000 | Cashable Target £000 (50%) |
|---------|--------------------------------|----------------------------|
| 2005/06 | 289 | 144 |
| 2006/07 | 578 | 289 |
| 2007/08 | 867 | 434 |

4.2 The graphs below shows the progress made by the Council in meeting the targets:



- 4.3 The most recent AES submissions show total expected efficiencies of £2.7m, this is clearly well above the targets set and significant contributing factors are the efficiencies created via the Joint Waste collection contract and the expected efficiencies to be generated via Southwest One. This report does not contain a detailed schedule of the particular areas where we have generated efficiencies but the table below does give this information in summary form. Should any Member require the detailed efficiencies then please contact the officer named below.

| Sector | 2004/05 to 2005/06 £000 | 2006/07 £000 | 2007/08 £000 | Total £000 |
|--------------------------------------|--|-------------------------|-------------------------|-----------------------|
| Local Transport | 9 | 10 | 0 | 19 |
| Cultural & Sport | 5 | 0 | 0 | 5 |
| Environmental | 36 | 72 | 83 | 191 |
| Social Housing | 172 | 65 | 417 | 654 |
| Corporate Services | 136 | 111 | 149 | 396 |
| Procurement | 96 | 24 | 0 | 120 |
| Productive Time | 0 | 0 | 0 | 0 |
| Transactional Services (ie Revenues) | 143 | 80 | 0 | 223 |
| Misc. (inc web site interaction) | 1,065 | 2 | 29 | 1,096 |
| Total | 1,662 | 364 | 678 | 2,704 |

5 Monitoring

- 5.1 It is important that progress against the targets is monitored effectively. This is done in a number of ways:

1. The AES process is driven by the Finance function – this ensures that efficiencies generated by the annual budget process, throughout the Council, are picked up in the AES submissions,
2. The AES is reviewed periodically by Corporate Management Team
3. The AES submissions have to be “signed off” by the Leader, Chief Executive and S151 officer, prior to submission to DCLG,
4. Annual reports on progress are submitted to Members.

6 Future Developments

- 6.1 There have been a number of changes proposed by Government regarding the efficiency agenda these include:

- New reporting arrangements have now been introduced. For example the mid year AES does not have to be submitted by District Tier Councils or those rated as “excellent” under

CPA. However we have continued to submit these statements, as they are now much less onerous to complete.

- The AES in its current form will be discontinued from July 2008 and replaced by a single performance indicator detailing "*the total net value of ongoing cash releasing value for money gains since 2008/09.*" There will be no external reporting of where these gains are generated from.
- Targets for the local authority sector have been increased to 3% from 2.5% and these are now required to be wholly cashable. Individual targets for each Council will be discontinued, unless as agreed as part of a Local Area Agreement.

7 Conclusion

- 7.1 The Corporate Governance Committee are requested to note the progress made in meeting the AES targets, how the Council carries out monitoring of the process and the future developments planned by Government.

Contact Officer:

Paul Carter

Financial Services Manager

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TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 17th December 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 September 2007.

1. Purpose of Report

1.1 To provide members with update on the activities of the Internal Audit team for the period September 2007 to December 2007.

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

Included within the report are details of the audits completed from September 2007 to December 2007 including any **significant** findings or recommendations.

3. Recommendation

The Committee should note the content of this report.

Contact Officer:-

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01823 356417 chris.gunn@southwestaudit.gov.uk

Final Reports Issued between September 2007 and December 2007

| Date of Report | Audited Area | Overall Level of Assurance | Detail |
|----------------|-----------------------------|----------------------------|---|
| September 2007 | Council Tax | 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. The issues uncovered during this review either relate directly to the migration to the new revenues system or are as a direct result of resource issues brought about by the pressures faced by the section during the year. The main issues were backlog of void inspections and non-performance of PREDs. A Management action plan has been agreed and the areas of weakness are in the process of being addressed. |
| September 2007 | National Non-Domestic Rates | 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. The issues uncovered during this review either relate directly to the migration to the new revenues system or are as a direct result of resource issues brought about by the pressures faced by the section during the year. The main issues were lack of monitoring of debts referred to bailiffs and non-performance of PREDs. A Management action plan has been agreed and the areas of weakness are in the process of being addressed. |
| October 2007 | Waste Management | Reasonable ▲★★★ | Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives. The audit was undertaken at a time when the service was preparing itself to join the Somerset Waste Partnership which diverted operational staff from addressing some of the issues identified within the review. The majority of issues raised during this review have been addressed by the creation of the Somerset Waste Partnership or will be taken forward by and addressed by it in the future. Staff within the waste services unit continue to deliver an efficient and effective service despite the pressures they were under surrounding the formation of the Strategic Waste Partnership. |
| October 2007 | Register of Electors | 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. The only significant weakness was in the area of contingency planning which management have plans to address. Staff within the Electoral Registration function continue to provide an efficient and effective service which was recognised during the audit. |

| Date of Report | Audited Area | Overall Level of Assurance | Detail |
|----------------|--------------------------|----------------------------|--|
| November 2007 | Financial Management | Reasonable ▲★★★ | Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives. The issues raised in this audit are mainly of an administrative nature and serve only to enhance controls already in place. Aside from the lack of a modern fit for purpose Financial Management System the main concerns are the need to strengthen and develop procedural documentation to enable effective confirmation that work methods accord with approved processes. The weaknesses will be addressed through changes in the operation of the Council's accounting systems brought about by Southwest One. |
| November 2007 | Risk Management | Partial - ▲★☆☆ | Most of the areas reviewed were not found to be adequately controlled. Generally the Council's Risk Management arrangements are not well managed and require the introduction or improvement of internal controls to ensure the achievement of objectives. Although the Council has a developed Risk Management Strategy and many Council staff are aware of Risk Management the Council has lost momentum due to a number of significant issues it has dealt with culminating in a major restructuring. As a result, the risk management process has stalled and the objectives of the Strategy are not being achieved. The matters raised within this report have been recognised by management and a management action plan agreed that will take stock and re-launch Risk Management within the Council. |
| November 2007 | Training and Development | Reasonable ▲★★★ | Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives. There were only minor issues identified during the review which was encouraging given the significant changes faced by the service in readiness for Southwest One which has had an impact on central training in the current financial year. A management action plan has been put in place to address the issues raised. |

Audit Opinions

Audit Opinion ▲★★★★ **Full** ▲★★★★ **Reasonable** ▲★★★ **Partial** ▲★★ **No** ▲★

Full ▲★★★★ - I am able to offer full assurance as 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 ▲★★★★ - I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Partial - ▲★★★ I am able to offer Partial assurance. Generally risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

No ▲★★★ I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
