



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 THURSDAY 26TH JUNE 2008 AT 18:15.

AGENDA

1. Appointment of Chairman
2. Appointment of Vice-Chairman
3. Apologies
4. Minutes of the meeting of the Committee held on 17 March 2008 (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. Review of South West One. Presentation by Senior Technical Manager, Audit Commission Michael Allen
8. The Constitution - update on proposed changes - presentation by Democratic and Legal Services Manager Tonya Meers
9. Annual Audit and Inspection Plan 2008/2009 (attached) Terry Bowditch
10. Statement of Accounts. Report of the Financial Services Manager (attached) Paul Carter
11. Review of the effectiveness of Internal Audit arrangements. Report of the Strategic Director (attached) Shirlene Adam
12. Annual Governance Statement 2007/2008. Report of the Strategic Director (attached) Shirlene Adam
13. Internal Audit Annual Report 2007/2008. Report of the Group Auditor (attached) Chris Gunn
14. Internal Audit Plan 2008/2009 - Progress Report. Report of the Group Auditor (attached) Chris Gunn

Tonya Meers

Legal and Democratic Services Manager

19 June 2008

Corporate Governance Committee Members:-

Councillor Beaven
Councillor Brockwell
Councillor Critchard
Councillor Denington
Councillor Govier
Councillor Henley
Councillor Paul
Councillor Mrs Smith
Councillor A 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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Website: www.tauntondeane.gov.uk (Council, Executive, Review Board & Review Panel Agenda, Reports and Minutes are available on the Website)

Corporate Governance Committee – 17 March 2008

Present: Councillor Williams (Chairman)
Councillor A Wedderkopp (Vice-Chairman)
Councillors Beaven, Denington, Farbahi, Govier, Hall, Mrs Smith and
Mrs Whitmarsh

Officers: Ms S Adam (Strategic Director)
Mrs G Croucher (Democratic Services Officer)
Mr C Gunn (Group Auditor, South West Audit Partnership)
Ms M Hale (Corporate Performance Officer)
Mr S Jewell (Audit Assistant, South West Audit Partnership)

Also Present Mr D Baker (Chairman, Standards Committee)
Mr B Wilson (Independent Member, Standards Committee)
Mr T Bowditch (Audit Commission)

1. Apologies/Substitution

Apologies: Councillors Critchard and Paul.

Substitution: Councillor Farbahi for Councillor Critchard.

2. Minutes

The minutes of the meeting held on 17 December 2007 were taken as read and were signed.

3. Standards Committee Annual Report 2007

Mr David Baker, Chairman of the Standards Committee, presented the Annual Report of the Standards Committee for 2007.

The Committee had been in operation since 2000 and 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 on the Council. The Chairman was chosen from the independent members and this was now a requirement for all Standards Committees.

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.

New legislation had introduced a locally managed framework of compliance with the Code of Conduct and a new strategic role for the Standards Board for England. Local Standards Committees would, in future, be responsible for making initial assessments of allegations of misconduct and would handle most cases locally. The Standards Board for England would provide support, supervision and guidance and aimed to ensure a degree of consistency.

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

The strengthening of links with Parish Councils;

Members of the Committee had been represented at the Annual Assembly of Standards Committees and the Standards Board for England Roadshows;

Taunton Deane had hosted a South West Independent Members Group and joint training with Sedgemoor District Council had taken place on the operation of a new filtering regime;

Members of the Standards Committee had attended meetings of the Council;

The Chairman had met with the new Leader of the Council and had emphasised the value of the Committee and its work;

The Monitoring Officer would continue to provide regular briefings on ethics and probity issues;

The introduction of a new Model Code of Local Government Conduct that had been adopted; and

The inclusion of ethics and probity in the guide for prospective candidates at the last local elections in 2007.

A number of training sessions had also taken place with Parish Councils on the new Code of Conduct. The Code had now been adopted by all Parish Councils. A successful training session had also taken place for Borough Councillors which the Committee felt should be repeated annually in order to keep Councillors well informed.

The Chairman thanked Mr Baker for his very informative report.

Resolved that the report be noted.

4. Annual Audit and Inspection Letter

Mr Terry Bowditch, Audit Manager, the Audit Commission (AC) introduced Taunton Deane Borough Council's Annual Audit and Inspection Letter.

The report set out an overall summary of the AC's assessment of the Council. Its finding and conclusions had been drawn from the 2006/2007 audit and from any further inspections and included a report on the Direction of Travel and Use of Resources scores.

The report identified that challenges had been overcome that included opposing Somerset County Council's plan to form a unitary council, new political leadership following the local elections, the forming of new partnerships and regeneration projects. Meeting these challenges had a significant impact on the capacity of the Council and performance in a number of key areas had deteriorated.

However, some services had shown signs of recovery and the restructure of the Council would ensure its services and partnerships would make a positive impact on all its communities. Governance and organisational arrangements were being developed to reflect the impact of new partnerships.

The Council had been given an unqualified opinion on its accounts for 2006/2007 and the value for money arrangements were adequate.

The 2006/2007 Use of Resources continued to meet or exceed the minimum requirements in all respects, although the rate of improvement had slowed or, in some areas, stalled.

The concessionary travel scheme continued to place extreme pressures on the Council's budget and working balances with an actual net overspend against budget forecast for the current year.

The new financial systems introduced during 2006/2007 had had significant control weaknesses but these had now been addressed.

The review of internal audit met all the key requirements of the Code of Practice for internal audit.

The key actions necessary by the Council in response to the issues raised were also reported.

Resolved that the report be noted.

5. The Constitution

Considered report previously circulated, giving details of the progress made in updating the Constitution and the arrangements made for its approval.

A Members' Steering Group had been set up to enable a full review of the Constitution to take place. A review of financial regulations had also taken place and these reviews would be brought before the meeting of the Council for approval.

There were, however, two further areas of the Constitution to be reviewed. The Council had yet to decide on the future of the scrutiny pilot and the changes in the Local Government Act 2007 would need to be reflected.

There was also a need to delegate the role of overview and revision of the Constitution to the Corporate Governance Committee. A new Legal and Democratic Services Manager had been appointed from 31 March 2008 who would have responsibility as Monitoring Officer.

Resolved that:-

- 1) Council be recommended to:-
 - a) delegate the role of overview and revision to the Constitution to the Corporate Governance Committee;
 - b) delegate the powers to approve revisions to the Corporate Governance Committee and the Monitoring Officer; and
 - c) to adopt the attached Financial Regulations;
- 2) That a standing sub-committee of the Corporate Governance Committee (consisting of one representative from each of the political groups on the Council) be established to work with the Monitoring Officer to carry out regular reviews of the Constitution; and
- 3) That the powers delegated to the Monitoring Officer, Chief Solicitor and Member Services Manager referred to in the Constitution be re-delegated to the Monitoring Officer.

6. Governance Code

Considered report previously circulated, giving Members an update on the Council's Governance Code.

The Code set out six core principles and outlined the approach and actions the Council was committed to take to achieve them. It also highlighted the areas where the Council would focus in an action plan to be regularly updated.

The Code would form the basis of the Annual Governance Statement. This was a comprehensive statement that covered all significant corporate systems, processes and controls. The preparation of the Statement would need to be open, honest and credible and linked to an embedded assurance framework and would be the end product of an annual review process.

Resolved that:-

1. Council be recommended to adopt the Code of Governance;

2. The Corporate Governance Committee be authorised to agree the future Annual Governance Statements; and
3. The Council's effectiveness against the Code be regularly monitored.

7. Risk Management

In 2007 the Council adopted the Risk Management Strategy, Policy and Procedures. There had been a number of changes to the Corporate Strategy and a new register of Corporate Risks was currently being compiled and would form the basis for the action plans necessary to moderate those risks.

An update would be provided at a future meeting.

Resolved that the report be noted.

8. Internal Audit Plan 2008/2009

Considered report previously circulated, concerning the 2008/2009 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 Management issues;
- A programme of special contracts, 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 14 reviews to be completed this year.

Resolved that the 2008/2009 Annual Audit Plan be approved.

9. Internal Audit Plan 2007/2008 – Progress Review

Considered report previously circulated, which provided an update on the significant findings and recommendations since December 2007.

Details were also reported of the audits completed for the period between December 2007 and March 2008 which included any significant findings or recommendations.

Resolved that the report be noted.

10. Update on Corporate Improvement Plan

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 to review the Use of Resources. The assessment focused on the importance of having sound and strategic financial management to ensure that resources were available to support the Council's priorities and improve services.

The inspection also covered the "Direction of Travel" 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 December 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 March 2007 and ranked the Council amongst the top four in the South West. As part of the Performance Management Framework the assessment was used to identify weaknesses and formulate a Corporate Improvement Plan which has been updated.

Following the Annual Audit and Inspection Letter and the updated Use of Resources feedback in 2007 the Improvement Plan had been revised. Details of the Plan were submitted.

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

Resolved that the report be noted.

11. Forward List of Agenda Items

Reported the forward list of Agenda items.

Resolved that the Strategic Director and Democratic Services Officer review the list.

(The meeting ended at 8.07 p.m.)

APPENDIX TO MINUTE NO 5

INTRODUCTION

Financial Regulations provide the framework for managing the authority's financial affairs. They apply to every member and officer of the authority and anyone acting on its behalf.

The Regulations identify the financial responsibilities of the full Council, Executive and Scrutiny members, the Head of Paid Service, the Monitoring Officer, the Section 151 Officer, Directors and Managers.

All members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money, and achieves best value.

The Section 151 Officer is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the full Council for approval. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of financial regulations to the Executive, and to the full Council.

The authority's detailed Financial Procedures, setting out how the regulations will be implemented, are contained in the appendices to the financial regulations. These procedures will be kept up to date, with amendments requiring the approval of the Corporate Management Team only.

Directors and Managers are responsible for ensuring that all staff are aware of the existence and content of the authority's Financial Regulations and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference. Each Director and Manager will be issued a copy of the complete Financial Regulations and Financial Procedures, and will be required to sign for their receipt.

The Section 151 Officer is responsible for issuing advice and guidance to underpin the financial regulations to members, officers and others acting on behalf of the authority are required to follow.

FINANCIAL REGULATION A :

FINANCIAL MANAGEMENT

Introduction

A.1 Financial Management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget.

The Full Council

A.2 The full Council is responsible for:-

- Adopting the authority's constitution and members' code of conduct
- Approving the policy framework and budget within which the Executive operates
- Approving and monitoring compliance with the authority's overall framework of accountability and control. The framework is set out in its constitution.
- Monitoring compliance with the agreed policy and related Executive decisions.
- Approving procedures for recording and reporting decisions taken. This includes those *key decisions* delegated by and decisions taken by the Council and its Committees. These delegations and details of who has responsibility for which decisions are set out in the constitution.
- Approving the setting and revision of the prudential indicators as defined under the Prudential Code.

The Executive

A.3 The Executive is responsible for:-

- Proposing the policy framework and budget to the full Council.
- Discharging Executive functions in accordance with the policy framework and budget.
- Establishing protocols to ensure that individual Executive Councillors consult with relevant Officers before taking a decision within his or her delegated authority. In doing so, the individual Member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

A.4 Executive decisions can be delegated to a Committee of the Executive, an individual Executive Councillor, an Officer, or a Joint Committee.

- A.5 A forward plan containing details of all matters likely to be the subject of key decision in the authority is published by the Executive.

Overview & Scrutiny

- A.6 The Overview & Scrutiny Board, and Strategy & Performance Panel are responsible for scrutinising Executive decisions before or after they have been implemented and for holding the Executive to account. They are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the authority.

Standards Committee

- A.7 The Standards Committee is established by the full Council and is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it is responsible for advising the Council on the adoption and revision of the Members Code of Conduct, Members Allowances, and for the monitoring and investigating any suspected breaches of the code.

Planning & Licensing

- A.8 Planning, conservation and licensing are not Executive functions but are exercised through the Planning Committee and Licensing Board under powers delegated by the full Council.

Corporate Governance

- A.9 The Corporate Governance Committee, under powers delegated by full Council is responsible for:-
- Agreeing the internal and external audit plans
 - Considering the annual audit report and management letter for the Council
 - Monitoring the implementation of significant audit recommendations
 - Raising the profile of internal control within the authority,
 - Approving the annual Statement of Accounts
 - Approving the annual Governance Statement
 - Having an overview role in relation to the Councils risk management framework

Joint Committees

- A.10 The Council may establish joint arrangements with one or more local authorities and/or executives to exercise functions. Such arrangements may involve the appointment of a joint committee with these other local authorities.

The current constituted joint committees are as follows:-

- The South West Audit Partnership
- The Somerset Waste Partnership

The Statutory Officers

Head of Paid Service (Chief Executive)

- A.11 The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole. He or she shall report to and provide information for full Council, the Executive, the Overview & Scrutiny function and other Committees and Panels. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The head of paid service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the full Council's decisions.

Monitoring Officer

- A.12 The Monitoring officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the Executive, and for ensuring that the procedures for recording and reporting *key decisions* are operating effectively.
- A.13 The Monitoring Officer shall ensure that Executive decisions and the reasons for them are made public. He or she shall also ensure that Council Members are aware of decisions made by the Executive and of those made by Officers who have delegated Executive responsibility.
- A.14 The Monitoring Officer is responsible for advising all councillors and officers about who has authority to take a particular decision.
- A.15 The Monitoring Officer is responsible for advising the Executive or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- A.16 The Monitoring Officer (together with the Section 151 Officer) is responsible for advising the Executive or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be contrary to the budget include:-

- initiating a new policy
- committing expenditure in future years to above the budget level
- incurring virement transfers above the limits set by Council
- causing the total expenditure financed from Council Tax, Grants, and corporately held reserves to increase, or to increase by more than a specified amount.

A.17 The Monitoring Officer is responsible for maintaining an up-to-date constitution.

A.18 The Monitoring Officer is responsible for maintaining a register of Member and Officers interests.

Section 151 Officer

A.19 The Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority. The statutory responsibility cannot be overridden. The statutory duties arise from:-

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations 1996.
- The Accounts and Audit Regulations 2003
- The Local Government Act 2003.

A.20 The Section 151 Officer is responsible for:-

- the proper administration of the authority's financial affairs
- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- providing financial information
- preparing the revenue budget and capital programme
- treasury management.

A.21 Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer to report to the full Council, Executive and external auditor if the authority or one of its Officers:-

- Has made, or is about to make, a decision which involves incurring unlawful expenditure
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- Is about to make an unlawful entry in the authority's accounts.

The Council shall consider the report within 21 days of issue and is prohibited from taking the course of action which is the subject of the report. The external auditor shall be informed of the date of the meeting and of any decisions made at the meeting.

Section 114 of the 1988 Act also requires:

- the Section 151 Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally
- the authority to provide the Section 151 Officer with sufficient staff, accommodation and other resources - including legal advice where this is necessary - to carry out the duties under section 114.

Directors

A.22 Corporate Management Team comprises the Statutory Officers (as outlined above) and Directors. It act as the senior officers' body in instigating policy proposals.

For the purposes of these Regulations, the Chief Executive has the same powers and responsibilities as Directors. Directors are responsible for:

- ensuring that Executive Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Section 151 Officer.
- signing contracts on behalf of the authority (in accordance with the constitution).

A.23 It is the responsibility of the Directors to consult with the Section 151 Officer and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

Other Financial Accountabilities

Virement

A.24 The full Council is responsible for agreeing procedures for virements of expenditure between budget headings.

A.25 Directors and Managers are responsible for agreeing virements within delegated limits, in consultation with the Section 151 Officer. They must notify the Section 151 Officer of all virements, using the appropriate pro-forma.

Treatment of Year End Balances

A.26 The Executive is responsible for agreeing procedures for carrying forward under- and overspendings on budget headings.

Accounting Policies

- A.27 The Section 151 Officer is responsible for selecting accounting policies and standards, and ensuring that they are applied consistently.

Accounting Records and Returns

- A.28 The Section 151 Officer is responsible for determining the accounting procedures and records for the authority.

The Annual Statement of Accounts

- A.29 The Section 151 Officer is responsible for ensuring that the annual statement of account is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom : A Statement of Recommended Practice (CIPFA /LASAAC)*. The full Council has delegated responsibility for approving the annual statement of accounts, to the Corporate Governance Committee.

FINANCIAL REGULATION B :

FINANCIAL PLANNING

Introduction

- B.1 The full Council is responsible for agreeing the authority's policy framework and budget, which will be proposed by the Executive. In terms of financial planning, the key elements are:
- The Corporate Plan
 - The Budget
 - The Capital Programme

Policy Framework

- B.2 The full Council is responsible for approving the policy framework and budget. The policy framework includes the following statutory plans and strategies:
- Annual Report
 - Asset Management Plan
 - Sustainable Community Plan
 - Capital Strategy & Programme
 - Climate Change Strategy
 - Corporate Strategy
 - Crime and Disorder Reduction Strategy
 - Housing Strategy
 - Local Development Framework
 - Treasury Management Policy Statement
- B.3 The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions shall be referred to the full Council by the monitoring officer.
- B.4 The full Council is responsible for setting the level at which the Executive may reallocate budget funds from one service to another (virement). The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

Preparation of Policy Framework and Corporate Plan

- B.5 The Chief Executive as Head of Paid Service is responsible for proposing the policy framework and corporate plan of the authority to the Executive for consideration before submission to the Full Council for approval.

Budgeting

Budget Format

- B.6 The general format of the budget will be approved by the full Council and proposed by the Executive on the advice of the Section 151 Officer. The draft budget shall include allocation to different services and projects, proposed taxation levels, and information on any contingency funds and reserves.

Budget Preparation

- B.7 The Section 151 Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a medium term financial plan is prepared for consideration by the Executive, before submission to the full Council. The full Council may amend the budget or ask the Executive to reconsider it before approving it.
- B.8 The Executive is responsible for issuing guidance on the general content of the budget in consultation with the Section 151 Officer as soon as possible following approval of the full Council.
- B.9 It is the responsibility of Managers to ensure that budget estimates reflecting agreed operational service plans are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive.

Budget Monitoring and Control

- B.10 The Section 151 Officer is responsible for providing appropriate financial information to enable budget to be monitored effectively. The s151 Officer, supported by Directors and Managers, shall monitor and control expenditure against budget allocations and report to the Executive on the overall position on a regular basis.
- B.11 It is the responsibility of Managers to control income and expenditure within their area and to monitor performance, taking account of

financial information provided by the Section 151 Officer. They shall report on variances within their own areas. They shall also take any action necessary to avoid exceeding their budget allocation and alert the Section 151 Officer to any problems. Any changes to the overall budget must be considered by the Executive for onward submission to full Council for approval.

Resource Allocation

- B.12 In determining the resource allocation of the Council the Directors and Section 151 Officer shall ensure compliance with agreed policies and strategies.

Preparation of the Capital Programme

- B.13 The Section 151 Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive before submission to the full Council.

Guidelines

- B.14 Guidelines on budget preparation are issued to Directors and Managers by the Executive following agreement with the Section 151 Officer. These are to ensure the robustness of the budget and the adequacy of the Councils reserves position. The guidelines will take account of:-
- legal requirements
 - medium term planning prospects
 - corporate plans of the authority
 - available resources
 - spending pressures
 - other relevant government guidelines
 - other internal policy documents
 - cross-cutting issues where relevant.
 - risk

Maintenance of Reserves

- B.15 It is the responsibility of the Section 151 Officer to advise the Executive and the full Council on prudent levels of reserves for the authority.

FINANCIAL REGULATION C :

RISK MANAGEMENT AND CONTROL OF RESOURCES

Introduction

- C.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the authority. This should include the pro-active participation of all those associated with planning and delivering services.

Risk Management

- C.2 The Council has delegated responsibility for approving the authority's Risk Management policy statement and strategy to the Corporate Governance Committee.
- C.3 The Section 151 Officer is responsible for preparing the authority's Risk Management policy statement, for promoting it throughout the authority, and for reviewing the effectiveness of risk management arrangements.
- C.4 Directors and Managers are responsible for complying with the risk management policy statement and must carry out and regularly review risk assessments of their service areas, corporate projects, and partnerships.
- C.5 The Section 151 Officer is responsible for providing advice on and effecting the appropriate insurance arrangements.

Internal Control

- C.6 Internal control refers to the systems of control devised by management to help ensure the authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the authority's assets and interests are safeguarded.
- C.7 The Section 151 Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

- C.8 It is the responsibility of Managers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

Audit Requirements

- C.9 The Accounts and Audit Regulations 1996 require every local authority to maintain an adequate and effective internal audit.
- C.10 The Section 151 Officer is responsible for internal audit, and therefore may inspect and audit all books of account, financial documents and all other records of the authority, visit any of the authority's premises and obtain such explanations and take away such records for examination as considered necessary.
- C.11 The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- C.12 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenues & Customs, who have statutory rights of access.

Preventing Fraud And Corruption

- C.13 The Section 151 Officer is responsible for the development, maintenance and promotion of an anti-fraud and anti-corruption policy.

Assets

- C.14 Managers shall ensure that all financial records, physical assets and supporting documentation are properly maintained and securely held, and suitably recorded in the Councils registers.
- C.15 Managers shall also ensure that sound contingency plans for the security of assets and for the continuity of service provision in the event of disaster or other major system failure are in place, and that those arrangements are regularly tested.
- C.16 Any proposals to enter into leasing agreements must be agreed in advance with the Section 151 Officer.

Property

- C.17 The agreement of any terms of leasing of any property, or the taking or granting of any interest in property must be undertaken after consultation with the Section 151 Officer.

Treasury Management

- C.18 The authority has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.
- C.19 The full Council is responsible for approving the treasury management policy statement. The policy statement is proposed to the full Council by the Executive. The Section 151 Officer has delegated responsibility for implementing and monitoring the statement.
- C.20 All money in the hands of the authority is monitored and controlled by the Section 151 Officer.
- C.21 The Section 151 Officer is responsible for reporting to the Executive a proposed treasury management strategy for the coming financial year at or before the start of each financial year.
- C.22 All Executive decisions on borrowing, investment, or financing shall be delegated to the Section 151 Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.
- C.23 The Section 151 Officer is responsible for reporting to the Executive not less than twice in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.

Staffing

- C.24 The Head of Paid Service is responsible for exercising the overall management to staff.
- C.25 The retained HR Manager is responsible for determining and monitoring adherence to staffing policies and procedures, and for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration for the job.
- C.26 Managers are responsible for controlling total staff numbers by:
- Advising the Executive on the budget necessary in any given

year to cover estimated staffing levels.

- Employing staff in accordance with the approved policy framework and annual revenue budget.
- Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs.
- The proper use of appointment procedures.
- Staff must only be employed on a permanent basis if ongoing and sustainable funding is available.

FINANCIAL REGULATION D :

SYSTEMS AND PROCEDURES

Introduction

D.1 Sound systems and procedures are essential to an effective framework of accountability and control.

General

D.2 The Section 151 Officer is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Any changes made to existing financial systems or the establishment of new systems must be approved by the Section 151 Officer. However, Managers are responsible for the proper operation of financial processes in their own departments.

D.3 Any changes to agreed procedures by Managers to meet their own specific service needs should be agreed with the Section 151 Officer.

D.4 Managers should ensure that their staff receive relevant training, and operate to the professional standards set by the Section 151 Officer as set out in the Financial Procedures.

D.5 Managers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Managers must ensure that staff are aware of their responsibilities under Freedom of Information legislation, and all other relevant legislation.

Income And Expenditure

D.6 It is the responsibility of Directors and Managers to ensure that a proper scheme of delegation is been established within their area and is operating effectively. The Scheme of Delegation shall identify staff authorised to act on the Director or Managers behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of their authority.

D.7 Once a charge has been raised no debtor shall be excused a payment due to the Council other than with the approval of the Section 151 Officer, or Head of Paid Service, or Executive. The Section 151 Officer shall maintain a record of all such write-offs.

Payments To Employees And Members

- D.8 The Section 151 Officer is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

Taxation

- D.9 The Section 151 Officer is responsible for advising Directors and Managers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- D.10 The Section 151 Officer is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

Trading Accounts / Business Units

- D.11 It is the responsibility of the Section 151 Officer to advise on the establishment and operation of trading accounts and business units, and to determine the arrangements under which these are operated.

FINANCIAL REGULATION E :

EXTERNAL ARRANGEMENTS

Introduction

- E.1 The Council provides a distinctive leadership role for our community and brings together the contributions of the various stakeholders. It also has a duty to act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

Partnerships

- E.2 The Executive is responsible for approving the operational frameworks for the Councils participation in partnerships or joint working arrangements with other local public, private, voluntary and community sector organisations. This includes the arrangements for delegation to officers and the detailed arrangements for the provision of both financial and physical resources by the Council.
- E.3 The Executive can delegate functions - including those relating to partnerships - to Officers. These are set out in the scheme of delegation that forms part of the authority's constitution. Where functions are delegated, the Executive remains accountable for them to the full Council.
- E.4 The Head of Paid Service represents the authority on partnership and external bodies, in accordance with the scheme of delegation.
- E.5 The Section 151 Officer and Monitoring Officer are responsible for promoting and maintaining the same high standards of conduct with regard to legal and financial administration and accounting arrangements in partnerships that apply throughout the authority. They shall also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They shall ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E.6 Directors and Managers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.
- E.7 Before entering into any external arrangements, advice and guidance shall be sought from the Monitoring Officer and Section 151 Officer.

External Funding

- E.8 The Section 151 Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

Work For Third Parties

- E.9 The Head of Paid Service is responsible for providing specific guidance to Directors and Managers in respect of the provision of contractual arrangements for the provision of services, third parties or external bodies.

DELEGATION SUMMARY

Virements & Supplementary Estimates

Virements can take place provided that they do not involve new policy or policy change and do not involve an increasing commitment in future years that cannot be contained within existing budgets. They must be done in consultation with the s151 Officer.

THRESHOLD	APPROVALS REQUIRED	
	Transfers Within Portfolio	Transfers Between Portfolios
Up to £20,000	Manager	Manager (in consultation with Director)
Between £20,000 and £50,000	Portfolio (Exec Cllr) Decision (in consultation with Director)	Portfolio (Exec Cllr) Decision (in consultation with Director)
Over £50,000	Executive Decision	Executive Decision
Supplementary Estimates - ALL	Executive Recommendation to Full Council	Executive Recommendation to Full Council

Write-Offs

THRESHOLD	APPROVALS REQUIRED	
	SUNDRY DEBTORS	REVENUES (Ctax, NNDR etc)
SUNDRY DEBTORS Up to £5,000	Section 151 Officer	Section 151 Officer
Between £5,000 and £10,000	Head of Paid Service	Section 151 Officer
Over £10,000	Executive Decision	Section 151 Officer

Audit and Inspection Plan

May 2008



Annual Audit and Inspection Plan

Taunton Deane Borough Council

Audit 2008/09

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 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 0844 798 7070.

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Contents

Introduction	5
Responsibilities	6
Fees	7
Specific actions Taunton Deane Borough Council could take to reduce its audit fees	8
Process for agreeing any changes in audit fees	8
Auditor's report on the financial statements	9
Financial statements	9
VFM conclusion	9
Use of resources	10
Mandated work	11
CPA and inspection	12
Advice and assistance	13
The audit and inspection team	14
Quality of service	14
Planned outputs	15
Appendix 1 – Elements of our work	16
Financial statements	16
Value for money conclusion	16
Use of resources assessment 2007/08	17
Data quality 2007/08	17
Whole of government accounts	18
National Fraud Initiative	18
Certification of grant claims and returns	18
Appendix 2 – Basis for fee	19
Assumptions	19
Appendix 3 – Initial risk assessment – Use of resources and VFM conclusion	21
Appendix 4 – Independence and objectivity	24

Appendix 5 – Working together	26
Meetings	26
Sustainability	27

Introduction

- 1 This plan sets out the audit and inspection work that we propose to undertake for the 2008/09 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2008/09;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 During 2008/09, the role of Relationship Manager will be replaced by the post of Comprehensive Area Assessment Lead (CAAL). The CAAL will provide the focal point for the Commission's work in your local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission has become the statutory gatekeeper of all inspection activity involving local authorities.
- 3 As we have not yet completed our audit for 2007/08, the audit planning process for 2008/09, 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; 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 annual governance statement); 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 (from April 2008) 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.

Fees

- 8 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2008/09. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 9 The total indicative fee for the audit and inspection work included in this audit and inspection plan for 2008/09 is £102,154, which compares to the fee of £99,682 for 2007/08.
- 10 A summary of this is shown in the table below. The fee is determined by audit risks identified, mandated work and basic assumptions. A detailed breakdown of the audit and inspection fee is included in Appendix 2.

Table 1 Audit fee

Audit area	Planned fee 2008/09	Actual fee 2007/08	Page
Audit			
Total audit fee	96,182	93,782	20
Inspection			
Total inspection fee	5,972	5,900	20

- 11 The Audit Commission scale fee for the Council for the audit element only is £112,929. 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, although it expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards).
- 12 The audit fee proposed for 2008/09 is £96,182; that is 15 per cent below the scale fee and is within the normal level of variation specified by the Commission.
- 13 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 2007/08; and
 - internal audit undertakes appropriate work on all systems and good quality working papers and records will be provided to support the financial statements.
- 14 Further details of our assumptions are outlined in Appendix 2.

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

- 15 The Audit Commission requires its auditors to inform a council of specific actions it could take to reduce its audit and inspection fees. We have identified the following actions the Council could take.
- Ensure that internal audit testing of financial systems is completed in accordance with the protocol agreed between us.
 - Provide us with the working papers requested in electronic format, as far as possible, to support the audit of your financial statements, at the commencement of that audit.
 - Supply fully evidenced self assessments, again in electronic format wherever possible, for the Use of Resources evaluation.

Process for agreeing any changes in audit fees

- 16 As set out in paragraph 4, we expect that the initial risk assessment will change as the year progress. Where this is the case, we will discuss this in the first instance with the Council's Strategic Director, Shirlene Adam. Supplements to the plan will be issued to record revisions to the risk and the impact on the fee.

Auditor's report on the financial statements

- 17 We are required to issue an audit report giving our:
- opinion on whether the financial statements present fairly the financial position of the Council as at 31 March 2009; and
 - conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial statements

- 18 We have not undertaken a risk assessment for our audit of the financial statements as many of the specific risks which may become apparent after we have completed our 2007/08 audit. A separate opinion plan for the audit of the financial statements will be issued later in the year.
- 19 At this stage we are aware of the following risks that are likely to impact on our audit of the financial statements.
- There are a number of accounting issues around the recent implementation of the South West One project and the creation of the Somerset Waste Partnership.
 - New financial systems will be introduced as part of the South West One project, although we have assumed when setting the fee that this will not occur until 2009/10.

VFM conclusion

- 20 In reaching our conclusion, we will review evidence that is relevant to the Council's performance management and financial management arrangements.
- 21 The key risks highlighted from the planning are summarised at Appendix 3, together with details of planned work to mitigate the risks.

Use of resources

- 22 This audit plan covers the last year of the current regime for Use of Resources assessment as part of the CPA framework. The work required to arrive at the 2007/08 Use of Resources assessment is fully aligned to that required to support the auditor's 2007/08 Value for Money conclusion.
- 23 Appendix 1 outlines the criteria and scoring.
- 24 The initial risk assessment for use of resources work is shown in Appendix 3. This will be updated through our continuous planning process as the year progresses.

Mandated work

25 As part of the audit, the mandated work programme comprises:

- data quality for 2007/08; and
- whole of government accounts.

Appendix 1 highlights the work to be undertaken.

CPA and inspection

- 26 From April 2009, the Audit Commission, jointly with the other public service inspectorates, will be implementing Comprehensive Area Assessment (CAA). Therefore, 2008/09 is the last year in which corporate assessments and programme service inspections will be undertaken as part of the CPA framework.
- 27 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.
- 28 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. The Council is currently categorised as excellent.
- 29 The Council is in the process of re-shaping itself and has faced a number of challenges over the last twelve months including the forming of new partnerships, new political leadership since May 2007 and managing a number of regeneration projects. Meeting these challenges has had a significant impact on the Council's capacity. Subsequently, the Council's rate of improvement in its services is not matching that of its peers. Performance in a number of key areas deteriorated in 2006/07. The Council's housing services have historically performed well, however in the last year performance has declined. Most housing BVPIs from 2006/07 show above average but declining performance.
- 30 However, some services show early signs of recovery, for example, benefits. The Council is also developing better arrangements to deal with diversity and equalities issues. Business planning continues to be strong and there is a clear sense of place based on a well grounded understanding of local needs. The Council is re-structuring to ensure that its services and partnerships will make a positive impact on all its communities.
- 31 On the basis of the planning process, we have identified where inspection activity will be focused for 2008/09 as follows.

Table 2 Summary of inspection activity

Inspection activity	Reason/impact
CAAL 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 CAAL, 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.

Advice and assistance

- 32 Under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 we have powers to provide 'advice and assistance' (A&A) to another public authority where this is requested.
- 33 If you wish the Commission to provide additional services under these powers, please contact the District Auditor, Brian Bethell, or Audit Manager, Terry Bowditch.

The audit and inspection team

- 34 The key members of the audit and inspection team for the 2008/09 audit are shown in the table below.

Table 3 Audit and inspection team

Name	Contact details	Responsibilities
Sophie Trim CAAL	s-trim@audit-commission.gov.uk 0844 798 3719	The 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.
Brian Bethell District Auditor	b-bethell@audit-commission.gov.uk 0844 798 8741	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 01823 273179	Manages and co-ordinates the different elements of the audit work. Key point of contact for the s151 officer.
Stephen Clarke Regularity team leader	st-clarke@audit-commission.gov.uk 0844 798 5638	Leads the team on the opinion audit.

Quality of service

- 35 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 Sophie Trim, your CAAL, in the first instance. Alternatively, you may wish to contact the Southern sub-Region Head of Operations, Bill Sanderson (0844 798 8820).
- 36 If we are unable to satisfy your concerns locally, 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

- 37 Reports will be discussed and agreed with the appropriate officers before being issued to the audit committee.

Table 4 **Planned outputs**

Planned output	Indicative date
Audit and Inspection Plan	April 2008
Opinion Audit Plan	April 2009
Annual governance report	September 2009
Auditor's report giving an opinion on the financial statements and value for money conclusion	September 2009
Final accounts memorandum (to officers)	October 2009
Use of resources report (2007/08 assessment)	December 2008
Data quality report (2007/08 assessment)	December 2008
Annual Audit and Inspection Letter	TBC

Appendix 1 – Elements of our work

Financial statements

- 38 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).
- 39 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 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year.
- 40 We are also required to review whether the Annual Governance Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Governance Statement is misleading or inconsistent with our knowledge of the Council.

Value for money conclusion

- 41 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 the auditor to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at our conclusion.
- 42 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.
- 43 We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment 2007/08

- 44 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

- 45 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.
- 46 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 the CPA.

Data quality 2007/08

- 47 This plan covers the 2007/08 data quality work. This is based on a three-stage approach covering:
- Stage 1 – management arrangements;
 - Stage 2 – analytical review; and
 - Stage 3 – risk-based data quality spot checks of a sample of 2007/08 performance indicators.
- 48 Work will be focused on the 2007/08 overall arrangements for data quality, particularly on the responsibility of the Council to manage the quality of its data including data from partners where relevant.

- 49 Our fee estimate reflects an assessment of risk in relation to the Council's data quality arrangements and 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.

Whole of government accounts

- 50 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.

National Fraud Initiative

- 51 From 2008/09 work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crime Act 2007. The Commission will be consulting audited bodies on the work programme and fee scales for the National Fraud Initiative later this year.

Certification of grant claims and returns

- 52 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.
 - 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.

Appendix 2 – Basis for fee

- 1 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 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 coordinated with the work of other regulators, and that our work helps you to improve.
- 2 The 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.

Assumptions

- 3 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 2007/08;
 - no new financial systems will be introduced during 2008/09;
 - 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.
- 4 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.

- 5 Changes to the plan will be agreed with you. These will be required if:
- new residual audit risks emerge;
 - there are significant changes to the main financial systems;
 - additional work is required by the Audit Commission or other regulators; or
 - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.
- 6 Below is a detailed breakdown of the audit and inspection fee for 2008/09.
- 7 The fee (plus VAT) will be charged in 12 equal instalments from April 2008 to March 2009.

Table 5 Detailed audit and inspection fee

Audit area	Planned fee 2008/09	Actual fee 2007/08	Page
Audit			
Financial statements	64,421	61,726	16
Use of resources	29,561	29,856	16
Whole of government accounts	2,200	2,200	17
Total audit fee	96,182	93,782	
Inspection			
Relationship management	2,986	2,950	12
Direction of Travel	2,986	2,950	12
Total inspection fee	5,972	5,900	
Total audit and inspection fee	102,154	99,682	
Certification of claims and returns	24,000	38,000	18

Appendix 3 – Initial risk assessment – Use of resources and VFM conclusion

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities / inspection activity
Following the transfer of a number of core services to IBM, the Council needs to ensure that sound arrangements are in place to monitor and report on contract performance and whether expected savings from the contract materialise. There is a risk that existing services and costs may be affected by the changes.	The Council has established a client side team to manage/monitor the contract.	Yes	Follow-up review of Southwest One project.	Code of Audit Practice.
The Council faces financial pressures, particularly from the concessionary travel scheme, and it has had to identify savings of £1.2 million in order to deliver a balanced budget for 2008/09.		Yes	As part of our Use of Resources audit, we will review the Council's arrangements for ensuring that the planned savings are delivered.	VFM conclusion

22 Annual Audit and Inspection Plan | Appendix 3 – Initial risk assessment – Use of resources and VFM conclusion

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities / inspection activity
Steady progress is being made in exploring the potential for more effective joint working between councils. This follows the government’s decision to retain the county and district structure in Somerset. However, there is currently a lack of clarity with the plans, priorities, level of leadership and governance arrangements needed to deliver the efficiency savings indicated by the district councils in their 'Team Somerset' proposals.	The Council is a signatory to the principles of the Somerset Accord concerning joint working to improve outcomes for local people.	Yes	Monitor the progress and impact of partnership working arrangements.	VFM conclusion/ Direction of Travel
The Council is engaged in a challenging change agenda - South West 1, Project Taunton, the development of Pioneer Somerset, changes to staffing structures - and this is impacting on officer and member capacity.	The Council is carrying out a review of the 'core council'.	Yes	We will review how effectively the Council is dealing with the capacity issues as part of our Use of Resources and Direction of Travel work.	VFM conclusion/ Direction of Travel
Problems with the new housing management system have meant that the Council's IT systems have not been supporting the effective performance management of its housing stock. The Council also faces a challenging agenda to deliver its decent homes targets.		Yes	We will review key performance indicators for the Council's housing service as part of our Use of Resources and Direction of Travel work.	VFM conclusion/ Direction of Travel

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities / inspection activity
The Council's improvement on BVPIs slowed in 2006/07, with only 46 per cent of BVPIs showing improvement.		Yes	We will review further progress on BVPIs as part of our Use of Resources and Direction of Travel work.	VFM conclusion/ Direction of Travel
Although we assessed the Council's risk management arrangements as 'adequate' from our 2006/07 Use of Resources audit, we did identify weaknesses in the arrangements for maintaining and reporting on the corporate risk register.	The Council is currently updated its corporate risk register.	Yes	We will review further progress in developing risk management arrangements as part of our Use of Resources audit.	VFM conclusion

Appendix 4 – Independence and objectivity

- 1 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.
- 2 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.
- 3 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 the 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).
- 4 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 5 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.
- 6 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 Council on matters which are considered to be of sufficient importance.
- 7 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.

- 8 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 and Inspection 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.
 - The District Auditor and members of the audit team must abide by the Commission’s policy on gifts, hospitality and entertainment.

Appendix 5 – Working together

Meetings

- 1 The audit and inspection team will maintain knowledge of your issues to inform audit and inspection through regular liaison with key officers.
- 2 Our proposal for meetings is as follows.

Table 6 Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Corporate Management Team	District Auditor (DA) Audit Manager (AM) Local Performance Lead (LPL)	Quarterly	General update plus: <ul style="list-style-type: none"> • April - Audit and Inspection Plan; • November - progress on DoT; and • January - Use of Resources update.
Strategic Director/s151 officer	AM and Team Leader (TL)	Every six weeks	Update on audit and opinion issues
Audit Manager (SWAP)	AM and TL	Monthly	Update on audit progress and issues
Corporate Governance Committee	DA and/or AM	As required	Formal reporting of: <ul style="list-style-type: none"> • Audit and Inspection Plan; • Annual governance report; • Annual Audit and Inspection Letter; and • other issues as appropriate.

Sustainability

- 3** The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
- reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate; and
 - reducing travel.

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE, 26 JUNE 2008

REPORT OF THE FINANCIAL SERVICES MANAGER

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

STATEMENT OF ACCOUNTS 2007/08

EXECUTIVE SUMMARY

The Annual Statement of Accounts for 2007/08 is required to be approved by the Corporate Governance Committee. To promote debate on the Annual Accounts, the Financial Services Manager will do a brief presentation 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 2007/08 Statement of Accounts to be formally approved by Members by the end of June.
- 2.3 The 2007/08 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.

3 Statement of Accounts

- 3.1 The format of the Annual Accounts has not changed substantially from the previous year with only some technical accounting amendments when compared to last year. These changes do not 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 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 2007/08 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 2007/08 impacts on all corporate priorities.

6 **Recommendations**

- 6.1 The Committee is recommended to:

a) Approve the Statement of Accounts for 2007/08.

b) Make the following determinations in respect of the year ended 31 March 2008:-

1. Section 42(2)(g)

That £2,091k of expenditure for capital purposes, which was financed by grant, be capitalised.

2. Section 60(2)

That £1,790k of useable capital receipts be applied to meet capital expenditure.

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Financial Services Manager
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TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 26TH JUNE 2008

REPORT OF THE STRATEGIC DIRECTOR (SA)

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

REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT ARRANGEMENTS

Executive Summary

This report updates the Corporate Governance Committee on the effectiveness of the internal audit service provided by the South West Audit Partnership during 2007/08.

1. Background

- 1.1 Internal Audit play a key role in the Councils internal control and governance arrangements. They provide assurance to members and stakeholders on all aspects of the Councils business set out in the Corporate Strategy.
- 1.2 This Councils internal audit function is delivered by the South West Audit Partnership (SWAP).
- 1.3 SWAP was formed in April 2005 to provide an effective internal audit service to Taunton Deane Borough Council and South Somerset District Council. During 2005/06, both Mendip District Council and West Somerset District Council joined SWAP. During 2007/08, Sedgemoor District Council and Somerset County Council joined the partnership.
- 1.4 The Partnership is operated as a Joint Committee – at which Taunton Deane is represented by two elected members.
- 1.5 Each year, authorities are required to review the effectiveness of their arrangements for the provision of internal audit services. This review must be carried out independently of the audit function, and report to those charged with governance arrangements – at Taunton Deane this is the Corporate Governance Committee.

2. Review Findings

- 2.1 The Taunton Deane Borough Council review has been carried out by the Strategic Director Shirlene Adam. The findings have been taken into considerations by the corporate working group preparing the Annual Governance Statement – which this Committee consider later in this agenda.
- 2.2 The review looked not just at the audit service, but at the system of internal audit, including the staffing arrangements, the audit strategy and planning, the approach to risk, and the quality and effectiveness of reporting (all as recommended by the CIPFA Code of Practice for Internal Audit).
- 2.3 The review concluded that the internal audit team performed well, in terms of delivery against audit plan and customer feedback. This view is supported by our external auditors.

- 2.4 Some headlines from the review include:-

Managed Audits completed in year compared to plan	100% (8 out of 8)
Audits completed in year compared to plan	93% (13 out of 14)

- 2.5 There are some areas for focus during 2008/09. The priority areas are:-
1. To implement an audit recommendation management software package across all partners. This is already in place at SCC and when rolled out across other partners, will enable clients to access, manage and monitor audit recommendations online.
 2. To develop a clear business plan for the 2nd 5-year phase of the Partnership.
 3. To ensure the risk management framework recently implemented is embedded in the governance arrangements of the partnership.

3. Recommendation

- 3.1 The Corporate Governance Committee is requested to note the findings of the review of the effectiveness of internal audit 2007/08.

Contact Officer:-

Shirlene Adam

Strategic Director, 01823 356310, s.adam@tauntondeane.gov.uk

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE – 26 JUNE 2008

REPORT OF STRATEGIC DIRECTOR (SA)

ANNUAL GOVERNANCE STATEMENT 2007/08

1.0 EXECUTIVE SUMMARY

- 1.1 This report presents the Council's first Annual Governance Statement, a new requirement on local authorities from 2007/08, prepared in accordance with the corporate governance framework, as required by the Accounts and Audit (Amendment) (Regulations) 2006.

2.0 BACKGROUND

- 2.1 Prior to the financial year 2007/08, local authorities were required to prepare a Statement on Internal Control (SIC) as part of the annual Statement of Accounts. In accordance with the Accounts and Audit (Amendment) (Regulations) 2006, there is now a requirement to review the Council's Local Code of Corporate Governance and to prepare an Annual Governance Statement (AGS). The AGS, like the SIC, is required to be formally approved by Council and signed by the Council's most senior member and officer (Leader and Chief Executive).
- 2.2 In 2007, CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives and Senior Managers) published a framework document and guidance note for 'Delivering Good Governance in Local Government'. The framework, which has been given statutory effect under the 2006 Regulations, defines proper practices for the form and content of a governance statement which meets the requirement to prepare and publish a statement on internal control.
- 2.3 The framework identifies six core principles, each with a set of supporting principles, around which, it is suggested, authorities' local codes should be structured. One of the purposes of the Annual Governance Statement is to report publicly on the extent to which the Council complies with its local code. The AGS should be structured in such a way, therefore, that it follows the format used for the local code and details the level of compliance with the core principles in demonstrating the extent to which the Council is delivering the governance principles.
- 2.4 The core principles, originally developed in 2004 by the Independent Commission on Good Governance in Public Services in the report 'The Good Governance Standard for Public Services' and subsequently adapted by CIPFA/SOLACE for local government purposes, are as follows:

1. Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area;
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 5. Developing the capacity and capability of members and officers to be effective;
 6. Engaging with local people and other stakeholders to ensure robust public accountability.
- 2.5 A Local Code of Corporate Governance has been drawn up in accordance with the corporate governance framework guidance developed by CIPFA/SOLACE and this was submitted to and approved by the Corporate Governance Committee on 17 March 2008.

3.0 ANNUAL GOVERNANCE STATEMENT

- 3.1 In March 2008, the Corporate Governance Committee considered the new corporate governance framework and the requirement to produce a Local Code of Corporate Governance and an Annual Governance Statement.
- 3.2 The principal purpose of the Annual Governance Statement is to provide assurance that the organisation's governance framework is adequate and effective. The AGS is a public report which is intended to demonstrate the extent to which the Council complies with its own code of corporate governance on an annual basis, including how the effectiveness of the governance arrangements have been monitored, and any planned actions in the coming period.
- 3.3 The Annual Governance Statement needs to include the following information:
- An acknowledgement of responsibility for ensuring that there is a sound system of governance;
 - A brief description of the governance framework;
 - A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
 - An outline of actions taken or proposed to deal with any significant governance issues.
- 3.4 The Annual Governance Statement 2007/08 is attached.

4.0 RECOMMENDATIONS

4.1 It is recommended that:

4.2 The Annual Governance Statement for 2007/08 be approved;

4.3 The Corporate Governance Committee monitors progress of the significant issues highlighted in the statement and aides with the preparation of the Annual Governance Statement for 2008/09.

**Shirlene Adam
STRATEGIC DIRECTOR
01823 356310
s.adam@tauntondeane.gov.uk**

TAUNTON DEANE BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2007/08

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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Taunton Deane Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government*". A copy of the code can be obtained on request.

This statement explains how Taunton Deane Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

The purpose of the governance framework

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

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

The governance framework has been in place at Taunton Deane Borough Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts. The framework is described to reflect the arrangements in place to meet the six core principles of effective governance.

The governance framework

On 17 March 2008 the Council adopted a formal code of corporate governance in line with guidance provided by the Chartered Institute of Public Finance and Accounting (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This describes how Taunton Deane Borough Council discharges its responsibilities for putting in place proper arrangements for the governance of its affairs, incorporating the six core principles identified by CIPFA/SOLACE. The framework we have in place to ensure we adhere to the code and the key areas of evidence of delivery are as follows:

Focusing on the purpose of the Council and on outcomes for the community creating and implementing a vision for the local area.

Taunton Deane Borough Council is one of a number of organisations (public sector agencies and private, community and voluntary sector groups) 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. The delivery plan for the Community Strategy is the Local Area Agreement (LAA).

The Council undertook a major consultation exercise with residents during 2007/08 entitled “Your Council, Your Views”, the survey was conducted to seek residents’ views about the Council, its priorities and is an important part of the evidence base that feeds into the production of the Council’s Corporate Strategy. The Council have produced a rolling 3-year Corporate Strategy that builds on that broad agenda to clearly establish the Council’s own set of ambitions and priorities.

The Corporate Strategy sets out detailed objectives and supporting actions under each of the corporate priorities – specifying what Taunton Deane Borough Council will do to secure improvement in each area. In addition, the Corporate Strategy sets out a series of organisational objectives, embodying “how the Council will deliver services” and meet its statutory requirements.

The Corporate Strategy is the Council’s core planning document – from which the Council’s Financial Strategy, Medium Term Financial Plan and annual budget, Asset Management Plan, Capital Strategy and Housing Strategy are formed. Service Plans are produced from the Corporate Strategy to show how each service within the Council will contribute to the delivery of the objectives.

Monitoring reports detailing Best Value and local Performance Indicators performance & progress against the corporate Strategy are reported to the Strategy & Performance Panel every quarter. This panel was created in October 2007 and has helped to ensure that the Council challenges Value for Money more robustly. The report is also circulated to the Executive and the Council’s Corporate Management Team prior to being submitted to the panel. At the year end the outturn report is also presented to the Executive. A dashboard is presented summarising the Council’s

progress against the Corporate Strategy in line with its Corporate objectives, alongside detailed appendices.

During 2007/08 the Council created a Southwest One partnership with IBM, Somerset County Council and Avon and Somerset Constabulary. This partnership will modernise and reduce the cost of many of the Council's services as well as improve access to and delivery of customer-facing services enabling the Council to improve services to the Community.

The Council is also working on a collaborative partnership between all the Somerset Councils entitled Pioneer Somerset. This will offer strong and accountable leadership across the County, reduce duplication, deliver excellent service quality and value for money and give communities a greater say in service provision.

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

During 2007/08 the Council undertook an exercise to set out the roles and responsibilities of each member of the Council's Corporate Management Team. The results of this review are set out in the "CMT Roles and Responsibilities & Priority Tasks document published in early 2008. It sets out the link of each Director to a geographical area of the Borough, to the Community Partnership they chair, to Portfolio Holders, to a group of Ward Councillors and Senior Managers. It also sets out specific priority tasks for the Chief Executive and Directors.

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.

The value of, and emphasis on, engaging in partnership working has increased significantly over recent years. As such, partnership working is playing an increasingly important role in policy development and service delivery. Locally within Taunton Deane the Council is engaged in a number of significant partnerships such as Southwest One, the Waste Partnership, Project Taunton, Audit Partnership, the Local Strategic Partnership etc. With such significant levels of resources (both financial and human) invested/committed to these partnerships it is absolutely crucial that the Council is sure that each partnership is effective and provides value for money. The Council agreed in December 2007 a priority order of partnerships for its Scrutiny function to review starting with the Local Strategic Partnership and has agreed a method for conducting those reviews.

Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Taunton Deane Borough Council has a Standards Committee that is designed to be chaired by, and have a clear majority of independent members. 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. The Committee submitted its annual report to the Council's Corporate Governance Committee in March 2008. During the year a new Model Code of Local Government Conduct was produced by the Government which was adopted by the Council in April 2007 and appropriate training provided for Councillors in May 2007. 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.

Changes to the complaints process for members came into force in May 2008, whereby complaints are now sent to the Council instead of the Standards Board for England. All members have received training on this. In addition there has been a close working relationship with the Monitoring Officer to ensure that all the relevant publicity is being done together with the necessary paperwork being put in place.

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.

Taking informed and transparent decisions which are subject to effective scrutiny and risk management arrangements

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. Although a number of minor changes had been included since 2002, the time had arrived where a more significant review needed to be undertaken.

This need reflected the substantial changes in the Council's approach over Governance and service delivery in recent years. This work will be informed by a small Steering Group set up to work its way through the various changes needed. This work would then be taken to full Council for its approval.

All significant decisions are made by the Executive which consists of the Leader together with 8 Councillors and carries out all of the Council's functions which are not the responsibility of any other part of the Council. Apart from the Council itself, the Executive is the main decision making body and makes decisions on matters which have been delegated to it.

Council meetings are open to the public (with the exception of items that are exempt under the Access to Information Act) and the Council makes every effort to advertise meetings, communicate decisions and minutes of meetings to ensure that they are available to the public.

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 the Overview and Scrutiny Board set up in October 2007 which in turn sets up a number of Task and Finish Groups to look at specific issues. The groups have the freedom to make recommendations on future policy options, and to review the general policy and service delivery of the Council and have access to external experts. During the year 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.

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.

The Council has in place a Risk Management Strategy which has been updated and enhanced during 2006 setting out clear lines of responsibility for risk management across the Council.

Although at a corporate level good progress has been made in implementing risk management with a comprehensive strategic risk register now in place as well as individual registers covering all major corporate projects risk management is still not truly embedded within the Council at a service level.

Members of the Council's Corporate Governance Committee have undergone training in Risk Management during the year and received 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.

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.

The Council has well-developed robust budget monitoring arrangements. Regular reports are presented to the Strategic Director, with quarterly exception reports considered by Corporate Management Team 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.

Developing the capacity and capability of members and officers to be effective in their roles

The Council aims to ensure that officers and members have the knowledge, capacity and skills they need to undertake their duties. 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 to discuss their capacity and capability to ensure that they can carry out their jobs. Any identified gaps are then plugged by training and development opportunities. All new members and officers undertake an induction to ensure that they get an appreciation of the policies, procedures, values and aims of the Council.

The Council has undertaken a significant programme of management development over the last year to ensure its leadership team is equipped to support the challenging change programme that lies ahead. In addition, a breakthrough project, to enable all Members to have the skills to be the very best they can be has been underway throughout the year.

In addition, the Council is in the process of developing the skills of its members and is using the Member Development Charter in order to do this. This will ensure that the members are fully equipped with the skills they need in order to be effective leaders in their community.

Engaging with local people and other stakeholders to ensure robust public accountability

The Council takes account of council taxpayers concerns at the level of council tax, feedback from consultation and the needs and aspirations of local people.

The purpose of consultation is to inform the decisions taken by the Council, to help make the best decisions based on the views of the community and the wider information available to the Council. The Council consults using a variety of methods, which include public meetings, forums, surveys, and focus groups.

Within the Council a Consultation and Research Officer is responsible for the development of a forward plan of consultation. This is to help ensure that consultation is consistent, of a high quality and in order to, where possible, avoid members of the public suffering from "consultation overload"; by being invited to take part in a number of different consultation exercises around the same time.

The Council has recently started to include a full page spread with the Somerset County Gazette which allows it to communicate the Council's vision and priorities. The paper is widely read and ensures that the Council can effectively reach large parts of the community on a regular basis.

In addition, the Council has supported the launch of 3 Community Partnerships across the Deane over the last year. These are multi-agency forums to enable and facilitate more effective community engagement at a local level.

Review of effectiveness

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

The review for the 2007/08 statement was carried out by a working group made up of Strategic Directors, the Council's Group Auditor and Scrutiny and Performance Manager. 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 Council's Corporate Management Team prior to approval by the Corporate Governance Committee in June 2008 (where the accounts are presented for approval). The Overview and Scrutiny Board will consider the full Annual Governance action plan at their July 2008 meeting.

The Council's Corporate Governance Committee approved a Code of Governance for the Council and a process for assessing the effectiveness of the governance framework on an annual basis in March 2008.

The results of the review have been shared with representatives of the Council's Corporate Governance Committee in June 2008 for them to consider. The Council has been informed on the implications of the result of this review and a plan has created to address the weaknesses identified and to ensure continuous improvement of the Council's governance arrangements is in place.

Significant governance issues

During the year the Group Auditor (South West Audit Partnership) brought a number of control issues to the attention of the Council's Corporate Governance Committee. The opinion of the Internal Auditors was that the control framework was reasonable. There were however a few areas where it was not working well in practice, these included payroll (issues over the authorisation of expenditure) and Housing Rents (teething problems in the implementation of the new system). The Internal auditors were pleased to find that managers have already taken action to deal with these issues or are dealing with them currently.

The audit did not find any major control issues, but identified a number of actions need to be carried out during 2008/09 to strengthen the control framework. These include:

Corporate Governance

- To ensure that the Code of Corporate Governance is publicised internally and externally and regularly monitored to ensure that the Council is complying with it.

Partnership Working

- To continue the work that the Council has started through its task and finish groups in reviewing the corporate governance arrangements in

relation to partnership working to ensure that the partnerships add value.

- To develop partnership standards and a checklist for partnership working to ensure that there are clear governance arrangements and accountabilities in place when working with partners.
- To closely monitor the impact of the some large projects which will have a significant impact in 2008/09 including Pioneer Somerset and Southwest One. The Council will continue to ensure that it manages risks which arise from these developments and will ensure that our governance arrangements continue to be fit for purpose.

Scrutiny

- To continue to develop the council's Scrutiny function and produce an annual report on the Scrutiny function.

Staffing & Customers

- To ensure that staff are regularly updated on major projects / initiatives that will affect the Council such as Southwest One and Pioneer Somerset.

Health and Safety / Risk Management

- To review the Risk Management Process to ensure it is fit for purpose, streamlined and effective.
- To take Health & Safety forward, highlighting priority issues needing addressing to raise Health & Safety, knowledge and performance within the Council.
- To develop effective business continuity plans at a service level and corporately across the Council.

Financial Systems Issues

- To review the operation of the internal controls governing the processing of Payroll data.

Performance / Financial Management

- To develop the Council's Asset Management arrangements.
- To fully review the Constitution and Financial Regulations during 2008/09.

The Council proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Ross Henley
Leader of the Council

Signed:

Penny James
Chief Executive

South West Audit Partnership

A Report to the Corporate Governance Committee

Annual Report 2007/2008

1. PURPOSE

The Accounts and Audit Regulations (England) 2003 requires public authorities to publish an Annual Governance Statement (AGS).

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. Guidance from the CIPFA Finance Advisory Network states that "the Head of Internal Audit should provide a written annual report to those charged with governance timed to support the Annual Governance Statement".- *Meeting the Requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment)(England) Regulations 2006 (IPF Publication).*

The same reports states that the annual report from the Head of Internal Audit should:

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

The purpose of this report is to satisfy this requirement.

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 which is reviewed annually and the CIPFA Code of Practice for Internal Audit in Local Government. Following a favourable triennial review by the Audit Commission the Charter was updated approved by the Corporate Governance Committee at its meeting on 24 September 2007.

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

- 4 -Year Plan of Operational Audit Reviews
- Annual Review of Key Financial System Controls

3. INTERNAL AUDIT WORK PROGRAMME FOR 2007/2008

3.1 OPERATIONAL AUDITS

Operational Audits are a detailed evaluation of a service's control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated. In total 14 operational audits were planned, however, 3 of these reviews were not completed and with the approval of the Head of Financial Services, 1 review has been rescheduled for 2008/09. A further 3 Audits were completed from the previous year.

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** - 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.

Where low to medium control or administrative weaknesses are identified, normal expectation is for reviewed areas to be assessed into the 'Reasonable' category of assurance. However, where the assessed area falls below 'Reasonable', management is expected to address the risks identified as a matter of priority and monitor their progress against the agreed action plan.

The following is a summary of the reviews. Those completed at least to draft stage have resulted in 84 agreed actions for improvement:

3 audits were completed from the previous year:

- CORPORATE POLICY AND PERFORMANCE - (BVPI'S ONLY)
- COUNCIL TAX (7) - ▲★★★ **Reasonable**
- NATIONAL NON-DOMESTIC RATES (2) - ▲★★★ **Reasonable**

7 audits were completed and final reports issued:

- FINANCIAL MANAGEMENT (5) - ▲★★★ **Reasonable**
- HEALTH AND SAFETY AT WORK (14) - ▲★★★ **Reasonable**
- HOUSING RENTS (5) - ▲★★★ **Partial**
- REGISTER OF ELECTORS (6) - ▲★★★ **Reasonable**
- RISK MANAGEMENT (13) - ▲★★★ **Partial**
- TRAINING AND DEVELOPMENT (3) - ▲★★★ **Reasonable**
- WASTE AND RECYCLING (0) - ▲★★★ **Reasonable**

4 audits are at draft stage:

- DEMOCRATIC SERVICES (6) - ▲★★★ Reasonable
- HOUSING BENEFITS (10) - ▲★★★ Reasonable
- HOUSING BENEFIT FRAUD (6) - ▲★★★ Reasonable
- RENOVATION GRANTS (7) - ▲★★★ Reasonable

For the following 2 audits, testing has been completed and a draft report will be issued shortly:

- CEMETERY AND CREMATORIUM
- HOUSING REPAIRS

Housing and Homelessness was not completed from the plan with agreement of management.

3.2 MANAGED AUDITS

Managed audits are completed to assist the External Auditor in their assessment of the Council's financial control environment. In addition the following reviews have been completed which resulted in 41 agreed actions for improvement:

- CAPITAL ACCOUNTING (2)
- PAYROLL (7)
- TREASURY MANAGEMENT (0)
- CREDITORS (9)
- DEBTORS (6)
- COUNCIL TAX (6)
- NNDR (6)
- SYSTEM ACCESS AND BACKUPS (5)

The External Auditors are likely to focus on these weaknesses when they carry out their work to sign off the Council's final accounts. Therefore a summary of all actions arising from the Managed Audits has been provided to the Head of Financial Services who has undertaken to monitor these through to completion. However, it should be noted that the weaknesses identified are mainly of an administrative nature. In the case of NNDR, the risks centred on a lack of supervisory review. On the whole I am able to offer reasonable assurance that key financial controls are in place and working as intended.

4. OTHER ACTIVITIES

A partnership review of Sickness was performed which led to an opportunity to share best practice across the County.

Management also requested a review of Concessionary Bus Fares, which again was completed on a partnership basis.

In addition to the above activities Internal Audit continue to provide support and advice to management on a wide range of internal control and risk matters including the facilitation of ad-hoc risk sessions. In addition the Group Auditor acts as the Data Protection Officer, providing necessary advice and dealing with Information Management issues. The Group Auditor also acts as the Key Contact for the National Fraud Initiative and coordinates the Council's response.

5. SWAP - PERFORMANCE

In 2007 SWAP expanded to include Sedgemoor District Council (July 2007) and Somerset County Council (October 2007), meaning that it now covers all five Somerset Districts and the County Council. Performance standards are maintained across the partnership and in 2008/09 SWAP are introducing a new web based auditing system (MKInsight) to improve management information and increase the flexibility of its staff.

With regards to TDBC on the plan for 2007/08 performance was as follows:

Operational Audits completed in year compared to the plan:	13 out of 14 (93%)
Number of actions for improvements agreed by managers:	84
Managed Audits completed in year compared to plan:	8 out of 8 (100%)
Number of actions for improvements agreed by managers:	41
Additional reviews completed not in plan:	2

6. TDBC – SUMMARY OF ACITVITY

Compared to the audit reviews from last year, there has been a slight decline in the number of services receiving a reasonable assurance and two services given “partial” assurance.

For all of the reviews an agreed action plan has been drawn up with the cooperation of the service management to address identified control weaknesses.

The managed audits of the key financial systems did not identify any serious concerns. Although there were 41 agreed actions resulting from these reviews they were of an administrative nature and the findings would not have had an impact on the Council’s final accounts. The Strategic Director has been provided with a record of the 41 actions and has agreed to monitor progress through to completion.

The areas of particular concern were:

Risk Management – The auditor’s opinion of partial assurance was summarised as follows:

“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.”

Housing Rents - The auditor’s opinion of partial assurance was summarised as follows:

“Although many of the areas tested were found to be well controlled there were some significant weaknesses including tenancy post inspection visits and the Council’s poor performance in the collection of Housing Rent arrears. Although performance had stabilised during 2006/07 it has fallen during the first quarter of 2007/08. The collection

of Housing Rents is fundamental in the provision of the service, it is hoped that once the implementation of the new Academy System has been concluded management will be able to refocus their efforts on the collection of arrears.”

It has been noted that since the audit has been completed performance has improved with the collection for the 4th quarter of 2007/08 exceeding the target. 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 process mapping exercise being undertaken as part of the Southwest One will help to address this area of weakness.

Main Accounting System:

SWAP's review of the Council's Main Accounting System picked up on the ongoing issue that faces 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 will be addressed as part of the implementation of SAP.

Payroll:

Through the audit review, it has been established that the majority of key controls are operating as expected and as such Management and Staff should be assured that overall, the Payroll System appears to be adequately controlled with improvement on the previous years' review. However, authorisation is a fundamental control for payroll and clarity over this area needs to be resolved including the use of email.

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.

7. TDBC - 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.

Chris Gunn
Group Auditor
June 2008

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 26th June 2008

INTERNAL AUDIT PLAN – PROGRESS REVIEW

REPORT OF THE GROUP AUDITOR (South West Audit Partnership) This matter is the responsibility of Councillor Henley, 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 March 2008.

1. Purpose of Report

To provide members with update on the activities of the Internal Audit team for the period April 2008 to June 2008.

2. Work undertaken by Internal Audit April 2008 to June 2008

Operational Audits - Operational audits are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated. For Operational Audits SWAP aim to provide management and Members with a level of assurance on the robustness of the internal control environment. The following categories of assurance have been agreed:

<p>▲ ★ ★ ★ Full Assurance</p>	<p>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.</p>
<p>▲ ★ ★ ★ Reasonable Assurance</p>	<p>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</p>
<p>▲ ★ ★ ★ Partial Assurance</p>	<p>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.</p>
<p>▲ ★ ★ ★ No Assurance</p>	<p>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.</p>

Only 1 operational audit has been finalised since the Committee last met in March 2008 as below:-

Health and Safety at Work ▲★★★ **Reasonable Assurance** - I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Although the report makes fourteen recommendations for improvement, it has not identified any high risks that are not being managed. Several of the findings have highlighted an insufficient audit trail but it is likely that tasks have been performed but not recorded. As such, reasonable assurance has been provided and generally the service is meeting its statutory obligations. An action plan has been agreed with management address the issues raised in the review.

Managed Audits – The Managed Audit process focuses primarily on key risks relating to the Council's major financial systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. Managed audits are completed to assist the External Auditors in their assessment of the Council's financial control environment.

All of the Managed audits have been completed by SWAP as detailed below :-

Council Tax – Concerns noted during this review are that amendments to accounts are not checked and discounts awarded are not checked. However, It has to be noted that since the implementation of the IBS System considerable progress has been made in addressing the areas of weakness identified in last year's review. Procedural guides, a reduction in the backlog of work and system resilience all now leading to the reduction of risk. The creation of a specialist system team has further strengthened the service. I have found that the majority of key controls are operating as expected and as such Management and Staff should be assured that overall, the controls and procedures in place for the billing and collection of Council Tax appear to be adequately controlled.

NNDR - Most of the weaknesses identified were of an administrative nature; however testing identified delays in the recovery process, a lack of review of rate relief and limited checking of work due to the relatively small size of the team. An action plan has been agreed with management to address the issues raised in the review. It has to be noted that since moving onto the IBS system the service has made considerable progress on a number of issues and is now more resilient should a key member of staff be unavailable for an extended period. The option exists to bring in specialist agency workers with IBS experience or (as has been the case) to arrange for a data processing agency to process work remotely.

Creditors – My main concerns are around weak system access controls, lack of a detailed procedural manual and the inability of the current system to disable duplicate creditor numbers. Whilst some of these weaknesses identified are administrative addressing these issues, along with the others included within the review will serve to enhance the controls already in place.

Debtors – The review found that there were issues over the provision of management information to services raising sundry debtor accounts, weak user access controls and controls in place governing the cancelling of sundry debtor accounts. 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.

Capital Accounting - The review identified that the Council has to produce a money laundering policy and improve the level of detail on the Council's Asset Register. Otherwise, the majority of the key controls are operating as expected and improvements have been noted in the security arrangements governing access to the Asset Register.

Payroll - Throughout the review, it has been established that the majority of key controls are operating as expected and as such Management and Staff should be assured that overall, the Payroll System appears to be adequately controlled with improvement on the previous years' review. During testing it was identified that there were issues over the controls surrounding the authorisation processes in place. An action plan has been agreed with management to address the issues raised in the review.

3. Workload Update

The following reviews from the 2007/08 audit plan are in progress for quarter 4:-

Audit area	Type of review	Progress
Democratic Services	Operational Review	Draft Report
Housing Repairs	Operational Review	Draft Report
Cemetery & Crematorium	Operational Review	Production of Draft Report
Housing Benefits Fraud	Operational Review	Draft Report
Renovation Grants	Operational Review	Draft Report

The following reviews from the 2008/09 audit plan are in progress for quarter 1:-

Audit area	Type of review	Progress
Insurances	Operational Review	Testing underway
Transport Policy	Operational Review	Audit underway

4. Recommendation

The Committee should note the content of this report.

Contact Officer:-

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