

You are requested to attend a meeting of the Corporate Governance Committee to be held in The John Meikle Room, The Deane House, Belvedere Road, Taunton on 24 May 2010 at 18:15.

Agenda

- 1 Appointment of Chairman
- 2 Appointment of Vice-Chairman
- 3 Apologies.
- 4 Minutes of the meeting of the Corporate Governance Committee held on 15 March 2010 (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 Annual External Audit Fee 2010/2011 (attached)
Reporting Officer: Maggie Hammond
- 8 Audit Commission Opinion Audit Plan (attached)
Reporting Officer: Maggie Hammond
- 9 Review of Effectiveness of Internal Audit Arrangements. Report of the Strategic Finance Officer (attached)
Reporting Officer: Maggie Hammond
- 10 Annual Governance Statement 2009/2010. Report of the Strategic Finance Officer (attached)
Reporting Officer: Maggie Hammond
- 11 International Financial Reporting Standards. Report of the S151 Officer and Financial Services Manager (attached)
Reporting Officers: Maggie Hammond
Paul Fitzgerald

- 12 Internal Audit - Annual Opinion Report 2009/2010. Report of the Group Auditor, South West Audit Partnership (attached)
Reporting Officer: Chris Gunn
- 13 Petition Scheme. Report of the Legal and Democratic Services Manager (attached)
Reporting Officer: Tonya Meers
- 14 Forward Plan. Future items for consideration by the Corporate Governance Committee (attached)

Tonya Meers
Legal and Democratic Services Manager

21 May 2010

Members of the public are welcome to attend the meeting and listen to the discussions.

There is time set aside at the beginning of most meetings to allow the public to ask questions.

Speaking under “Public Question Time” is limited to 4 minutes per person in an overall period of 15 minutes. The Committee Administrator will keep a close watch on the time and the Chairman will be responsible for ensuring the time permitted does not overrun. The speaker will be allowed to address the Committee once only and will not be allowed to participate further in any debate.

If a member of the public wishes to address the Committee on any matter appearing on the agenda, the Chairman will normally permit this to occur when that item is reached and before the Councillors begin to debate the item.

This is more usual at meetings of the Council’s Planning Committee and details of the “rules” which apply at these meetings can be found in the leaflet “Having Your Say on Planning Applications”. A copy can be obtained free of charge from the Planning Reception Desk at The Deane House or by contacting the telephone number or e-mail address below.

If an item on the agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group.

These arrangements do not apply to exempt (confidential) items on the agenda where any members of the press or public present will be asked to leave the Committee Room.

Full Council, Executive, Committees and Task and Finish Review agendas, reports and minutes are available on our website: www.tauntondeane.gov.uk



Lift access to the John Meikle Room and the other Committee Rooms on the first floor of The Deane House, is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available off the landing directly outside the Committee Rooms.



An induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter.

For further information about the meeting, please contact Democratic Services on 01823 356382 or email d.durham@tauntondeane.gov.uk

Corporate Governance Committee Members:-

- Councillor B Denington
- Councillor A Govier
- Councillor R Henley
- Councillor M Whitmarsh
- Councillor J Thorne
- Councillor A Beaven
- Councillor A Wedderkopp
- Councillor N Wilson
- Councillor J O'Brien
- Councillor S Coles
- Councillor L James

Corporate Governance Committee – 15 March 2010

Present: Councillor Williams (Chairman)
Councillor A Wedderkopp (Vice-Chairman)
Councillors Beaven, Critchard, Denington, Govier, Henley, Paul,
Stuart-Thorn, Mrs Whitmarsh and Mrs Wilson

Officers: Adrian Gladstone-Smith (Performance and Client Lead), Dan Webb (Performance and Client Officer), Tonya Meers (Legal and Democratic Services Manager), Chris Gunn (Group Auditor, South West Audit Partnership), Maggie Hammond (Strategic Finance Officer), David Woodbury (Health and Safety Advisor) and Gill Croucher (Democratic Services Officer)

Also Present: Mrs A Elder (Chairman, Standards Committee) and Mr T Bowditch (Audit Commission)

(The meeting commenced at 6.15 pm)

1. Apology/Substitution

Apology: Councillor O'Brien
Substitution: Councillor Stuart-Thorn

2. Minutes

The minutes of the meeting held on 10 December 2009 were taken as read and were signed.

3. Declarations of Interest

Councillors Govier, Henley and Paul declared personal interests as Members of Somerset County Council.

4. Standards Committee Annual Report 2009

Mrs Anne Elder, Chairman of the Standards Committee, presented the Annual Report of the Standards Committee for 2009.

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 three Parish Council representatives and one Councillor each from the political groups on the Council. There was a requirement for the Chairman to be chosen from the independent members.

In the last year Anne Elder had been re-appointed Chairman of the Standards Committee and Maurice Stanbury had been re-appointed Vice-Chairman. There was currently a vacancy for a Parish Council representative.

The Standards Committee was responsible for:-

- Promoting and maintaining high standards of conduct by Councillors and co-opted Members;
- Assisting the Councillors and co-opted Members to follow the Code of Conduct;
- Advising the Council on the adoption or revision of the Code of Conduct;
- Monitoring the effectiveness of the Code of Conduct;
- Training or arranging to train Councillors and any co-opted Members on matters relating to the Code of Conduct;
- Assessing and reviewing complaints about Members;
- Conducting Determinations Hearings;
- Granting dispensations to Councillors and any co-opted Members with prejudicial interests; and
- Granting exemptions for politically restricted posts.

Mrs Elder gave a review of the past year that included:-

Local Assessment Framework - six complaints had been dealt with under the new Local Assessment Framework, one of which was withdrawn and the others considered by an Assessment Sub-Committee. Three of the complaints had been referred for investigation;

The continued strengthening of links with Parish Councils;

Raising the profile of the Standards Committee;

Members of the Committee had been represented at the Annual Assembly of Standards Committee, the South West Independent members Group and the annual Standards Board for England Conference;

Most Councillors continued to recognise the benefits of high ethical standards and the level of advice sought on ethics and probity was reassuring following the successful training sessions that had taken place on the new Code of Conduct. Refresher training sessions would be delivered on an annual basis;

Limited resources continued to be available to the Committee. However, for the Committee to make a full and effective delivery, further resources would be necessary if the workload should increase substantially.

The Chairman thanked Mrs Elder for her very informative report.

Resolved that the report be noted.

5. Risk Management Update

Considered report, previously circulated, updating Members on the current position of Risk Management, the process by which risks are identified, evaluated and controlled and was one of the key elements of the Corporate Governance framework.

Reported that progress made in the implementation of Risk Management was as follows:-

- The Risk Management Strategy had been updated and approved by the Corporate Management Team (CMT);
- A new Risk Management Action Plan had been produced and approved by CMT;
- CMT had reviewed the Corporate Risk Register (January and February 2010);
- An internal audit of Risk Management had been undertaken;
- An annual risk reporting and management cycle had been documented and was being implemented and monitored; and
- A revised Risk Register and guidance note had been included in the Service Plan template.

Members requested that an update on Risk Management should be reported on a quarterly basis.

Resolved that:-

1. The Corporate Risk Register, including the risks and control measures, be noted; and
2. The progress with Risk Management, the Internal Audit review and the actions planned be noted.

6. Corporate Governance Action Plan

Considered report, previously circulated, giving details of the progress made against the Corporate Governance Action Plan.

Each year the Council received a number of reports and assessments which resulted in recommendations for improvement. Individual action plans had proved challenging to manage and monitor and, therefore, an aggregated plan provided the details of the scale of improvements required and progress against them in one place.

The Corporate Governance Action Plan listed 68 actions, details of which were submitted.

Good progress had been made and there were no items off target and few where concerns existed.

Categories where doubts had been expressed about achieving improvement by the target dates were submitted and included the following:-

- Business Continuity – to address the weaknesses identified by Internal Audit in the Council's disaster recovery arrangements;
- Corporate Governance – (a) to give a health check on the ethical governance framework; (b) to review the Constitution;
- Equalities and Diversity – to improve the access to buildings for disabled people;
- Transformation – to continue to monitor Southwest One's delivery, to ensure that benefits realisation and the transformation of services was delivered on time and within budget;
- Value for Money – (a) the use of benchmarking more systematically to challenge service costs and delivery arrangements; (b) targeting efficiency savings at those areas which currently provided poor value for money compared to other Councils; and
- Workforce Planning – to prepare an up to date workforce plan.

Resolved that the Corporate Governance Action Plan be noted.

7. Regulation of Investigatory Powers Act 2000

Considered report previously circulated, concerning the new statutory instruments that had been granted under the Regulation of Investigatory Powers Act 2000.

The Council had officers of sufficient seniority to act as authorising officers and were trained to ensure that the Council used the legislation appropriately.

The regulations relating to the issue of revised codes of practice had been issued to give effect to the 2010 Regulations.

Members requested that an updated on the Regulation of Investigatory Powers Act 2000 be made on a quarterly basis.

Resolved that the report be noted.

8. Regulation of Investigatory Powers Act 2000

Tonya Meers, Head of Legal and Democratic Services, reported that every Local Authority was required to have a Policy under the Regulation of Investigatory Powers Act 2000 in order to ensure all the relevant processes and procedures were in place to carry out covert surveillance. Details of the Policy were submitted.

The Policy would be monitored by the Corporate Governance Committee and would also be inspected every three years by the Office of Surveillance Commissioners.

Resolved that the report be noted.

9. Member/Officer Protocol

Considered report previously circulated, giving details of the revised Member/Officer Protocol for inclusion in the Constitution.

The revised Member/Officer Protocol had been approved by the Standards Committee, the Corporate Management Team and the Constitutional Sub-Committee.

Resolved that the revised Member/Officer Protocol be approved.

10. Code of Corporate Governance

Reported that the principals for a local Code of Corporate Governance had been approved by this Committee in 2008. However, the Code had not yet been published or put into practice.

The Code had now been published and would be used in conjunction with the preparation of the Annual Governance Statement. It would also help to focus the Corporate Governance Action Plan.

Resolved that the Local Code of Corporate Governance be noted.

11. Internal Audit – Review of Internal Audit Charter

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

Details of the Internal Audit Charter were submitted for consideration and review by Members.

Resolved that the Internal Audit Charter be adopted.

12. Internal Audit Plan 2010/2011

Submitted for consideration the Internal Audit Plan 2010/2011.

The Plan was derived from a five year strategic audit plan that covered all activities of the Council and was devised with the co-operation and approval of senior management. The strategic plan was risk based and was co-ordinated with the audit plans of the other members of the South West Audit Partnership (SWAP).

The Plan had been drawn up to reflect the wide range of work undertaken by the Internal Audit Section and comprised four main areas of activity:- Operational Reviews; Governance, Fraud and Corruption; Key Control Audits and Other Audit Activity.

Details of the reviews planned for 2010/2011 were submitted for consideration by Members.

Members requested that the Internal Audit Plan reflected areas identified in the Risk Register.

Resolved that the Internal Audit Plan for 2010/2011 be agreed.

13. Internal Audit Plan – Progress Review

Considered report previously circulated, which provided an update on the significant findings and recommendations since December 2009.

Details were also reported of the operational audits completed for the period between January and March 2010 which included the main issues raised and the management responses.

Details of the reviews and managed audits currently underway were also provided.

Members requested that a report giving details of the performance of Taunton Deane Borough Council compared to other councils within the South West Audit Partnership be provided at the next meeting.

Resolved that the report be noted.

14. Forward Plan

Resolved that an update on health and safety across the Organisation be added to the Forward Plan.

(The meeting ended at 7.56 pm)

Declaration of Interests

Corporate Governance Committee

- Members of Somerset County Council – Councillors Govier, Henley and Paul

Taunton Deane Borough Council

Corporate Governance Committee – 24 May 2010

Annual External Audit Fee

Report of the Strategic Finance Officer

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

1. Executive Summary

This report is **for information only** and sets out the proposed external audit fees for 2010/11, and indicative timescales for the audit work

2. Background

- 2.1 To share details of the external audit fees, and the focus of the external audit work for 2010/11 with members of the Corporate Governance Committee.

3. The Letter

- 3.1 The letter from the Audit Commission details both the audit fees and the audit and inspection work for 2010/11.
- 3.2 The letter is contained in Appendix A.

4. Finance Comments

- 4.1 The proposed audit fees are within the Council's approved budget.

5. Legal Comments

- 5.1 There are no legal issues.

6. Environmental and Community Safety Implications (if appropriate, such as Climate Change or measures to combat anti-social behaviour)

- 6.1 There are no direct environmental and community safety implications

7. Equalities Impact

7.1 There are no direct equalities implications

8. Partnership Implications

8.1 There are no partnership implications

9. Recommendations

9.1 Members of the Corporate Governance Committee are requested to note the information provided re 2010/11 external audit work and the associated fees.

Contact: Maggie Hammond
01823 358698
m.hammond@taintondeane.gov.uk

6th April 2010

Ms M Hammond
Strategic Finance Officer
Taunton Deane Borough Council
Deane House
Belvedere Road
Taunton
Somerset

Direct line 01823 273178

Dear Maggie

Annual fee 2010/11

I am writing to confirm the audit and inspection work and fees proposed for the 2010/11 financial year at Taunton Deane Borough Council. The fee for audit work is based on the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2010/11. For inspection, it is based on the Comprehensive Area Assessment (CAA) framework and associated guidance. This is the responsibility of Sophie Trim, the CAAL and I have consulted with Sophie on this element of the proposal.

As I have not yet completed my audit for 2009/10 my risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary. However, it is clear from the work to date that there are a number of issues relating to the implementation of SAP from April 2009 that I will need to consider when planning my opinion audit for 2010/11.

The inspection plan will also be reviewed and updated as necessary by Sophie Trim in discussion with you.

The total indicative audit and inspection fee for 2010/11 is £143,567, which compares to the planned fee of £113,920 for 2009/10. A summary of this is shown in the table below. The main reasons for the increase are the inclusion of the Strategic Housing Inspection in our 2010/11 programme and the introduction of International Financial Reporting Standards, although the increase in the audit fees also reflects the SAP issues referred to above.

Audit area	Planned fee (£) 2010/11	Planned fee (£) 2009/10
Financial statements	83,270	72,184
Use of Resources/VFM Conclusion [including risk based work]	31,560	31,400
WGA	2,020	2,016
Total audit fee	116,850	105,600
Inspection work (provided by CAAL)		
Managing performance assessment	8,320	8,320
Strategic housing inspection	18,397	-
Total audit and inspection fee	143,567	113,920
Certification of claims and returns	34,250	34,500

The Audit Commission has published its work programme and scales of fees 2010/11. A copy of this document can be found on the Audit Commission's website. My proposed audit fee is 2.9% below scale.

The work programme published by the Commission signalled a 6% increase from the previous year to take account of additional audit work arising from the introduction of International Financial Reporting Standards and this is reflected in my proposal. This represents our best estimate of the additional costs associated with IFRS transition in 2010/11. The Audit Commission's Chief Executive set out the background to this in his letter of 5 February 2009. He has also confirmed that the Audit Commission will make a direct refund to you of part of this fee.

In terms of this significant change to your accounting framework, I would like to take this opportunity to remind you that those charged with governance within the Council are responsible for ensuring you are prepared for the introduction of IFRSs. Although I do not have direct audit responsibilities in respect of balances at the transition date these do form the opening balances for the comparative period, I will therefore consider your risk assessment process and gap analysis to inform my ongoing risk assessment.

Changes in International Auditing Standards will also increase the audit procedures I need to carry out. In line with the fee proposals for 2010-11, the Audit Commission will absorb the cost of these additional requirements within the above fee.

A separate opinion plan for the audit for the financial statements will be issued to you once my ongoing work is sufficiently advanced. This will detail any risks identified, planned audit procedures and any changes in fee.

In considering the scope and nature of my audit, I wish to draw your attention to the following documents, which are available via the Audit Commission's website (www.audit-commission.gov.uk)

- Statement of responsibilities of auditors and audited bodies;
- Code of audit practice.

If I need to make any significant amendments to the audit fee during the course of this plan, I will first discuss this with the Strategic Finance Officer and then prepare a report outlining the reasons why the fee needs to change for discussion with the Corporate Governance Committee.

For the purposes of setting this fee, I have assumed that my use of resources assessments will continue to be based on the key lines of enquiry as set out in the Audit Commission's work programme and scales of fees 2010/11. These are:

- Managing Finances;
- Governing the business; and,
- Managing Resources.

You will be aware that the Audit Commission is currently undertaking a review of the Use of Resources framework and my work and associated fee may need to be reassessed when the outcomes of this review are published.

The management performance assessment will contribute to the Council's overall Organisational Assessment score under the CPA regime. As such, it is the responsibility of the CAA Lead and the overall fee above is subject to a rebate from central Government of £6,085 to partially cover this element of your assessment.

Following discussions with officers we have included a strategic housing inspection in our planned programme. As CAA Lead for Somerset, Sophie Trim will write to you if any significant amendments are needed to the inspection plan or assessment fee during the course of the year. She will first discuss this with you.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes work the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key contact for the audit is the audit manager, Chris Peachey, who can be contacted on 0844 798 3710.

I am 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 me in the first instance. Alternatively you may wish to contact the South West Head of Operations, Bill Sanderson (b-sanderson@audit-commission.gov.uk).

Yours sincerely

Brian Bethell
District Auditor

cc Ms P James, Chief Executive
cc Mr J Williams, Chair, Corporate Governance Committee

Appendix 1: Planned outputs

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

Table 1

Planned output	Indicative date
Opinion audit plan	December 2010
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	September 2010
Final accounts memorandum (to the Assistant Director – Finance and Corporate Services)	October 2011
Strategic housing inspection report	November 2011
Annual audit letter	November 2011

Taunton Deane Borough Council

Corporate Governance Committee – 24 May 2010

Audit Commission Opinion Audit Plan

Report of the Strategic Finance Officer

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

1. Executive Summary

This report is for information only and sets out the work on statement of accounts for 2009/10

2. Background

- 2.1 The Audit Commission have shared with Taunton Deane Borough Council its plan for auditing the 2009/10 statement of accounts. This plan is shared with this committee

3. The Audit Plan

- 3.1 The plan is contained in Appendix A
- 3.2 The plan covers such items as the fees for performing the audit, identifying risks and testing strategy.
- 3.3 The audit is a risk based audit and reflects the work specified by the Audit Commission, any national risks relevant to Taunton Deane Borough Council and also our local risks

4. Finance Comments

- 4.1 The proposed audit fees are within the Council's approved budget, however should the fee increase due to additional work being carried out by the Audit Commission then there would be an overspend on that budget.

5. Legal Comments

- 5.1 There are no legal comments

6. Equalities Impact

6.1 There are no direct equalities implications

7. Partnership Implications

7.1 SWOne prepare Taunton Deane Borough Council's statement of accounts and are aware that the Audit Commission may need to perform additional checks and that they may need to aid the commission in this work.

8. Recommendations

8.1 Members of the Corporate Governance Committee are requested to note the information provided re 2009/10 opinion audit plan.

Contact: Maggie Hammond
01823 358698
m.hammond@tauntondeane.gov.uk

Audit Opinion Plan

Taunton Deane Borough Council

Audit 2009/10

February 2010



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Introduction

- 1 This plan sets out the audit work that we propose to undertake for the audit of the financial statements for the year ended 31 March 2010. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:
 - audit work specified by the Audit Commission for 2009/10;
 - current national risks relevant to your local circumstances; and
 - your local risks.

Responsibilities

- 2 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.
- 3 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.
- 4 We comply with the statutory requirements governing our audit work, in particular:
 - the Audit Commission Act 1998; and
 - the Code of Audit Practice.

Fee for the audit of financial statements

- 5 The fee for the audit is £105,600, as indicated in my letter of 21 April 2009, with the element for the audit of financial statements being £74,200.
- 6 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of accounts is consistent with that for 2008/09; and
 - Internal Audit undertakes appropriate work on all material systems and this is available for our review by 28 February 2010.
- 7 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, we will discuss this in the first instance with the Strategic Finance Officer and we will issue supplements to the plan to record any revisions to the risk and the impact on the fee.
- 8 Further information on the basis for the fee is set out in Appendix 1.

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

- 9 The Audit Commission requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, we will work with staff to identify any specific actions that the Council could take and to provide ongoing audit support.

Auditors report on the financial statements

- 10 I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 11 I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2010.

Identifying opinion audit risks

- 12 As part of our audit risk identification process, we need to fully understand the audited body to identify any risk of material misstatement whether due to fraud or error in the financial statements. We do this by:
 - identifying the business risks facing the Council, including assessing your own risk management arrangements;
 - considering the financial performance of the Council;
 - assessing internal control - including reviewing the control environment, the IT control environment and Internal Audit; and
 - assessing the risk of material misstatement arising from the activities and controls within the Council's information systems.

Identification of specific risks

- 13 We have considered the additional risk that is appropriate to the current opinion audit and have set this out below.

Table 1 **Specific risks**
Specific opinion risks identified

Risk area	Audit response
Following the introduction of the new financial system, SAP, there has been a widespread failure to operate key controls in the system and failures to undertake reconciliations with the feeder systems throughout the year.	We will undertake additional year end testing of transactions and of reconciliations.
The introduction of international financial reporting standards (IFRS) for 2010/11 onwards will entail the Council addressing a number of complex issues. The change will entail the re-stating of the 2009/10 closing balances into the new format. Given the current problems with SAP mentioned above there is a risk that the re-statement will not be materially correct.	We will work closely with officers to ensure that sufficient information is available at an early stage to re-state the 2009/10 closing balances into the IFRS form.

Testing strategy

- 14 On the basis of risks identified above we will produce a testing strategy which will consist of testing key controls where appropriate and substantive testing of transaction streams and material account balances at the year end.
- 15 Our testing can be carried out both before and after the draft financial statements have been produced.
- 16 Wherever possible, we seek to rely on the work of Internal Audit to help meet our responsibilities. For 2009/10, we will seek to make as much use as possible of the results of their work on testing the main financial systems including the general ledger, payroll, creditor payments, housing and council tax benefits, national non domestic rates and council tax collection. However, as noted in table 1 above Internal Audit have identified widespread weaknesses in the operation of controls during the year which may necessitate additional audit procedures. If so, we will follow the procedure set out in paragraph 7 above to agree with you the additional fee required.

Key milestones and deadlines

- 17 The Council is required to prepare the financial statements by 30 June 2010. We are required to complete our audit and issue our opinion by 30 September 2010. The key stages in the process of producing and auditing the financial statements are shown in Table 2.
- 18 We will agree with you a schedule of working papers required to support the entries in the financial statements.
- 19 Every week, we will meet with the key contact and review the status of all queries. If appropriate, we will meet at a different frequency depending upon the need and the number of issues arising.

Table 2 Proposed timetable

Task	Deadline
Control testing	February/March 2010
Receipt of accounts	June 2010
Forwarding audit working papers to the auditor	June 2010
Start of detailed testing	July 2010
Progress meetings	Weekly
Present report to those charged with governance at the Corporate Governance Committee	27 September 2010
Issue opinion	By 30 September 2010

The audit team

20 The key members of the audit team for the 2009/10 audit are shown in the table below.

Table 3 Audit team

Name	Contact details	Responsibilities
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.
Chris Peachey Audit Manager	c-peachey@audit-commission.gov.uk 0844 798 3710	Manages and coordinates the different elements of the audit work. Key point of contact for the Strategic Director.
Rachel Bishop Principal Auditor / Team Leader	r-bishop@audit-commission.gov.uk 0844 798 5609	Undertakes and supervises day to day delivery of audit programme

Independence and objectivity

- 21 I am 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.
- 22 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix 2.

Meetings

- 23 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 3.

The audit team

Quality of service

- 24** 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 me in the first instance. Alternatively, you may wish to contact the Head of Operations, Bill Sanderson.
- 25** If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission's website or on request.
-

Planned outputs

- 26** Reports will be discussed and agreed with the appropriate officers before being issued to the Corporate Governance Committee.
-

Table 4 **Planned outputs**

Planned output	Indicative date
Opinion audit plan	March 2010
Annual governance report	September 2010
Auditor's report giving an opinion on the financial statements	September 2010
Final accounts memorandum	October 2010

Appendix 1 – 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.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying to 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; and
 - liaison with Internal Audit.

Assumptions

- 3 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09;
 - you will inform us of significant developments impacting on the 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 by 30 June 2010;
 - 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, I will be required to undertake additional work which is likely to result in an increased audit fee.

Appendix 2 – Independence and objectivity

- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of 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).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised

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 Corporate Governance **Committee**. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.

- 4 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.

Appendix 2 – Independence and objectivity

- 5 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.
- 6 The District Auditor and members of the audit team must abide by the Commission’s policy on gifts, hospitality and entertainment.

Appendix 3 – Working together

Meetings

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

Table 5 Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Strategic Finance Officer	Audit Manager and Team Leader	March, August, September	General update plus: March - audit plan August - accounts progress September - annual governance report
Financial Services Manager	Audit Manager and Team Leader	Quarterly	Update on audit issues
Corporate Governance Committee	District Auditor, Audit Manager and Team Leader as appropriate	As determined by the Committee	Formal reporting of: Audit Plan March 2010, Annual governance report (27 September 2010) 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.

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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**TAUNTON DEANE BOROUGH COUNCIL
CORPORATE GOVERNANCE COMMITTEE 24 MAY 2010
REPORT OF THE STRATEGIC FINANCE OFFICER (MH)**

This matter is the responsibility of Councillor Williams (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 2009/10.

1 Background

- 1.1** Internal audit provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance, by evaluating its effectiveness in achieving the Council's objectives.

This assurance is designed to assist the Council both in ensuring that a robust and effective control environment is in place and in preparing the Annual Governance Statement.

- 1.2** This Council's internal audit function is delivered by the South West Audit Partnership (SWAP).

SWAP was formed in April 2005 to provide an effective internal audit service to Taunton Deane Borough Council and South Somerset District Council. Since then, the partnership has steadily grown, the most recent members Forest of Deane (joined November 2009) and Dorset County Council joining in April 2010.

The Partnership is operated as a Joint Committee. Taunton Deane is represented by two elected members, Cllr Dennington and Cllr Hall who have carried out this work since the beginning of the audit partnership.

- 1.3** Each year, authorities are required to review the effectiveness of their arrangements for the provision of internal audit services (Reg 6 of the Accounts and Audit Regs 2006). 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

- 2.1** The Taunton Deane Borough Council review has been carried out by the Deputy Section 151 Officer Ian Jamieson. The findings were taken

into account in preparing the Annual Governance Statement, which this Committee will consider later in the agenda.

2.2 Approach

The review considered:

- How the Internal audit plan was created
- The links to Corporate Strategy, Corporate Risks and Governance
- How the audits were carried out – planning, staffing and risk
- Reporting arrangements during the year
- The Internal Audit Charter
- The total cost of the Audit function and how this is recharged
- Measures to determine success - audits completed against plan
- Feedback from Auditees on recent audits
- Feedback from the Chair of Corporate Governance committee, Group Auditor South West, Strategic Finance Officer and the Audit Manager Audit Commission

2.3 Performance Measures	2008/09	2009/10
Level of feedback from satisfaction questionnaires	73% (7 received)	77% (4 received)
Managed Audits completed in year compared to plan	100% (7 out 7)	100% (9 out 9)
Audits completed in year compared to plan	88% (14 out 16)	92% (34 out 37)
Audits reported to Corporate Governance Committee - no data		43% (16 out 37)
No of audit recommendations accepted by managers	126	233
No of audit recommendations considered High Risk	- no data	15

A number of audits have been delayed or slipped into the following year. This has been due to the transfer of audit resources to higher priority areas. In particular SAP, where it has been necessary to provide additional assurance on the control environment.

2.4 External Audit Review

A triennial review on the effectiveness of SWAP was carried out by the Audit Commission in 2009/10. This concluded 'During our review we found that SWAP complies in general with the CIPFA Code and we can rely on their work for the purposes of our external audit'.

2.5 Areas of focus for 2009/10 - update

- The implementation of the audit management software has been delayed due to technical issues. This is being reviewed in line with what will work best for the Council.

- The Risk register for SWAP to be updated by 31 October 2009. The Management Board has reviewed and updated the SWAP risk register.
- To develop a clear business plan for the 2nd 5-year phase of the Partnership. This has been completed and presented to the SWAP Members.

2.6 Areas of Focus for 2010/11 - recommended

There are some new areas for focus during 2010/11 as follows:

- Best practice should be shared across the SWAP customer base
- The Annual Audit Plan should give greater focus to the Corporate Strategy, Corporate Risks and Corporate Governance when identifying the internal audit work for the year.
- The Annual Audit Plan should be reviewed and agreed by the Corporate Management Team.
- The Annual Audit report should include a priority summary of all recommendations. (High/Medium/Low)
- A new performance measure should be introduced to monitor the turnaround time for audit reports. The final report should be produced within 20 working days of the completion of the audit.
- A greater number of audits should be completed and reported to Corporate Governance Committee. A target of 80% should be introduced for 2010/11.

3 Effectiveness Opinion 2009/10

The Internal Audit 'star' rating system has been used to assess the effectiveness. This provides assurance ranging from 3 star comprehensive to no stars inadequate. The review concluded that the internal audit work was rated as 2 stars 'Reasonable'.

4 Recommendation

The Corporate Governance Committee is requested to note the findings of the review of the effectiveness of internal audit 2009/10.

Contact Officer:-

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Taunton Deane Borough Council

CORPORATE GOVERNANCE COMMITTEE – 24 MAY 2010

ANNUAL GOVERNANCE STATEMENT 2009/10

Report of the Strategic Finance Officer, Maggie Hammond

1. Executive Summary

This report presents the Council's Annual Governance Statement for 2009/10, prepared in accordance with the corporate governance framework, as required by the Accounts and Audit (Amendment) (Regulations) 2006.

2. Background

- 2.1 The first Annual Governance Statement (AGS) was produced for the financial year 2007/08. Prior to the financial year 2007/08, local authorities were required to prepare a Statement of Internal Control (SIC) as part of the annual Statement of Accounts. The AGS 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:
- i) Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area;
 - ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - iii) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - v) Developing the capacity and capability of members and officers to be effective;
 - vi) Engaging with local people and other stakeholders to ensure robust public accountability.

3. Annual Corporate Governance

- 3.1 The principle 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.
- 3.2 The Annual Governance Statements needs to include the following information:
- i) An acknowledgement of responsibility for ensuring that there is a sound system of governance;
 - ii) A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
 - iii) An outline of actions taken or proposed to deal with any significant governance issues.
- 3.3 The Annual Governance Statement 2009/10 is attached.

4. Action Plans

- 4.1 An action plan has been drawn up to ensure that issues raised within the AGS are monitored and progress through 2010/11. The action plan was considered by Members at the previous meeting of this Committee.

5. Recommendations

- 5.1 It is recommended that:
- i) The Annual Governance Statement for 2009/10 be approved;
 - ii) The Corporate Governance Committee monitors progress of the significant issues highlighted in the statement.

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TAUNTON DEANE BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2009/10

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, used economically, efficiently and effectively.

The 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, including 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, processes, culture and values, by which the Council 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 the 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 2010 and up to the date of approval of the statement of accounts

The Governance Framework

The Council uses the CIPFA/SOLACE six core principles of governance to assess the adequacy of its governance arrangements. The framework in place ensures adherence to the code and the key areas of evidence of delivery are listed below:

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

The Council has a 3 year Corporate Strategy, which sets out the corporate aims and a series of organisational objectives embodying how the council will deliver services and meet statutory requirements.

The Corporate Strategy is the Council's core planning document, from which the Financial Strategy, Medium Term Financial Plan, Annual Budget, Asset Management Plan, Capital and Housing Strategies are formed to underpin the corporate aims.

Corporate Aims Delivery Plans have been introduced to plan delivery of the Corporate Aims, identify resources and embrace theme working. Service Plans are produced from the Corporate Strategy to show how each service will contribute to the delivery of the Corporate Aims and its service objectives.

The Community Strategy for Taunton has been produced through the Local Strategic Partnership (LSP) in consultation with partners and sets out a broad agenda of action to improve the quality of life.

The Somerset Strategic Partnership (SSP) has produced a Sustainable Community Strategy for Somerset 2009-2026, setting out a vision of a dynamic, successful modern economy that supports respects and develops Somerset's distinctive communities and unique environment".

The Council is a partner on the Somerset Comprehensive Area Assessment (CAA) officers' group, a sub group of the SSP, which was formed to address the challenges of CAA. The partners are working together on a number of improvement areas.

Project Taunton in partnership with the private sector is delivering the urban renaissance of the town centre as set out in the RTP1 award winning master plan and the adopted Taunton Town Centre Area Action Plan. A "Taunton Protocol" has been developed which sets the standard for sustainable development. This has been adopted by the Council for use on development of its own landholding and many partners have agreed to use all or part of the protocol in Taunton developments.

The Council undertook a residents' survey (The Place Survey) during 2008. This gathered residents' views on what is important about the area where they live, what needs improving most and their views on the Council. The survey, along with other local and national research and consultation information, such as community profiles and Index of Multiple Deprivation, formed an important part of the evidence base for Members' workshops and ultimately the Council's 2010-2013 Corporate Strategy.

The Council has created a partnership, named Southwest One, with IBM, Somerset County Council and Avon and Somerset Constabulary. This partnership has

modernised and reduced the cost of many of the Council's support services as well as improving access to and delivery of customer-facing services enabling the Council to improve services to the Community.

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

The Council's constitution documents the roles and responsibilities of the Council, Executive, Scrutiny, Policy Development, Regulatory and Officer functions. The constitution is kept under review by the Constitutional Sub-Committee. All proposed changes are considered by the Corporate Governance Committee and full Council.

A substantial review has been completed that considered changes to Scrutiny and those arising from the Local Government and Public Involvement in Health Act 2007.

A fundamental review of the structure and ways of working at all levels within the Core Council has recently been completed. This will enable the Core Council to be fit for purpose, delivering our vision, widened roles and ways of working and deliver substantial efficiency savings for 2009/10 and beyond.

The strategic direction of the organisation and sponsorship of key objectives and priorities is undertaken by the Corporate Management Team, which consists of the Directors, Theme Managers and a representative of Southwest One – who meet on a fortnightly basis with the Chief Executive.

The Leader and Chief Executive meet on a regular weekly basis in order to maintain a shared understanding of roles and objectives.

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

There is compliance with financial procedure rules for the efficient and effective discharge of the Council's business.

Performance management and reporting has been revised with the introduction of a 'Scorecard' to provide a more holistic view of the organisation's performance, which is reported quarterly to the Executive and Corporate Scrutiny.

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

The Council's Standards Committee is chaired by and has a majority of independent members. The Committee promotes and maintains high standards of conduct by Councillors, advising and training on the member's code of conduct, dealing with complaints against members, and any issues raised by the Monitoring Officer. The Committee submitted its annual report to the Council's Corporate Governance Committee on 15 March 2010.

A new code of conduct for members and employees is anticipated later this year and there will be a need for all members to be further updated on any changes.

A complaints procedure is in place for the Council to receive and investigate any complaint made against Borough or Parish members. During the year only five complaints had been received, one was withdrawn, two were referred for other action, which means that there were no findings of fact or breach, one had been referred for investigation and was referred for other action. Only one breach of the code was found and the member was requested to give a written apology to the Planning Committee and its members.

The Standards Committee has carried out an ethical governance health check, sending questionnaires to all Members and senior managers and this will be followed by a series of workshops over the coming months. A further survey will be sent to Parish councils in the Summer of 2010.

The Council has established Whistle-blowing and Anti-Fraud and Corruption policies and details of these are published in the Council's staff handbook and intranet. The staff handbook is regularly updated and is accessible by all staff. The handbook contains all key personnel policies, standards, procedures and codes of conduct.

The Corporate Governance Committee deals with the formal approval of the accounts and external audit reports arising from that, has an overview of the internal audit function and strategic risk management process, and deals with any change to the Council's constitution. The Committee also receives a quarterly update on the use of authorisations given under the Regulation of Investigatory Powers Act.

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 also look at specific areas of this Council's business.

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.

Corporate Scrutiny and Community Scrutiny were set up in April 2009. Performance issues identified in the monitoring reports can be referred to other committees for further scrutiny. These committees have helped to ensure that the Council challenges Value for Money more robustly.

The main decision making body of the Council is 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.

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

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, which 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. In addition, all draft Executive minutes are circulated with a call-in pro-forma to all councillors, ensuring a prompt response to any request.

Risk Management has been in operation for a number of years. The process identifies, prioritises and manages the risks that exist in order to ensure the Council achieves its aims and objectives. The key features are:

- Strategy reviewed annually
- Comprehensive strategic risk register
- Individual risk registers
- Risk management implementation plan
- Joined up with service planning
- Corporate governance committee members received training
- Internal audit reports to management on effectiveness

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 form part of the Constitution and 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.

The Council has a training plan for members together with regular member briefings which cover a range of issues and to 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 consults using a variety of methods, which include public meetings, forums, surveys (including the Place Survey), feedback forms and focus groups. Listening to and understanding the views of residents, services users, business people, visitors and staff is important to Taunton Deane Borough Council.

Council's vision and priorities are regularly communicated to the Community through the Somerset County Gazette.

The Council produces the Annual Statement of Accounts and an Annual Report, which summarises achievements and financial performance over the previous financial year. The Council tax booklet shares with payers, details on the Council's financial strategy, priorities, performance and other useful information.

The Council is a member of the Somerset Strategic Partnership and produces an Annual Report on Somerset's achievements against its Sustainable Community Strategy.

Committee and Council meetings are open to the public, with papers available on the internet.

There is regular community engagement and participation through specific community groups involving Housing, Environmental Health, Planning and Democratic Services.

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, external auditors and other review agencies and inspectorates.

The review for the 2009/10 statement was carried out by a working group made up of the Section 151 Officer, Monitoring Officer, the Council's Group Auditor and Performance Manager. The review was informed by:

- Comments of Internal Audit – Internal Audit is provided by South West Audit Partnership. They 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 Audit – External Audit provide the Council with assurance in the form of their Annual Audit and Inspection Letter and Use of Resources Assessment (which includes a value for money judgement).
- Performance information and internal assessments against inspection criteria and best practice.

In 2009/10 the Council introduced a process to help manage and monitor the various recommendations of the External Auditors, Governance Statement and Internal Auditors; the latter in respect of corporate improvements. A Corporate Governance Action Plan has been produced and progress is reported to both CMT and the Corporate Governance Committee

The Corporate Governance Committee reviewed governance arrangements in June 2009. A plan was created to address the weaknesses identified and to ensure continuous improvement of the Council's governance arrangements is in place.

In 2009/10 a new inspection regime was introduced. The Comprehensive Area Assessment (CAA) consists of both an Area Assessment and Organisational Assessment. The Area Assessment examines how well LSP partners work together to identify and address the major issues within the area. The Organisational Assessment is an inspection of individual authorities and assesses the results of both Use of Resources and Managing Performance assessments to provide an overall rating. Taunton Deane Borough Council's assessment was: "performs adequately"

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 'partial'.

This is a departure from previous years and can be put down to the Council's focus on issues surrounding the implementation of SAP. Staff across the Council have experienced problems with using elements of the SAP system. This has led to the Council having to work around the system in some areas and putting a great deal of time and effort, in trying to cope with the work arounds. This has caused major disruption in some areas and had an adverse impact on the audit opinions given to some operation reviews.

Although generally at a service level the operational reviews undertaken by Internal Audit identified few weaknesses the one overriding theme that emerged was that of staff and managers lack of confidence in SAP. This was particularly noticeable in the areas of budget monitoring. The problems the Council experienced during the implementation of SAP in respect of the payment of invoices, the raising of and collection of monies owed to the Council have had a significant effect on services.

However, the internal auditors were pleased to find that the Council has been actively monitoring the SAP issues through to completion and that managers have already taken action to deal with these issues or have agreed action plans timetabling improvements to the Council's internal control framework. The auditors were also pleased to see that the Council has been open with staff surrounding these issues ensuring that confidence in the use of the system can be restored.

During 2009/10 the Council created a Corporate Governance Action Plan to manage the improvements identified by the following:

Internal Review of the Council's Governance Framework
External Audit and inspection including Use of Resources Assessment 2008/09
Internal Audit Corporate Governance Reviews

Implementation is progressing well and the actions are summarised as follows:

Corporate Governance

- Improve the Council's disaster recovery arrangements
- Strengthen the Council's Scrutiny function by publishing an annual report and implementing recommendations from the IDeA Peer Review
- Standards Committee to adopt a more proactive role in promoting ethical behaviour
- Improve quality assurance methods of year end performance data and implement actions from Data Quality Strategy
- Improve the Council's Equalities and Diversity processes
- Improve benchmarking and Value For Money arrangements
- To develop the Council's Asset Management arrangements
- Implement improvements following the external auditors Use of Resources Assessment 2009/10
- Continue with the new Corporate Governance Review Group to identify further areas of Corporate Governance requiring improvement

Managing Finances

- Provide greater focus on the medium term when setting the 2011/12 budget, ensuring there is adequate public consultation during preparation
- To review the operation of SAP to ensure that the internal control framework is adequate in the light of the work arounds and audit work during 2009/10.

Partnership Working

- Strengthen corporate governance arrangements of partnerships through a members and officers task and finish group with aim of creating a partnerships register, reviewing attendance and objectives
- To ensure the Council realises benefits from the transformation projects and Southwest One partnership. 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.

Service Improvement

- Continue to address the issues relating to the Housing Inspection
- Ensure the Council maintains focus on continued improvement of services for the community during the period of structural change

Workforce Planning

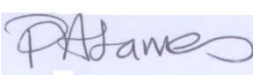
- Prepare a workforce Development Plan
- Analyse results of staff survey and identify improvements
- Continue to monitor progress in reducing sickness absence rates

The Council proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements and regularly report back to the Corporate Governance Committee on progress being made. 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

Taunton Deane Borough Council

Corporate Governance Committee – 24 May 2010

International Financial Reporting Standards

Report of the S151 Officer and the Financial Services Manager

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

1. Executive Summary

- 1.1. The purpose of this report is to inform the Committee of the statutory requirement of all local authorities to implement International Financial Reporting Standards (IFRS) in 2010/11. This relates to changes to the technical accounting rules that the Council uses for its financial reporting. Unfortunately the nature of the report requires the use of jargon in places.
- 1.2. The transition to IFRS accounting will require changes in accounting in a number of areas. The Council will need to review and update its Accounting Policies, and the main financial statements in the Statement of Accounts will change in format. The scale of additional information to be provided on the Notes to the Financial Statements will also increase significantly.
- 1.3. The transition to IFRS accounting will therefore have a significant impact in terms of resources required to adopt and then maintain enhanced financial reporting requirements. This will impact in particular within the Southwest One services of Finance, Property and HR. There is currently no budget for any additional costs arising from this change in requirements.
- 1.4. Progress has been made in key areas of analysis required for external reporting requirements in July 2010. Significant further work is required to complete the transition, leading to the preparation of the 2010/11 Statement of Accounts in line with IFRS.
- 1.5. Statutory mitigation has been issued by Central Government to neutralise any impact of accounting changes on the Council Tax payer. The only significant exception to this relates to leased assets, where local authorities have the power to change their Minimum Revenue Provision Policy to mitigate any such impact from retrospective re-statement of leased assets. However, the revenue implications from future acquisition of leased assets could be different than under the current Statement of Recommended Practice (SORP).

2. Background

- 2.1. International Financial Reporting Standards (IFRS) are the accounting standards issued by the International Accounting Standards Board. These standards are the equivalent of the current UK GAAP, which is the set of 'Generally Accepted Accounting Principles' under which the Council meets its statutory obligations in the preparation of its financial statements.
- 2.2. IFRS has been introduced with the main aim of creating a consistent and comparable set of financial statements across all continents, driven by the ever-increasing levels of globalisation.
- 2.3. It is a statutory requirement for all local authorities to report on an IFRS basis from 2010/11. Central government and the NHS moved to IFRS in 2009/10. In order for the Council to achieve compliance it is required to change the format of its financial statements, review and revise where necessary its accounting policies and procedures, and include significant additional disclosures where directed. Financial Statements in the listed (private) sector increased by 60% in size after the introduction of IFRS.
- 2.4. To comply with IFRS transitional requirements the Council is required to restate its 2009/10 financial statements for comparative purposes and also restate its opening balances as at 1 April 2009 (the date of transition).
- 2.5. The implementation of IFRS requires particular concentration around 6 key areas in which a considerable amount of resources will be required in order to ensure the achievement of IFRS compliant accounting statements.

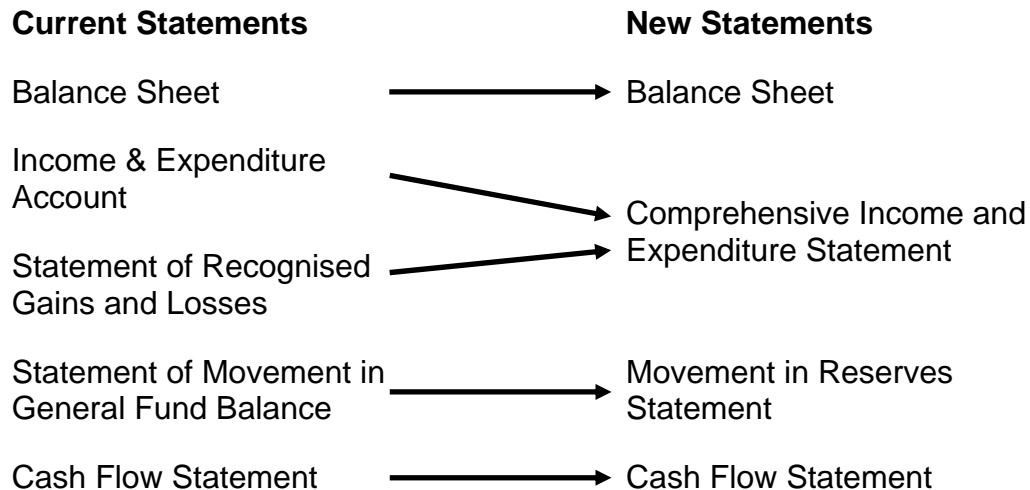
3. Outline Implementation Plan

- 3.1. CIPFA/LASAAC has issued guidance with a possible outline approach that local authorities can apply to the implementation of IFRS. The TDBC outline plan has been based largely on this guidance.
- 3.2. The summary of the IFRS Transition Plan is set out in Appendix A. The remainder of this report summarises the main areas of impact of IFRS implementation, with brief comments on progress to date.

4. First Time Adoption (IFRS1)

- 4.1. Adopting IFRS for the first time has and will involve significant management time from the Southwest One Finance service. However it is more than a finance issue and requires significant engagement with other Southwest One services (Property, HR) and service areas across the Council.
- 4.2. Implementing IFRS under IAS1 will impact on the chart of accounts resulting in amendments to the presentation of the financial statements. A detailed review of accounting policies in comparison with the IFRS standards will highlight the specific areas of concentration.
- 4.3. The Council's current processes and systems will be reviewed to highlight any adaptations required in order to satisfy the new information needs. Resource requirements will be assessed to ensure sufficient capacity to carry out the successful implementation of IFRS.

- 4.4. The format and names of the main financial statements will be updated under the new IFRS-based SORP.



- 4.5. In order for the Council's financial statements to comply with IAS1 the first IFRS financial statements (2010/11) require the inclusion of the following –

- Three statements of the Balance Sheet: 1 April 2009 (re-stated), 31 March 2010 and 31 March 2011
- Two statements of the Comprehensive Income and Expenditure account: 2009/10 (re-stated) and 2010/11
- Two statements of Cash Flow: 2009/10 (re-stated) and 2010/11
- Two statements of Movements in Reserves: 2009/10 (re-stated) and 2010/11
- All relevant notes to the restated balance sheet at 1 April 2009.

- 4.6. One of the fundamental issues within IFRS is that when an international standard is implemented for the first time it is done so with retrospective application. The impact of this is that accounts must be restated as though they had always been accounted for using that standard. This requires the rewinding and restatement of transactions right back to their inception in order that the opening balances are restated correctly, which will accordingly present significant challenges (in particular related to leased assets).

- 4.7. A thorough review of the new International Accounting Standards in comparison to their UK GAAP equivalent has enabled an assessment of the impact on the Council's financial statements and accounting policies.

- 4.8. Significant work is required to initially restate the opening Balance Sheet under IFRS (as at 31 March 2009) and subsequently produce comparable figures for the 2009/10 financial year under both UK GAAP and IFRS.

5. Leases

- 5.1. A review of current lease agreements involving the Council as either lessor or lessee is presently underway, giving consideration to the revised parameters of IAS17 (leases). A lease can be classified as a finance or operating lease. If a lease transfers substantially the entire risks and rewards incidental to ownership it will be classified as a finance lease

- regardless of its legal form. Should this stipulation not be met the lease will be classified as an operating lease.
- 5.2. All finance leases require recognition as assets or liabilities on the balance sheet at the lower of fair value or present value of minimum lease payments. Each should be determined at the inception of the lease. Operating leases shall be just recognised as income or expense over the lease term.
 - 5.3. IFRS raises the issue of “embedded leases” where under certain circumstances contractual agreements around the use of specific assets and subsequent payments i.e. service contracts, may need to be classified as leases even if they don't take the legal form of a lease. This presents issues around the identification of such transactions and will require a structured approach with the Council's key partners.
 - 5.4. Under IFRS the land and buildings element of a lease require separate identification for lease classification and subsequent valuation (historically these were valued as one lease). This subsequent valuation will need to be undertaken by a qualified valuer, and could lead to changes in accounting treatment for part or all of the value of the leased assets.
 - 5.5. Central Government have recently issued statutory mitigation (March 2010) enabling local authorities to neutralise the impact of any changes to the classification of leases held on 31 March 2010, where the Council is the lessor. Local authorities are able to update their Minimum Revenue Provision (MRP) Policy to neutralise the impact of any changes to the classification of leases held on 31 March 2010, where the Council is the lessee. This will enable the Council to mitigate any switch between revenue and capital resources as a result of lease reclassification.

6. Fixed Assets

- 6.1. Property Plant & Equipment (PPE) (IAS16) is similar to the current SORP and UK GAAP on what constitutes PPE and the valuation methods used however there are potentially significant amendments to consider.
- 6.2. Fixed asset registers require review and any assets with impairments due to a general fall in prices under the SORP need to be reclassified as revaluation losses. This will ensure the brought forward amounts at transition date are correctly classified, allowing future accounting treatments to be applied correctly.
- 6.3. Additional criteria have been applied to assets classified as ‘available for sale’. The Council will therefore need to thoroughly review the classification of its fixed assets to ensure correct recognition in its accounts. Any disposals occurring in the 2009/10 financial year require to be accounted for under UK GAAP rules for the 2009/10 Statement of Accounts, however the transactions will need to be reversed out and accounted for under IFRS in order to provide comparative figures for the 2010/11 Statement.
- 6.4. The criteria relating to the recognition of investment properties (IAS40) is more clearly defined with more stringent rules. Any assets not meeting the criteria must be classified back to PPE.

- 6.5. Investment properties must be valued at fair value on an annual basis with any changes in value being taken directly to the Comprehensive Income and Expenditure account.
- 6.6. Significant work will be required in conjunction with Southwest One Property service in order to ascertain correct valuation and treatment of PPE.
- 6.7. A thorough review of the fixed asset accounting is required in order to align current methodologies with IFRS requirements. The classification of assets will need to be reviewed (e.g. 'available for sale assets' and 'investments properties') to ensure these are still applicable under the new standards.
- 6.8. Consideration of the values of assets held is required particularly around the classification of assets held at 'fair value'. Additional valuations are required in order to obtain a split of land and buildings values for leasehold properties.

7. Employee Benefits

- 7.1. Under IAS19 Employee Benefits provision needs to be made for "short term accumulating compensated absences". Under UK GAAP local government bodies have not recognised these accruals historically. Under IFRS the Council may need to recognise a liability in respect to the employee benefits to be paid in the future, and recognising an expense when the Council consumes the economic benefit arising from the employee's services.
- 7.2. Paid holiday, flexi-time and time off in lieu all meet this definition. Subsequently an accrual is required to recognise the value of the services the Council has received (if the value is 'material').
- 7.3. Sufficient analysis is required in order for the Council to establish the levels of services received but yet to be compensated as at the balance sheet date of 31 March. Southwest One Finance has collected data across the workforce to enable an accurate accrual to be measured and to determine whether the figure is considered to be material as at 31 March 2009 and 31 March 2010. External Audit will be consulted to ensure that they are in agreement with the proposed accounting treatment.
- 7.4. It should be acknowledged that ordinarily the requirement to accrue for expenditure would result in a draw from the General Fund balance. However, DCLG have issued statutory mitigation so that any accrued expenditure is offset by a provision to neutralise the impact on the General Fund.

8. Component Accounting

- 8.1. IAS16 Component Accounting requires Local Authorities to account for the individual components of assets separately and apply their individual depreciation rates respectively.
- 8.2. Components are classified as separate asset types that could have different asset lives e.g. the roof of a building may have a useful economic

life of 20 years as opposed to the building itself, which is typically assessed as 50 years.

- 8.3. Component accounting is not to be applied retrospectively (except for leased assets) therefore it is applicable to any additions from 1 April 2010 and any subsequent revaluations made throughout the normal 5-year rolling cycle. Assessment is required of the Council's assets in order to identify the individual components applicable to the standard. Accounting for significant components of fixed assets will need to be embedded in the financial accounting arrangements for new fixed assets created from 1 April 2010 onwards.

9. Group Accounts

- 9.1. Under UK GAAP the consolidation of associate companies under the equity method was based on the driving principle of the ability to have 'significant influence' on the decision making process. Under IFRS this has been amended to 'power to participate in the financial and operating decisions'.
- 9.2. Additional work and clarification around the standard are required in order to ascertain the impact.

10. Other Areas

- 10.1. There are numerous other issues that will impact on the reporting and production of Council's financial statements that are currently considered to have a lower impact in terms of resource and materiality.
- 10.2. Segmental reporting is one such example where the notes to the accounts should reflect the organisational structure and internal management reporting methods. The aim is to allow the user of the financial statements to see how various parts of council perform financially and is seen 'through the eyes of management'.

11. Finance Comments

- 11.1. The financial implications for the transition to IFRS are included throughout this report.
- 11.2. There is currently no budget to support any additional costs that could arise from this transition, and there is no specific additional external funding from central government. Southwest One will advise the S151 Officer of any resource implications of this transition.

12. Legal Comments

- 12.1. The Council's financial accounts are produced in line with relevant statute and accounting regulations. As referred within the report, the government has recently issued statutory instruments that directly relate to the impact of IFRS on local authority accounts.

13. Links to Corporate Aims

- 13.1. Accounting for the Council's financial performance and position, updated through the implementation of IFRS as required, forms a key element of the Council's corporate governance arrangements.

14. Environmental and Community Safety Implications

14.1. Not relevant for the purposes of this report.

15. Equalities Impact

15.1. There are no equalities issues associated with this report.

16. Risk Management

16.1. Successful implementation is important in terms of compliance with statutory accounting requirements. Unsuccessful implementation could lead to the Statement of Accounts to be prepared late or with material errors with the potential for qualification by the External Auditor.

17. Partnership Implications

17.1. There is a significant partnership impact in relation to additional burden placed on Southwest One services, significantly in Finance and Property. Impact upon resources will be monitored, but Members are advised delivering the implementation and ongoing statutory financial reporting requirements under IFRS will have a significant impact on staff time.

17.2. The Council also needs to ensure that information is available from key partners in order to produce the financial statements, including Group Accounts, under IFRS.

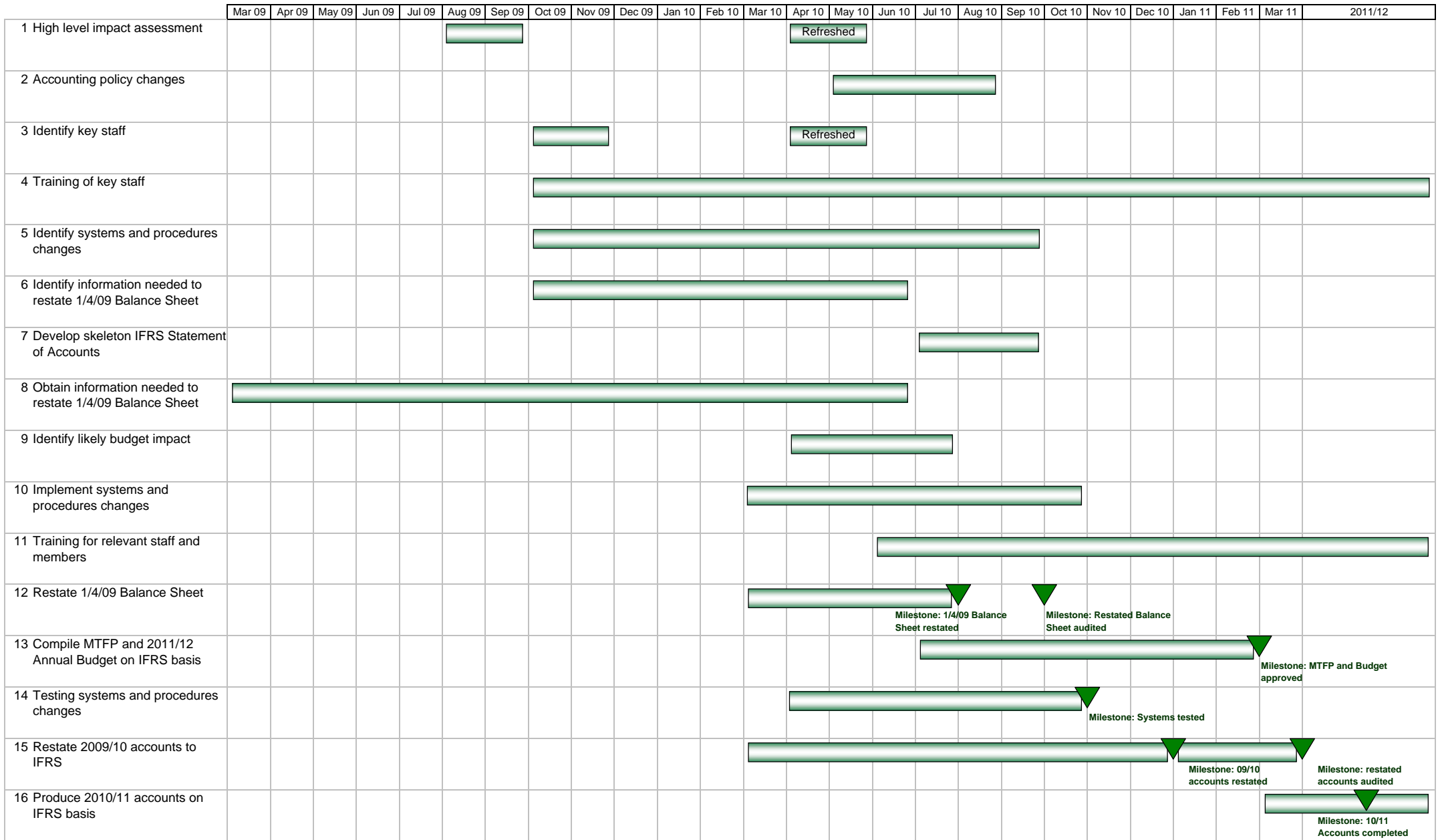
18. Recommendations

18.1. Members are recommended to note the impact of IFRS on the Council's financial reporting requirements, and the implementation progress to date.

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TAUNTON DEANE BOROUGH COUNCIL - IFRS OUTLINE PROJECT PLAN



Taunton Deane Borough Council

CORPORATE GOVERNANCE COMMITTEE 24th May 2010

Internal Audit – Annual Opinion Report 2009/10

Report of the Group Auditor – Chris Gunn - (South West Audit Partnership)

This matter is the responsibility of Councillor John Williams, the Leader of the Council.

1. Executive Summary

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. Background

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. 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 the following annual reviews:

- Operational and IT Audit Reviews
- Governance, Fraud and Corruption Reviews
- Key Financial System Controls

The audit plan for 2009/10 was presented to the Scrutiny Committee on 16th March 2009.

3. Audits Completed

3.1 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>▲ ★★★ Comprehensive</p>	<p>The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively 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>

Operational audits completed by SWAP during the period April 2009 to April 2010 and previously reported to Committee are as follows:

Audit Area	Audit Opinion
Building Control	Deferred
Car Parks	▲★☆☆ Partial
CCTV	▲★★★★ Comprehensive
Corporate Policy	Deferred
Food Safety	▲★★★★ Comprehensive
Housing Rents	▲★☆☆ Partial
Officers Claims and Allowances	▲★☆☆ Partial
Planning Policy	Non-Opinion
Streetscene	▲★☆☆ Partial
Pest Control	▲★☆☆ Partial
VAT	Being undertaken 1 st quarter 2010

The reviews of Building Control and Corporate Policy were deferred from the plan as a result of a vacancy that the Partnership was carrying throughout most of the year and additional work that was required on a special investigation.

For the following two operational audits, testing has been completed and a draft reports issued for management consideration, I have included the Auditor's initial assessment which may be subject to change:

Audit Area	Audit Opinion
Asset Management	▲★☆☆ Partial
Creditors	▲★☆☆ Partial
Leisure and Arts Services	▲★★★★ Comprehensive

- 3.2 Information System Audits - IS audits are completed to provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given. The following IS audits were in the plan for 2009/10:

Audit Area	Audit Opinion
IT Strategy	Deferred
Corporate Information Security Controls	Non-Opinion

- 3.3 Governance, Fraud and Corruption Reviews – This year, for the first time, we introduced a new specialist area of Governance, Fraud and Corruption. These reviews focus on the key controls in the areas of Governance or activities where it is perceived there is greater opportunity for Fraud or Corruption. As the focus of these reviews is limited, we agreed with

Management that we would not provide an opinion against these reviews. The following reviews of this type were completed:

Audit Area	Audit Opinion
Absence Management	▲ ★ ★ ★ Reasonable
Business Continuity	▲ ★ ★ ★ Partial
Data Quality (PI's)	Non-Opinion
Fees and Charges	▲ ★ ★ ★ Reasonable
Gifts and Hospitality	▲ ★ ★ ★ Partial
Health and Safety (lone working)	▲ ★ ★ ★ Reasonable
Income Collection	▲ ★ ★ ★ Partial
Information Governance	▲ ★ ★ ★ Reasonable
Partnership Arrangements	Non-Opinion
Performance (service planning)	Deferred
Procurement	Deferred
Risk Management	▲ ★ ★ ★ Reasonable

The reviews covering Performance (service planning) and Procurement were deferred in agreement with Management as additional resource was put into the work the partnership undertook on auditing SAP.

Non-Opinion reports, occasionally, when management perceive a potential area of weakness, they will request Internal Audit to undertake a review to provide recommendations for improvement. Where this process is followed, Internal Audit is not required to provide an opinion, some of the reports brought to member's attention within this report are non-opinion reviews.

- 3.4 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 completed by SWAP during the period April 2009 to March 2010 and previously reported to Committee are as follows:

Review Area	Report Status
Capital Accounting	▲ ★ ★ ★ Reasonable
Housing Benefits	▲ ★ ★ ★ Reasonable
Main Accounting	▲ ★ ★ ★ Partial
Payroll	▲ ★ ★ ★ Partial
Treasury Management	▲ ★ ★ ★ Partial
Council Tax / NNDR	▲ ★ ★ ★ Reasonable

For the following managed audit, all testing has been completed and a draft report has been issued for management consideration, I have included the Auditor's initial assessment which may be subject to change:

Audit Area	Audit Opinion
Debtors	▲ ★ ★ ★ Partial

3.5 **SWAP - Performance**

The past year has been a busy time for SWAP and with the approval of its Management Board has seen significant growth in the Partnership. Since September 2009 the Partnership was joined by the Forest of Dean District Council in Gloucestershire. Effective from 1st April 2010, the Partnership was also joined by Dorset County Council.

With regards to the 2009/10 Annual Plan for Taunton Deane Borough Council, there were some audits that were deferred with the agreement of management, in most cases these were replaced with other reviews / additional work outside of the original audit plan. SWAP achieved 92% of the Annual Audit Plan. Any outstanding audits will be completed before the end of June 2010.

3.6 **Group Auditor's Opinion**

Out of the ten operational audits, 7 were given only partial assurance. Although I am encouraged by management's response to the findings and agreed action plans, this is a departure from previous years and can be put down to the Council's focus on issues surrounding the implementation of SAP.

Staff across the Council have experienced problems with using elements of the SAP system. This has led to the Council having to work around the system and put a great deal of time and effort in trying to cope with the work arounds, which has caused major disruption in some areas and had an adverse impact on the audit opinions given to some operation reviews.

Car parks is an example of one of those operational reviews, although the service is operating well concerns during the early part of year over the effectiveness of budget monitoring led to an adverse audit opinion. Although generally at a service level the operational reviews undertaken by Internal Audit identified few weaknesses the one overriding theme that emerged was that of staff and managers lack of confidence in SAP, this was particularly noticeable in the areas of budget monitoring. The problems the Council experienced during the implementation of SAP in respect of the payment of invoices, the raising of and collection of monies owed to the Council have had a significant effect on services.

However, the Internal auditors were pleased to find that the Council has been actively monitoring the SAP issues through to completion and that managers have already taken action to deal with these issues or have agreed action plans timetabling improvements to the Council's internal control framework. The auditors were also pleased to see that the Council has been open with staff surrounding these issues ensuring that confidence in the use of the system can be restored.

In view of the problems the Council has experienced in the implementation of SAP I am only able to offer 'Partial' Assurance that the systems for internal controls are in place and working well for those services reviewed.

4. Finance Comments

N/a

5. Legal Comments

N/a

6. Links to Corporate Aims

Internal Audit's role is to assure Members and managers that adequate controls are in place and to issue reports and recommendations to address weaknesses in internal control. The Corporate Governance Committee has a key role to play in monitoring the Council's Corporate Governance arrangements. CiPFA defines part of its core function as including the review of summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary. This contributes to the Corporate Health priority, which underpins all the Council's priorities.

7. Environmental and Community Safety Implications

N/a

8. Equalities Impact

N/a

9. Risk Management

N/a

10. Partnership Implications

N/a

11. Recommendations

The Committee should note the content of this report.

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Corporate Governance Committee – 24th MAY 2010

Petition Guidance

Report of LEGAL & DEMOCRATIC SERVICES MANAGER

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

EXECUTIVE SUMMARY

To approve the guidance for further consideration by Full Council.

1. Purpose of the Report

1.1 To gain the views of the Corporate Governance Committee and to make any amendments they deem appropriate prior to adoption by Full Council.

2. Background

2.1 The provisions relating to petitions were created by the Local Democracy, Economic Development and Construction Act 2009 and come into effect on the 15th June 2010.

2.2 Members will recall that they provided a response to the consultation process in February this year and it is understood that there have been some amendments made to the guidance following that consultation process.

2.3 At this stage we do not have to have an e-petition scheme in place although that needs to be in place by December of this year and the scheme will need to be amended at that time to take account of the change of the process.

3. Recommendation

3.1 To make any amendments to the guidance prior to any approval by the Full Council.

For further information please contact Tonya Meers, Legal & Democratic Services Manager on 01823 356391 or t.meers@tauntondeane.gov.uk

PETITION SCHEME

PETITIONS

The Council welcomes petitions and recognises that petitions are one way in which people can let us know their concerns. All petitions sent or presented to the Council will receive an acknowledgement from the Council within 10 working days of receipt. This acknowledgement will set out what we plan to do with the petition. We will treat something as a petition if it is identified as being a petition, or if it seems to us that it is intended to be a petition.

Paper petitions can be sent to:

**TAUNTON DEANE BOROUGH COUNCIL
THE DEANE HOUSE
BELVEDERE ROAD
TAUNTON
TA1 1HE**

What is a petition

A petition is a formal written request signed by the requisite number of people appealing to an authority about a particular cause or issue.

What are the guidelines for submitting a petition?

Petitions submitted to the Council must include:

- a clear and concise statement covering the subject of the petition. It should state what action the petitioners wish the council to take
- the name and address and signature of any person supporting the petition
- the name and address of the petition organizer

Petitions must be accompanied by contact details, including an address, for the petition organiser. This is the person we will contact to explain how we will respond to the petition. The contact details of the petition organiser will not be placed on the website.

Petitions which are considered to be vexatious, abusive or otherwise inappropriate will not be accepted. In the period immediately before an election or referendum we may need to deal with your petition differently – if this is the case we will explain the reasons and discuss the revised timescale which will apply. If a petition does not follow the guidelines set out above, the council may decide not to do anything further with it. In that case, we will write to you to explain the reasons.

What will the Council do when it receives my petition?

An acknowledgement will be sent to the petition organiser within 10 working days of receiving the petition. It will let them know what we plan to do with the petition and when they can expect to hear from us again. It will also be published on our website.

If we can do what your petition asks for, the acknowledgement may confirm that we have taken the action requested and the petition will be closed. If the petition has enough signatures to trigger a council debate, or a senior officer giving evidence, then the acknowledgment will confirm this and tell you when and where the meeting will take place. If the petition needs more investigation, we will tell you the steps we plan to take.

If the petition applies to a planning or licensing application, is a statutory petition (for example requesting a referendum on having an elected mayor), or on a matter where there is already an existing right of appeal, such as council tax banding and non-domestic rates, other procedures apply. Further information on all these procedures and how you can express your views is available here [insert links]

Comment [t1]: Need to check that we have these linkages it could be too much. Therefore check whether it should be included.

We will not take action on any petition which we consider to be vexatious, abusive or otherwise inappropriate and will explain the reasons for this in our acknowledgement of the petition.

To ensure that people know what we are doing in response to the petitions we receive the details of all the petitions submitted to us will be published on our website, except in cases where this would be inappropriate. Whenever possible we will also publish all correspondence relating to the petition (all personal details will be removed).

How will the Council respond to petitions?

Our response to a petition will depend on what a petition asks for and how many people have signed it, but may include one or more of the following:

- taking the action requested in the petition
- considering the petition at a council meeting
- holding an inquiry into the matter
- undertaking research into the matter
- holding a public meeting
- holding a consultation
- holding a meeting with petitioners
- referring the petition for consideration by the Council's Overview and Scrutiny committee*
- calling a referendum
- writing to the petition organiser setting out our views about the request in the petition

*Overview and Scrutiny committees are committees of councillors who are responsible for scrutinising the work of the council – in other words, the Overview and Scrutiny committee has the power to hold the council's decision makers to account.

In addition to these steps, the Council will consider all the specific actions it can potentially take on the issues highlighted in a petition. The table below gives some examples.

Petition subject	Appropriate steps
Alcohol related crime and disorder	If your petition is about crime or disorder linked to alcohol consumption, the council may, among other measures, consider the case for placing restrictions on public drinking in the area by establishing a designated public place

	<p>order or, as a last resort, imposing an alcohol disorder zone. When an alcohol disorder zone is established the licensed premises in the area where alcohol related trouble is being caused are required to contribute to the costs of extra policing in that area. The Council's response to your petition will set out the steps we intend to take and the reasons for taking this approach.</p>
<p>Anti-social behaviour (ASB)</p>	<p>As the elected representatives of your local area, as social landlord and licensing authority, the Council plays a significant role to play in tackling anti-social behaviour. The Council, in conjunction with our partners in the local crime and disorder partnership have set out minimum service standards for responding to issues of anti-social behaviour, you can find more details about these standards here [insert link].</p> <p>When responding to petitions on ASB, we will consider in consultation with our local partners, all the options available to us including the wide range of powers and mechanisms we have to intervene as part of our role as social landlord and licensing authority. For example, we will work with the neighbourhood policing team in the affected area to identify what action might be taken including what role CCTV might play, consider identifying a dedicated contact within the council to liaise with the community and neighbourhood partners on issues</p>

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	of ASB in the area in question and, where appropriate, we will alert the crime and disorder reduction partnership and crime and disorder overview and scrutiny committee to the issues highlighted in the petition.
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If your petition is about something over which the Council has no direct control (for example the local railway or hospital) we will consider making representations on behalf of the community to the relevant body. The Council works with a large number of local partners [link to list of LAA partners] and where possible will work with these partners to respond to your petition. If we are not able to do this for any reason (for example if what the petition calls for conflicts with council policy), then we will set out the reasons for this to you. You can find more information on the services for which the Council is responsible here [link].

If your petition is about something that a different council is responsible for we will give consideration to what the best method is for responding to it. This might consist of simply forwarding the petition to the other council, but could involve other steps. In any event we will always notify you of the action we have taken.

Full council debates

If a petition contains more than 1,500 signatures it will be debated by the Full Council unless it is a petition asking for a senior council officer to give evidence at a public meeting. This means that the issue raised in the petition will be discussed at a meeting which all councillors can attend. The Council will endeavour to consider the petition at its next meeting, although on some occasions this may not be possible and consideration will then take place at the following meeting. The petition organiser will be given five minutes to present the petition at the meeting and the petition will then be discussed by councillors for a maximum of 15 minutes. The Council will decide how to respond to the petition at this meeting. They may decide to take the action the petition requests, not to take the action requested for reasons put forward in the debate, or to commission further investigation into the matter, for example by a relevant committee. Where the issue is one on which the Council Executive are required to make the final decision, the council will decide whether to make recommendations to inform that decision. The petition organiser will receive written confirmation of this decision. This confirmation will also be published on our website.

Officer evidence

Your petition may ask for a senior council officer to give evidence at a public meeting about something for which the officer is responsible as part of their job. For example, your petition may ask a senior council officer to explain progress on an issue, or to explain the advice given to elected members to enable them to make a particular decision.

If your petition contains at least 750 signatures, the relevant senior officer will give evidence at a public meeting of the Council's Overview and Scrutiny committee. A list of the senior staff that can be called to give evidence can be found here [\[insert link\]](#). You should be aware that the Overview and Scrutiny committee may decide that it would be more appropriate for another officer to give evidence instead of any officer named in the petition – for instance if the named officer has changed jobs. The committee may also decide to call the relevant councillor to attend the meeting. Committee members will ask the questions at this meeting, but you will be able to suggest questions to the chair of the committee by contacting Richard Bryant, Democratic Services Manager up to three working days before the meeting.

What can I do if I feel my petition has not been dealt with properly?

If you feel that we have not dealt with your petition properly, the petition organiser has the right to request that the Council's Overview and Scrutiny committee review the steps that the council has taken in response to your petition. It is helpful to everyone, and can improve the prospects for a review if the petition organiser gives a short explanation of the reasons why the Council's response is not considered to be adequate.

The committee will endeavour to consider your request at its next meeting, although on some occasions this may not be possible and consideration will take place at the following meeting. Should the committee determine we have not dealt with your petition adequately, it may use any of its powers to deal with the matter. These powers include instigating an investigation, making recommendations to the Council Executive and arranging for the matter to be considered at a meeting of the Full Council.

Once the appeal has been considered the petition organiser will be informed of the results within 5 working days. The results of the review will also be published on our website.

TAUNTON DEANE BOROUGH COUNCIL
CORPORATE GOVERNANCE COMMITTEE
FORWARD LIST OF AGENDA ITEMS 2010

MEETING	DRAFT AGENDA ITEMS	LEAD OFFICER
28/06/10	Investigatory Powers Act 2000	Tonya Meers
	Statement of Accounts 2009/2010	Maggie Hammond
	Internal Audit Plan – Progress Report	Chris Gunn
	Health & Safety across the Organisation	David Woodbury
	Risk Management Update	Dan Webb
	Corporate Governance Action Plan	Adrian Gladstone-Smith
27/09/10	Audit Commission Annual Governance Report 2009/2010	Chris Peachey/Maggie Hammond
	Investigatory Powers Act 2000	Tonya Meers
	Internal Audit Plan – Progress Report	Chris Gunn
	Health & Safety Update	David Woodbury
	Risk Management Update	Dan Webb
	Corporate Governance Action Plan	Adrian Gladstone-Smith
20/12/10	Audit Commission Annual Audit Letter 2009/2010	Chris Peachey/Maggie Hammond
	Internal Audit Plan – Progress Report	Chris Gunn
	Health & Safety Update	David Woodbury
	Risk Management Update	Dan Webb
	Corporate Governance Action Plan	Adrian Gladstone-Smith
	CAA Update	Adrian Gladstone-Smith