

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 20 December 2010 at 18:15.

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### Agenda

- 1 Apologies.
- 2 Minutes of the meeting of the Corporate Governance Committee held on 27 September 2010 (attached).
- 3 Public Question Time.
- 4 Declaration of Interests  
To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct.
- 5 Audit Commission Annual Audit Letter 2009/2010 - report of the Strategic Director (attached)  
Reporting Officer: Maggie Hammond
- 6 Action Plan - Annual Governance Report - report of the Strategic Director (attached)  
Reporting Officer: Maggie Hammond
- 7 Value for Money - report of the Strategic Director (attached)  
Reporting Officer: Maggie Hammond
- 8 Internal Audit Plan - Progress Report - report of the Internal Audit Manager (attached)  
Reporting Officer: Chris Gunn
- 9 Health & Safety Issues - Verbal Update by the Health & Safety Advisor  
Reporting Officer: David Woodbury

10 December 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.

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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.

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**Corporate Governance Committee Members:-**

- Councillor B Denington
- Councillor A Govier
- Councillor R Henley
- Councillor J Thorne
- Councillor A Beaven
- Councillor A Wedderkopp
- Councillor N Wilson
- Councillor J O'Brien
- Councillor S Coles
- Councillor L James
- Councillor T Hall

## **Corporate Governance Committee – 27 September 2010**

Present: Councillors Beaven, Coles, Denington, Hall, Henley, Miss James, O'Brien, Thorne, A Wedderkopp, and Wilson.

Officers: Mrs S Adam (Strategic Director), Mrs D Durham (Democratic Support Manager), Mr P Fitzgerald (Financial Services Manager), Mr C Gunn (Group Auditor, South West Audit Partnership), Mr R Sealy (Performance and Client Manager), Mr D Webb (Client and Performance Officer)

Also Present: Councillor Williams  
Mr T Brown, South West Audit Partnership  
Mr B Bethell and Mr C Peachey, Audit Commission

(The meeting commenced at 6.15 pm)

### **38. Appointment of Chairman**

**Resolved** that Councillor Denington be appointed as Chairman of the Corporate Governance Committee for the remainder of the Municipal Year.

### **39. Apology**

Councillor Govier.

### **40. Minutes**

The minutes of the meeting held on 28 June 2010 were taken as read and were signed.

### **41. Declaration of Interests**

Councillor Henley declared a personal interest as a Member of Somerset County Council.

### **42. Audit Commission Annual Governance Report 2009/2010**

Mr Brian Bethell and Mr Chris Peachey of the Audit Commission introduced Taunton Deane Borough Council's Annual Governance Report 2009/2010.

Details of key areas of judgement and audit risk were reported, together with weaknesses identified in internal control.

The preparation and audit of accounts had been challenging due to the implementation issues with the SAP system. This meant that more time had been spent by officers and external auditors to ensure sufficient internal controls were in place to protect the organisation's accounting systems were in place and working.

A number of errors had been identified in the financial statements and these were reported. The accounts had been adjusted and a revised financial statement would be presented to the Committee.

Key messages were captured in an Action Plan which had been submitted to Members.

Members commended staff for the hard work that they had done, during the implementation of the SAP system. A huge amount of resource had been required to get the SAP system to work and it was a credit to the staff.

**Resolved** that:

- (1) The unadjusted misstatements in the accounts be noted;
- (2) The letter of representation be approved; and
- (3) The Action Plan be noted.

#### **43. Internal Audit Plan Progress Report**

Considered report previously circulated, which provided an update on the significant findings and recommendations for the period July to September 2010.

Details were also reported of the operational audits and managed audits completed which included the main issues raised and the management responses thereto.

Details of the reviews currently in progress were also provided.

**Resolved** that the report be noted.

#### **44. Health and Safety Update**

Mr David Woodbury, the Health and Safety Advisor, presented the Health and Safety Report updating Members on strategic issues including the DLO.

**Resolved** that the Health and Safety Action Plan be noted.

#### **45. Risk Management**

Considered report previously circulated, updating Members on the current position of Risk Management, the process by which risks were identified, evaluated and controlled, Risk Management 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 Corporate Risk Register had been reviewed by the Corporate Management Team and Theme Managers group;
- Control Measures and Planned Actions had been updated by all Managers; and
- Risk scoring had been updated to reflect the most up to date position.

**Resolved** that the progress with Risk Management and the actions planned be noted.

#### **46. Update to Various Parts of the Constitution**

The Constitutional Sub-Committee had recently reviewed Part 3 of the Constitution following the Core Council Review and the Budget and Policy Framework Procedure rules. The recommendations were presented by the Chairman of the Constitutional Sub-Committee, Councillor Denington.

Members discussed the recommended amendments and agreed the changes proposed by the Sub-Committee.

**Resolved** that Council be recommended to agree the proposed amendments to the Constitution.

(The meeting ended at 8.05 pm).

## **Declaration of Interests**

### **Corporate Governance Committee**

- Members of Somerset County Council – Councillors Govier and Henley
- Employee of Viridor – Councillor Miss James

## **TAUNTON DEANE BOROUGH COUNCIL**

### **CORPORATE GOVERNANCE COMMITTEE 20<sup>th</sup> DECEMBER 2010**

#### **Report of the Strategic Director (Shirlene Adam).**

This matter is the responsibility of the Leader of the Council, Cllr John Williams

#### **Audit Commission Annual Audit Letter 2009/2010**

##### **Executive Summary**

This report introduces the Annual Audit Letter 2009/10 – prepared by our external auditors, the Audit Commission (and set out in and Appendix to this report).

The report, which will be presented by the Audit Commission, summarises their findings from their 2009/10 audit work.

#### **1. Background**

1.1 Each year the Audit Commission is required to make arrangements for the production of an audit letter for each local authority. This letter has changed in format for 2009/10. The letter outlines the following:

- A conclusion on the Statement of Accounts and annual governance statement;
- A conclusion on Value for Money;
- The fees charged by the Audit Commission compared to those budgeted.
- Current and Future Challenges
- Action Plan

1.2 The letter no longer carries a Use of Resources judgement or score as at the end of May 2010 the government announced that all work on the CAA (Comprehensive Area Assessment) would cease with immediate effect.

1.3 Members will note that they have already seen at previous meetings, or will see at this meeting, the detailed reports referred to in this report.

#### **2. Financial Issues / Comments**

2.1 As reported previously, the additional external audit fee of £15,000 will have to be met from existing budgets as part of the budget monitoring process.

#### **3. Legal Comments**

3.1 There are no legal implications from this report.

#### **4. Links to Corporate Aims**

4.1 No direct implications.

**5. Environmental and Community Safety Implications**

5.1 No direct implications.

**6. Equalities Impact**

6.1 No implications.

**7. Risk Management**

7.1 Any risks identified will feed in to the corporate risk management process.

**8. Partnership Implications**

8.1 The Strategic Director and the Internal Audit Team (SWAP – South West Audit Partnership) will take the findings of this report into account when identifying the areas of risk to be audited next year.

**9. Recommendation**

9.1 Members are requested to note the Annual Audit Letter

**Contact Officers:**

Shirlene Adam Strategic Director 01823 356310  s.adam@tauntondeane.gov.uk	Maggie Hammond Strategic Finance Officer 01823 358698  m.hammond@tauntondeane.gov.uk
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# Annual Audit Letter

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Taunton Deane Borough Council

Audit 2009/10

**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 practicable recommendations for promoting a better quality of life for local people.**

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# Key messages

**This report summarises my findings from the 2009/10 audit. My audit comprises:**

- **the audit of your financial statements (page 4); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 7).**

**I have included only significant recommendations in this report. The Council has accepted these recommendations.**

## **Audit opinion and financial statements**

**1** I have issued an unqualified audit opinion on your financial statements for the year ended 31 March 2010. The Council has amended the statements for some non-material errors but has not adjusted some minor errors. The financial performance for the year and the financial position as at 31 March 2010 remain largely as approved by Committee on 28 June 2010.

## **Value for money**

**2** I have issued an unqualified conclusion on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

## **Audit fees**

**3** During my audit I notified the Corporate Governance Committee of the likelihood that we might need to increase our fee, because of widespread failure to operate key controls in significant financial systems run on the new SAP platform introduced during 2009/10.

**4** The original fee was £105,600 with £74,200 relating to the audit of the statement of accounts. Because of significant additional audit tests due to identified systems weaknesses, it has been necessary to increase the fee by £15,000 to £120,600 in total.

## Current and future challenges

5 The major current challenge is to identify and take action to preserve priority services while achieving the budget savings needed to balance spending with the reduced resources likely to be available in the medium term. Currently there is gap between expected resources and current rates of expenditure of £1.2 million in 2011/12 rising to £3.9 million in 2014/15.

6 More work is also necessary to implement the key controls in the SAP based financial systems to ensure the accuracy and integrity of data, prevent unauthorised access and stop duplicate payments.

## Independence

7 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.**

**I gave an unqualified opinion on the Council's 2009/10 financial statements on 28 September 2010.**

**8** The Council produced the statements on time and approved them by the statutory deadline. Following my audit the Council amended the statements for some non-material errors. Most of these affected disclosure notes rather than the accounts themselves and were largely the result of errors in classification of debtors and creditors.

**9** The Council did not adjust one trivial error. This was an overstatement of £20,000 of General Fund expenditure with a consequential understatement of the General Fund balance at 31 March 2010 of the same amount. Subject to this, the financial performance for the year and the financial position as at 31 March 2010 remain as approved by Committee on 28 June 2010.

**10** I was able to issue an unqualified opinion that the accounts presented a true and fair view of the Council's financial position.

## **Significant weaknesses in internal control**

**11** I did not identify any significant weaknesses in your internal control arrangements.

## **International Financial Reporting Standards (IFRS)**

**12** Local Government bodies are required to comply with the IFRS for their accounts ended 31 March 2011. However, the impact is more immediate because of the need to restate the 2009/10 figures. The requirements are complex and necessitate considerable preparation, not just by finance staff but also other professionals such as valuers and managers throughout the organisation in providing information to help categorise assets and liabilities.

# Value for money

**I considered whether the Council is managing and using its money, time and people to deliver value for money.**

**I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.**

## **2009/10 use of resources assessments**

**13** At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would finish with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

**14** However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

**15** I report the significant findings from the work I have carried out to support the vfm conclusion.

## **VFM conclusion**

**16** I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each audited body.

**17** This is a summary of my findings.

Criteria	Adequate arrangements?
<b>Managing finances</b>	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
<b>Governing the business</b>	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
<b>Managing resources</b>	
Natural resources	Yes
Strategic asset management	Yes
Workforce	Yes

**18** I issued an unqualified conclusion that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

**19** The Corporate Governance Committee will receive my detailed report at its meeting in December 2010 and an agreed an action plan to address my recommendations for improvement.

**20** In 2008/09 I concluded that proper arrangements were in place and the Council was embarking on an ambitious programme of joint working to provide financial and other services. The Council has met teething problems in operating some joint services, most notably with the financial systems based on the SAP package being run jointly with Somerset County Council and Avon and Somerset Police. I am pleased to report that despite these problems the Council has, overall, maintained proper arrangements to achieve economy, efficiency and effectiveness.

**21** To help improve its performance I have recommended the Council:

- updates the IT and Workforce Strategies and improve the links to financial planning;
- engages with the local community during budget preparation to identify priorities;
- makes better use of benchmarking to assess value for money and identify indicators for assessing the performance of all key services;

- completes personal development plans for all elected Members;
- arranges for the investigation of NFI matches and ensures that staff carry out these;
- completes business continuity and IT disaster recovery planning;
- uses sustainability appraisals to inform decisions; and
- exerts more effective management action to reduce the sustained high level of staff sickness it is experiencing.

## **Approach to local value for money work from 2010/11**

**22** Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

**23** My work will involve fewer reporting criteria, specified by the Commission, and will concentrate on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

**24** I will decide on a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

# Current and future challenges

## Challenge

**25** The economic downturn and banking crisis of 2009 have provided several challenges. Most immediate of these were the need to ensure that investment policies provide security of Council funds and to identify efficiencies and savings to preserve the core, priority services provided.

### Treasury management

**26** The Council approved its Treasury Management Strategy in April 2009 setting security of funds as the overriding priority. In response to the banking crisis it has since reviewed its approach to treasury management and now restricts investments to AAA rated money market funds or AA rated banks. At 31 March 2010 £8.6 million was invested externally. We commend the Council's prudential approach to Treasury Management.

### Economic downturn

**27** The medium term financial plan prepared in 2009 identified potential funding gaps over the next five years rising from £1.2 million in 2011/12 to £3.9 million in 2014/15. The Council has identified savings and additional income to bridge the gap in the current year 2010/11. It expects that savings projected from decisions already taken will exceed £0.75 million, with additional income of £0.47 million from higher car parking fees. The Council expects these savings to recur in future years but still faces a financial challenge in the medium term to bridge the expected funding gap. Difficult financial decisions will be needed as well as financial management of the highest order.

**28** The Council has established a strong basis on which to build. Sound arrangements for financial management are in place and members receive detailed monthly financial monitoring reports. The Council experienced some problems in producing the monitoring reports during 2009/10 following the introduction of the new general ledger, SAP. It has overcome these problems and members are now receiving accurate monitoring reports once more.

**29** The Council has a good record for keeping spending within budget. In 2009/10 General Fund net spend was within £10,000 of the budgeted outturn.

## Closing remarks

**30** I have discussed and agreed this letter with the Strategic Director. I will present this letter at the Corporate Governance Committee on 20 December 2010 and will provide copies to all Council members.

**31** I have included full detailed findings, conclusions and recommendations in the areas covered by our audit in reports issued to the Council during the year.

Report	Date issued
Audit Fee Letter	22 April 2009
Audit Opinion Plan	22 February 2010
Value for Money Conclusion Report	24 August 2010
Annual Governance Report	17 September 2010

**32** The Council has taken a positive and helpful approach to our audit. I wish to thank the Council staff for their support and cooperation during the audit.

Brian Bethell  
District Auditor  
November 2010

# Appendix 1 – Audit fees

		Proposed	Variance
Financial statements and annual governance statement	89,200	74,200	15,000
Value for money	31,400	31,400	
<b>Total audit fees</b>	<b>120,600</b>	<b>105,600</b>	<b>15,000</b>
Non-audit work	0	0	0
<b>Total</b>	<b>120,600</b>	<b>105,600</b>	<b>15,000</b>

The variance in fee related to additional audit testing necessitated by weaknesses in SAP controls.

## Appendix 2 – Glossary

### **Annual governance statement**

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

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

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

### **Audit opinion**

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

### **Financial statements**

The annual accounts and accompanying notes.

### **Qualified**

The auditor has some reservations or concerns.

### **Unqualified**

The auditor does not have any reservations.

### **Value for money conclusion**

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

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- any third party.



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## **TAUNTON DEANE BOROUGH COUNCIL**

### **CORPORATE GOVERNANCE COMMITTEE 20<sup>th</sup> DECEMBER 2010**

#### **Report of the Strategic Director (Shirlene Adam).**

This matter is the responsibility of the Leader of the Council, Cllr John Williams

#### **ACTION PLAN – ANNUAL GOVERNANCE REPORT**

##### **Executive Summary**

The Annual Governance Report was shared at the September meeting of this Committee. This report shares the action plan prepared by officers to deal with the recommendations in that report. The action plan is set out in Appendix 1.

#### **1. Background**

- 1.1 The Annual Governance Report is an annual report to the Council from the Audit Commission setting out their findings on:-
  - the audit of the accounts; and
  - their review of the Councils arrangements for securing the economy, efficiency, and effectiveness in the use of resources.
- 1.2 The full report was presented to the September meeting of this Committee by our external auditors, the Audit Commission.
- 1.3 Since then, the Strategic Director (Shirlene Adam) has worked with senior officers to prepare an action plan to pick up on the recommendations made. This action plan is attached at Appendix 1.
- 1.4 Progress against this action plan will be monitored by the Strategic Director, with an update being shared with this Committee in the Spring of next year.

#### **2. Financial Issues / Comments**

- 2.1 There are no financial implications from this report.

#### **3. Legal Comments**

- 3.1 There are no legal implications from this report.

#### **4. Links to Corporate Aims**

- 4.1 No direct implications.

#### **5. Environmental and Community Safety Implications**

- 5.1 No direct implications.

**6. Equalities Impact**

6.1 No implications.

**7. Risk Management**

7.1 Any risks identified will feed in to the corporate risk management process.

**8. Partnership Implications**

8.1 The Financial Services Team in Southwest One will progress the majority of the recommendations in the action plan.

8.2 Any key control issues will be reviewed by the Internal Audit Team (SWAP – South West Audit Partnership) as part of their annual managed audit reviews..

**9. Recommendation**

9.1 Members are requested to note the Annual Governance Report action plan.

**Contact Officers:**

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APPENDIX 1

Page No	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Governance Report 2009/10 – Recommendations</b>						
8	R1 As part of the year end process the Council should instigate a robust review of its accruals to ensure that expenditure is accounted for in the correct period	3  3	Paul Fitzgerald  Paul Fitzgerald	Yes	<ul style="list-style-type: none"> <li>SWONE Advisory Team will undertake a central review of accruals v April transactions to quality assure the accruals process</li> <li>Clear guidance will be issued to budget holders and other relevant staff, as part of the year end guidance notes and training. This will include a requirement to review April transactions for items related to previous years.</li> </ul>	May 2011  March 2011
8	R2 The Council should review its debtor balances to ensure that the amounts included are receiveable, and if the amounts should be considered for write off	3  2	Paul Harding  Paul Harding	Yes	<ul style="list-style-type: none"> <li>A review is already underway and write-offs being progressed. A regular review of overall position will be undertaken by Performance &amp; Client Lead, and reported to CMT</li> <li>Managers will review and</li> </ul>	March 2011  January 2011

					monitor aged debts, and ensure debts are collected or written off on a timely basis.	
8	R3 Update the master data file for vendors (suppliers) to remove duplicate entries for the same vendor (supplier)	2	Ragnar Forssman	Yes	<ul style="list-style-type: none"> <li>SPS to investigate options for de-duplication</li> </ul>	TBC
8	R4 A proper audit trail should be maintained to demonstrate that the council tax and business rates systems fully reconcile to the general ledger	2 2	Heather Tiso  Paul Fitzgerald	Yes	<ul style="list-style-type: none"> <li>SWONE Control Team to undertake regular reconciliation to general ledger on monthly basis.</li> <li>SWONE Advisory to monitor through balance sheet control reviews</li> </ul>	January 2011  March 2011
9	R5 Sufficient systems access controls should be operated to identify and address any unauthorised access. Evidence of review of this control should be documented to provide assurance that this is working effectively.	1	Maggie Hammond	Yes	<ul style="list-style-type: none"> <li>Arrangements to periodically review high risk roles to be considered.</li> </ul>	March 2011
10	R6 All transactions on the SAP financial system should contain sufficient	1	Maggie Hammond	Yes	<ul style="list-style-type: none"> <li>Consider whether TDBC requires descriptions from AP, AR and other feeder</li> </ul>	TBC

	narrative to identify the purpose of the transaction, the timing and the source.	2	Lizzie Watkin		<p>transactions to populate GL Description fields in SAP. Prepare/agree RFS if required.</p> <ul style="list-style-type: none"> <li>• Users to be reminded that sufficient narrative should be included on GL transactions such as journals</li> </ul>	November 2010
		2	Paul Fitzgerald		<ul style="list-style-type: none"> <li>• Business process for journals and virements will be reviewed to: <ul style="list-style-type: none"> <li>i) provide clear guidance on descriptions protocol</li> <li>ii) build control checks and quality assurance into the process</li> </ul> </li> </ul>	December 2010
10	R7 The arrangements between the Council and the Valuer should be formalised. This is important given the move to IFRS, and the additional work that the Valuer will be instructed to complete in order to assist the Council prepare its accounts under the IFRS.	2	Alison North	Yes	<ul style="list-style-type: none"> <li>• Review Output Spec and prepare proposed update / addition to the specification for Asset Valuation services. Will require agreement through contract management arrangements.</li> </ul>	February 2011

10	R8 All loans and investments taken out on behalf of the Council should be supported by appropriate documentation.	2	Maggie Hammond	Yes	<ul style="list-style-type: none"> <li>• Review process for securing documentation from TM Advisory related to treasury decisions.</li> <li>• Ensure correspondence and evidence of all loan and investment approvals and details are maintained</li> </ul>	November 2010  November 2011
10	R9 All registers of interest should be kept up to date	2	Tonya Meers	Yes	<ul style="list-style-type: none"> <li>• Undertake review of process to maintain Register of Interests</li> </ul>	March 2011

## **TAUNTON DEANE BOROUGH COUNCIL**

### **CORPORATE GOVERNANCE COMMITTEE 20<sup>th</sup> DECEMBER 2010**

#### **Report of the Strategic Director (Shirlene Adam).**

This matter is the responsibility of the Leader of the Council, Cllr John Williams

#### **VALUE FOR MONEY REPORT 2009/10**

##### **Executive Summary**

This report introduces the Value for Money Report 2009/10 – prepared by our external auditors, the Audit Commission (and set out in and Appendix to this report).

The report, which will be presented by the Audit Commission, summarises their findings from their 2009/10 review work.

#### **1. Background**

- 1.1 The Audit Commission has finalised its review of the Councils arrangements to secure the economy, efficiency, and effectiveness of its use of resources.
- 1.2 Their full report, along with the detailed recommendations is set out in Appendix 1.
- 1.3 This report has influenced the Annual Governance Report and Annual Audit Letter which are considered later in the agenda.

#### **2. Financial Issues / Comments**

- 2.1 There are no financial implications from this report.

#### **3. Legal Comments**

- 3.1 There are no legal implications from this report.

#### **4. Links to Corporate Aims**

- 4.1 No direct implications.

#### **5. Environmental and Community Safety Implications**

- 5.1 No direct implications.

#### **6. Equalities Impact**

- 6.1 No implications.

#### **7. Risk Management**

- 7.1 Any risks identified will feed in to the corporate risk management process.

**8. Partnership Implications**

- 8.1 The Strategic Director and the Internal Audit Team (SWAP – South West Audit Partnership) will take the findings of this report into account when identifying the areas of risk to be audited next year.

**9. Recommendation**

- 9.1 Members are requested to note the Value for Money report from the Audit Commission.

**Contact Officers:**

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# **Value for money**

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# **conclusion**

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# **report**

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**Taunton Deane Borough Council**

**Audit 2009/10**

**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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# Key messages

## **This report summarises our assessment of the Council's proper arrangements for securing economy, efficiency and effectiveness in its use of resources.**

- 1** My work to inform my value for money conclusion is complete. I have assessed the Council as having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 2** In 2008/09 I concluded that the Council had made proper arrangements and were embarking on an ambitious programme of joint working to provide financial and other services, including finance and IT. The Council has met teething problems in the operation of some of the joint services, most notably with the financial systems based upon the SAP package which is being run jointly with Somerset County Council and Avon and Somerset Police. I am pleased to report that despite these problems the Council has, overall, maintained proper arrangements to achieve economy, efficiency and effectiveness.
- 3** I provide more details in the paragraphs overleaf.

# Detailed report

4 Under the Code of Audit Practice (the Code), I have a responsibility to assess whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

5 I inform and limit my VFM conclusion by reference to 'relevant criteria'. These criteria cover areas of audited bodies' arrangements specified by the Commission under the Code. We report the VFM conclusion alongside the opinion on the financial statements.

6 This report sets out my assessment of the Council's arrangements to support our VFM conclusion. Table 1 is a summary of my judgements against each of the criteria.

Table 1: **Value for money criteria**

Criteria	Met
<b>Managing finances</b>	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
<b>Governing the business</b>	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
<b>Managing resources</b>	
Natural resources	Yes
Strategic asset management	Yes
Workforce	Yes
<i>Value for money conclusion judgements</i>	

## Managing finances

This theme considers the following features of financial management.

- Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?
- Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?
- Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

### **Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?**

#### **Planning for financial health**

**7** There are close links between the Council's corporate plan, service plans and medium-term financial plan (MTFP). Services are prioritised through the 'Services Profile', reviewed yearly, which ensures that extra investment and cuts are targeted appropriately. The Council clearly identifies future budget shortfalls within the MTFP and extra resources were provided to higher priority areas in the 2010/11 budget, such as housing enabling and economic development. For some lower priority areas, such as tourism, budgets were cut.

**8** A good track record of delivering balanced budgets and preserving working balance above the approved minimum target level exists. Members receive regular and detailed briefings on the budget and MTFP. However, the IT and workforce strategies need updating and the links from these to financial planning are weak.

#### **Engagement with stakeholders**

**9** There was limited public consultation on the 2009/10 budget and no specific local consultation on the 2010/11 budget. Budget preparation did take account of the priorities and service satisfaction in the PLACE survey, for example, extra resources were provided for affordable decent housing and activities for teenagers. Developing links between equality impact assessments (EIAs) and decision-making is improving, but further progress embedding EIAs within service plans is needed.

## Managing spending

**10** Early in 2009/10 the MTFP identified a significant budget gap for 2010/11, but the Council made the savings necessary to prepare a balanced budget, with working balances forecast to stay above the minimum target level. Due to problems with the introduction of SAP, there was almost no debt recovery action until near the end of the year. Consequently, sundry debtors rose from £2.1 million in September 2008 to £3.6 million by September 2009. The Council is also missing its target collection rates for housing rents, council tax and business rates. Processes for monitoring overall annual efficiency savings are weak. The Council has a 3.5 per cent target, but progress against this in-year is not monitored or reported

## Financial governance and leadership

**11** Members received several presentations during the year on financial topics, including treasury management and the budget. All elected Members received a Christmas budget consultation pack. Training to officers supported the introduction of SAP, although some budgetholders felt that they needed more training and guidance to give them the expertise and confidence to use the new system effectively.

To improve, the Council should:

- update the IT and Workforce Strategies and improve the links to financial planning; and
- should engage with the local community during budget preparation to identify priorities.

## Understanding costs and achieving efficiencies

### Understands costs

**12** The Council is improving its understanding of costs and performance. It now includes whole life costing (WLC) as part of its standard specification approach, for example in developing the Taunton Plan for Growth focused on town centre regeneration. Regular reporting mechanisms are in place for the SW1, Tone Leisure and South West Audit Partnership. Indicators to enable better monitoring and reporting of the performance of Tone Leisure are improving. New performance monitoring arrangements are being introduced for SW1 that will include six monthly reporting to Members. Extra high level reporting on key partnerships and projects is included within the quarterly monitoring reports to senior management and Members.

**13** The Council does not yet have a clear grasp of value for money across its services. Use of benchmarking is limited and improvements to the performance management system are yet to have a significant impact.

## **Takes account of this understanding**

**14** A new performance management framework has been agreed and new performance reporting introduced using a scorecard format with improved links to financial monitoring reports. Member training has been undertaken, but this is a recent development and impact is not yet clear. Implementing the new financial system, SAP, has been weak and the benefits expected of the system are yet to be realised.

## **Identifies the scope for making efficiencies and is on track to achieve planned efficiencies**

**15** Although the Council has a clear plan for savings it was behind schedule for their delivery for 2009/10. The main reasons behind this slippage are understood and the effects on the budget have been mitigated. Because of difficulties setting up SAP, it was not possible to monitor some elements of the budget for most of the year. The Partnership was also slower to fill the procurement team vacancies than expected, restricting the capacity to deliver planned volumes.

**16** Efficiency targets are set and there is a clear process to identify savings achieved. The new SAP financial system includes a benefits tracking tool to support delivery. This tool should be used as soon as it is practical to do so.

The Council should make better use of benchmarking to assess value for money.

## **Financial reporting**

### **Produces relevant, timely and reliable financial monitoring and forecasting information and uses this monitor performance during the year**

**17** Due to problems with the new SAP system, the Council could not rely on the routine budget monitoring reports issued from the system during 2009/10. As a result officers had to manually collect and tailor information on staff costs, emergency payments, cash postings and Direct Labour Organisation (DLO) recharges to ensure that the reports presented to members and managers were accurate and comprehensive. However, for the DLO for most of the year it was only possible to forecast the overall budget position, with no breakdown for the individual DLO functions.

**18** Budget monitoring has shown a steadily improving financial position for the Council during 2009/10. The forecast deficit reduced from £299,000 at the end of the first quarter, to £40,000 by the end of quarter 3 and full year deficit of only £10,000.

**19** Produces financial reports that are clear, relevant and concise to support strategic decision making.

**20** Reports to members on financial performance include commentary on related non-financial information, for example, increases in recycling and waste collection costs are explained by reductions in recycling volumes and credits. Towards the end of the year, the Council introduced a new scorecard style performance report to Members. This includes a section on managing finances with performance indicators for budget performance, reserve levels, debt-collection rates and procurement and efficiency savings. The supporting data collection processes for some of the new performance indicators (PIs) are under development.

**Prepares accounts that meet statutory requirements, financial reporting standards and give a true and fair view of the financial performance and position**

**21** The accounts closure processes for 2008/9 were much improved. For 2009/10, the Council has provided extra resources for the closure process, but these came under much strain due to the problems with the new SAP system. The control weaknesses in the SAP systems during 2009/10 meant that significant extra substantive testing was needed to support our opinion on the accounts. Officers agreed a detailed accounts closure programme for 2009/10 and there was a presentation from the closure team to other staff involved in the closure. Progress is limited in preparing to introduce IFRS and Members need to be more fully engaged in the process

**22** Publishes reports that provide an objective, balanced and understandable assessment of the organisation's performance in the year.

**23** The Council has engaged with local communities and responded to their needs in external reporting arrangements. It offers translation of key documents or face to face meetings with users on request. Following an equalities impact assessment in 2009/10, funds were made available to translate key housing service documents into Polish, and other services have provided funding to translate key documents or provide them on CD in various languages

To improve the Council should:

- identify indicators for assessing the performance of all key services; and
- agree milestones to guide its preparations to comply with International Financial Reporting Standards (IFRS).

## Governing the business

This theme considers whether the Council:

- commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money;
- has relevant and reliable data and information to support decision making and manage performance;
- promotes and demonstrate the principles and values of good governance;
- manages its risks and maintains a sound system of internal control.

### Commissioning and procurement

#### **Has a clear vision of intended outcomes for local people which shapes its commissioning and procurement**

**24** The Council has used this year to prepare for more focused investment in the future. Some funding has been removed from lower priority areas but only from 2010/11. The procurement approach sets clear targets for the successful delivery of services for local people. For the major contract with SW1, there is joint monitoring of higher level objectives with Somerset CC and Avon and Somerset Police. Procurement is beginning to work well and delivering effective challenge to decisions; but the team is only recently fully staffed so has had limited impact.

#### **Involves local people, partners, staff and suppliers in commissioning services**

**25** The Council is developing its procurement function in partnership with key stakeholders. It is working to develop the SW1 procurement (as subcontractor) approach and is looking to encourage voluntary organisations to become service providers. It is seeking new areas for cooperation, for example purchasing green energy. These developments are at an early stage.

#### **Seeks to improve the customer experience, quality and value for money of services through service redesign, making effective use of IT**

**26** The Council's contract with SW1 sets clear targets for the successful delivery of services for local people. It has a built-in saving of 2.5 per cent per year.

## **Understands the supply market and seeks to influence and develop that market**

**27** The Council has good links with its contracted suppliers and uses these positively, for example it is discussing how to align service plans with the major leisure contractor and plans to align strategy with SW1 for the next three years. Internally it is working to influence and develop the supply market. For example a profit share arrangement agreed with SW1 incentivises extra savings to be divided proportionately between the partners. It is also exploring opportunities to encourage and support local suppliers through using a portal that will make it easier for suppliers to tender for public sector business. In doing this it seeks to add value through the whole supply chain eg through encouraging first tier providers to develop local supply chains with local SMEs.

## **Evaluates different options for procuring services and supplies**

**28** The Council has worked effectively with Somerset CC and Somerset and Avon Police to develop SW1, a partnership to provide financial, procurement, property and several other services. It also has key partnerships with Tone leisure, Somerset Waste and SW Audit partnership and intends market testing the DLO service in 2010. It is also considering options for collaboration with neighbouring councils to share management costs.

**29** The procurement strategy was due for review and updating by 31 March 2010. This is not yet complete.

## **Reviews the competitiveness of services and achieves value for money**

**30** The Council is effective in exploring alternative options for service delivery. It has an established process for identification and analysis of opportunities for savings in procurement. It is using the opportunity of being part of a wider consortium (with Somerset CC and Avon and Somerset Police) to negotiate additional savings, for example on insurance.

## Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

### Relevant and reliable data

**31** The Council has improved its data quality (DQ) arrangements. It completed most of the actions from the recent Commission report on the subject, the one outstanding item being partnership arrangements. There are contractual protocols on data in place with its main partner, SW1 and it is looking to improve arrangements with other significant partners. The Council has a named DQ Member champion. Quarterly performance reports and DQ issues are discussed with her before circulating to other Members. A DQ action plan is routinely monitored. Proformas for national performance indicators (NPIs) were introduced for 2009/10 to provide greater assurance about compliance. The Performance and Client Officer attends regular meetings with the Somerset Performance Officers Group where NI updates are provided. These are subsequently cascaded throughout the Council. There is an up-to-date DQ strategy in place which encompasses not only performance data but also financial data and other information input into systems.

### Meets needs of its decision makers

**32** The Council is revising the information provided to Members. A new scorecard reporting approach has been developed and has had good input and a positive response from Members. However, performance reports do not indicate how the Council is addressing areas where it is making little impact such as crime and disorder, sustainability and deprivation. The new-style reports are thematically based and more easily understood. The reporting route through the Executive and then Scrutiny is providing better focus on key issues.

### Ensures data security and compliance

**33** The Corporate Governance Action Plan identifies actions to address key weaknesses including DQ. Progress against these actions is reported to the Corporate Management Team (CMT) and the Corporate Governance Committee quarterly. Training in DQ is part of Organisational Development Plan and an E-Learning module rolled out for staff. DQ is included in Service Planning training and Member training and the DQ Strategy is updated annually.

## Monitors performance

**34** The Council has introduced new forms of reporting so it can monitor progress against targets more effectively. This includes service scorecards and strengthened links to financial performance. The approach now focusses on thematic lines to allow better monitoring against the Council's broad aims. However, these changes are recent and the Council has yet to show real impact on services to the community.

The Council needs to show that it is addressing priority areas where it is making little impact.

## Good governance

### Principles of good governance

**35** The major stages of the Core Council Review are complete. The new management and staffing structures are designed to provide a clearer focus on the Council's key objectives. The constitution has been completely refreshed to reflect the new structures. However, it is too early to assess whether the changes are having real impact.

**36** A cross-party Member Development Steering Group oversees the preparation of the member training programme, which for 2009/10 covered key areas such as finance, the Code of Conduct and use of IT. During 2008/09, 11 Members went through a pilot Personal Development Programme, but progress has stalled since then due to lack of member commitment. Three quarters of Members still have no personal development plans.

### Purpose and vision

**37** The Council's corporate strategy has been refreshed. There are four corporate aims under the new strategy: tackling deprivation, regeneration, affordable housing and climate change. These all link to the over-riding objective of growth for the Borough. The new performance management framework has been designed to support delivery of the objectives, with 'scorecard' indicators in seven sections, the first being corporate aims.

## Ethical framework and culture

**38** Good progress has been made in raising the profile of the ethical agenda with parish councils. A full-time Parish Liaison officer organises local training, and independent members of the Standards Committee visit each parish annually. There have been no complaints against parish councillors since introducing the local assessment framework and the Standards Board for England has cited the Council's work with parishes as good practice. Progress was made during 2009/10 in raising the profile of the Standards Committee, for example members of that committee now attend other committees regularly. However, many of the agreed initiatives are still at the development stage.

**39** There were three Code of Conduct investigations last year, all of which found Code breaches and recommended appropriate action, for example, tighter procedures for member use of Council IT equipment. An internal audit review found that information on the Council's policies regarding gifts and hospitality is readily available to staff and Members. Since that audit a policy statement has been placed on the Council's website to raise awareness of the public and contractors.

## Partnership working

**40** During the year, the Council received reports on its major partnerships, and the new scorecard system has a section for 'key partnerships' which will allow Members to monitor their performance quarterly. However, the Council does not yet have a register of all partnerships or a protocol for establishing new partnerships. Some partnerships are operating without meaningful performance reporting arrangements.

To improve the Council should:

- complete personal development plans for all elected Members;
- prepare a protocol for establishing new partnerships; and
- maintain a register of all partnerships.

## **Risk management and internal control**

### **Risk management**

**41** The Council refreshed its approach to corporate risk in January 2010 and introduced a new process for taking risk management action plans to the Corporate Governance Committee. There is now a lead officer for risk management, who updated the risk management strategy in 2009/10, and a Member champion. An internal audit review of project risk registers identified no areas of concern. Arrangements for service risk registers are developing by embedding risk action plans within service planning. Risk management training for Members and officers was deferred pending the implementation of the new arrangements.

### **Managing the risk of fraud and corruption**

**42** The anti-fraud strategies were updated in January 2009. The Council agreed three year targets for benefit fraud work in its SW1 contract, but it is missing these for the second year running, with full year performance forecast to be slightly down this year. This is due mainly to staff sickness and an increase in claims. The level of benefit fraud work and fraud awareness training, previously good, also reduced in 2009/10. There was good joint working with the Dept of Work and Pensions during the year, with three joint prosecutions and five joint cautions. However, the Council has been slow to follow up National Fraud Initiative matches, even after a visit from the Audit Commission's NFI lead.

### **Internal control**

**43** Internal audit coverage of the main financial systems was again good in 2009/10. They identified several significant control weaknesses in key financial systems, creditors, debtors and the general ledger, following the implementation of SAP from April 2009. The ramifications of these problems include a £1 million increase in sundry debtors, delays in raising invoices and making payments and an abnormally high level of duplicate payments. The Council has been working openly and constructively with internal audit to address these weaknesses. There are continuing weaknesses in business continuity and IT disaster recovery planning.

**44** Other aspects of internal control have been maintained throughout the year as shown in the Annual Governance Statement. Controls have been improved through a structured approach for the Corporate Governance (Audit) Committee to monitor progress on action plans from audit reports.

To improve the Council should:

- investigate what steps SW1 is taking to ensure that it will achieve contracted targets;
- make effective arrangements to investigate NFI matches and ensure that these are operated; and
- complete business continuity and IT disaster recovery planning.

## Managing resources

This theme considers whether in managing its resources the Council:

- makes effective use of natural resources (not assessed in 2009/10);
- manages its assets effectively to help deliver its strategic priorities and service needs; and
- plans, organises and develops its workforce effectively to support the achievement of its strategic priorities.

### Use of natural resources

**45** Tackling climate change is one of the Council's top four priorities for the next three years. It has developed a better understanding of the natural resources it uses and is starting to develop plans to reduce these over time. It has quantified the baseline carbon emissions it produces and understands which buildings and activities contribute most to these. It plans to spend more on the green agenda and has created a new post to raise its profile across the Council. However, this work is at an early stage and much remains to be completed.

**46** The Council recently adopted the national 10:10 commitment to reduce its carbon emissions by 10 per cent during 2010. However, it is not clear how it will do this or meet its longer term aim to become a carbon neutral authority. Target setting is weak and inconsistent, with sole reliance on NIs to measure progress. One of the major sources of carbon emissions - Tone Leisure - is currently following a lower target to reduce its emissions by 4 per cent each year. Some good plans are in place, such as the Green Infrastructure Strategy and Biodiversity Action Plan. But a, joined up approach to planning is not in place. The Council still has to translate its high level objectives into specific service plans and action so staff are clear how they can contribute. A carbon management plan is in place but focuses mainly on quick wins such as replacing fridges. The plan still needs more detailed action plans to reduce annual emissions year-on-year.

**47** Staff and councillors are increasingly involved, helped by a series of workshops (with community involvement) and awareness raising initiatives. Several actions are under way in different services. A team of green champions are helping with this. Travel policies encourage staff to use their cars less and use public transport, cycle and walk more. The number of staff travelling to work by car fell from 71.3 per cent to 65.1 per cent between 2005 and 2008, with an increase in cycling from 8.4 per cent to 13.8 per cent. HR policies encourage flexible and home working. The Council recycles materials such as paper, cardboard and building materials including UPVC windows. It promotes biodiversity through good horticultural practices in its parks and allotments and its works with partners. This includes green and woodchip recycling and minimal use of peat and pesticides. Over the past five years the Council has secured 55 hectares of local nature reserve through planning policies. However these initiatives do not form part of coordinated approach and the Council doesn't yet know what impact they are having on its overall carbon footprint or use of natural resources.

**48** Outcomes to date are limited. The Council's carbon emissions rose by 7 per cent between 2006/07 and 2008/09 although the rate of increase fell to 1 per cent over the past year. Gas consumption has fallen in its main offices since 2001/02 and gas and electricity use has fallen at Taunton Pool over the same period. Incomplete data, for example on water use makes it difficult to compare trends over time. Energy assessments have been carried out in all Council buildings, and the Council is taking steps to reduce energy use through raising staff awareness, use of low energy lighting, energy efficient equipment and better insulation.

**49** The Council does not consistently take environmental considerations into account in decision-making eg in capital projects. Sustainability appraisals are not routinely used to guide decisions. It is starting to consider the potential risks climate change poses to service delivery in service plans. It is also exploring further opportunities to share accommodation with partner organisations. Staff from the county council, IT supplier and police are all based in the Council's main offices, with a local voluntary group in adjoining premises. But the Council has yet to ensure they fully contribute to reducing the overall carbon footprint.

To improve the Council should:

- raise the profile of the green agenda across the whole organisation;
- agree what actions are required achieve its aim of becoming a carbon neutral authority; and
- use sustainability appraisals to inform decisions.

## **Strategic asset management**

**50** The Audit Commission excluded asset management from the use of resources evaluation this year. We concluded that proper arrangements were in place last year and these have been maintained during 2009/10.

## **Workforce**

### **Has a productive and skilled workforce**

**51** A new performance management framework introduced new reporting arrangements based upon scorecards with improved links with financial performance. However this is a recent development and it is not clear whether it had real impact in 2009/10. The Council does not yet have a clear understanding of the performance of its main contractor. There are regular SW One performance reports. A Benefits Tracking Tool has been developed and is available to be populated, but requires engagement from SW1. Commercial sensitivities are yet to be overcome in order that relevant metrics can be captured. The Council has experienced sustained high levels of sickness absence.

### **Knows what staff it will need, and has plans to achieve this**

**52** The Council has in place a broad range of effective processes and systems to manage and develop its workforce. Approaches to recruitment are well established and modern, and there are a wide range of employee-friendly policies in place. Following the creation of the SW1 partnership, the Council has identified the need for an up to date workforce plan that includes input from the partnership. Development of the plan commenced late in 2009/10 with the intention of completing it during 2010/11.

### **Has policies which support diversity and good people management**

**53** The Council has initiated a review of its Health and Safety policies in the light of the SW1 partnership and is consulting on a suite of ten consolidated policies. It is revising its Corporate Equality Strategy for 2010-13, but is unable to demonstrate that it has delivered against its previous strategy. The profile of Equality and Diversity is being raised through Members briefings, Council communications and improved training. An audit under the Equality Framework for Local Govt (EFLG) has been carried out. However, it is unclear what impact this work has had to date.

To improve the Council should:

- implement the Benefits tracking tool in its contract with SW1;
- exert more effective management action to reduce the sustained high level of staff sickness it is experiencing; and
- complete and agree a new workforce plan.

## Appendix 1 Action Plan

Recommendations	
<b>Recommendation 1</b>	
Update the IT and Workforce Strategies and improve the links to financial planning.	
<b>Responsibility</b>	Shirlene Adam
<b>Priority</b>	
<b>Actions</b>	Agreed. A draft IT infrastructure strategy has been prepared already and a workforce plan will be prepared.
<b>Deadline</b>	January 2011
<b>Recommendation 2</b>	
Engage with the local community during budget preparation to identify priorities.	
<b>Responsibility</b>	Shirlene Adam
<b>Priority</b>	
<b>Actions</b>	Agreed. This will be picked up as part of the new budget strategy for 2011-2014.
<b>Deadline</b>	Spring 2011
<b>Recommendation 3</b>	
Council should make better use of benchmarking to assess vfm.	
<b>Responsibility</b>	Dan Webb
<b>Priority</b>	
<b>Actions</b>	Somerset districts benchmarking work has started initially looking at: Housing; Revs & Bens; Customer Services; Planning.  The National Indicator Set is less conducive to service benchmarking than the old BVPIs, and very little benchmarking data is readily available. Significantly more benchmarking work would incur additional costs to TDBC.
<b>Deadline</b>	December 2010

## Recommendations

### Recommendation 4

Identify indicators for assessing the performance of all key services.

<b>Responsibility</b>	Dan Webb
<b>Priority</b>	
<b>Actions</b>	Agreed - this has already been addressed. However we have identified a need to review some of the measures for the new 'TRAC' corporate aims.
<b>Deadline</b>	December 2010

### Recommendation 5

Agree milestones to guide preparations to comply with IFRS.

<b>Responsibility</b>	Paul Fitzgerald
<b>Priority</b>	
<b>Actions</b>	Agreed. PF will liaise with Audit Commission on progress.
<b>Deadline</b>	Ongoing

### Recommendation 6

Council needs to show it is addressing priority areas where it is making little impact.

<b>Responsibility</b>	Dan Webb
<b>Priority</b>	
<b>Actions</b>	Disagree. We do not recognise this as a weakness. One example given is no longer a corporate aim (Crime), and I believe that the other areas referred to are adequately covered on within performance reports.
<b>Deadline</b>	N/A

### Recommendation 7

Complete PDPs for all elected Members.

<b>Responsibility</b>	Tonya Meers
<b>Priority</b>	
<b>Actions</b>	Agreed – this progressed as part of member induction in 2011.
<b>Deadline</b>	December 2011

### Recommendation 8

Prepare protocol for establishing new partnerships.

<b>Responsibility</b>	Alison North/Tonya Meers
<b>Priority</b>	
<b>Actions</b>	Agreed – will be covered in project already underway – led by TM.
<b>Deadline</b>	December 2010

<b>Audit Commission</b>	Value for money conclusion report
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## Recommendations

### Recommendation 9

Maintain a register of partnerships.

<b>Responsibility</b>	Alison North/Tonya Meers
<b>Priority</b>	
<b>Actions</b>	Agreed – will be covered in project already underway – led by TM.
<b>Deadline</b>	December 2010

### Recommendation 10

Investigate what steps SW1 is taking to ensure it will achieve targets.

<b>Responsibility</b>	Alison North
<b>Priority</b>	
<b>Actions</b>	Agreed. Robust contract management arrangements are already in place. CMT receive regular updates on procurement transformation.
<b>Deadline</b>	Ongoing

### Recommendation 11

Make effective arrangements to investigate NFI matches.

<b>Responsibility</b>	Shirlene Adam
<b>Priority</b>	
<b>Actions</b>	Agreed.
<b>Deadline</b>	March 2011

### Recommendation 12

Complete business continuity and IT disaster recovery planning.

<b>Responsibility</b>	John Lewis and Alison North
<b>Priority</b>	
<b>Actions</b>	Business continuity plans will be finalised for all services by October 2010. (JL) IT disaster recovery plan will be produced in conjunction with SW1. (AN)
<b>Deadline</b>	October 2010 December 2010

## Recommendations

### Recommendation 13

Raise the profile of green agenda across whole organisation.

**Responsibility** Kevin Toller

**Priority**

**Actions** Staff roadshows planned for week beginning 20 September.  
Six Month awareness campaign.

**Deadline** September 2010  
March 2011

### Recommendation 14

Agree actions required to achieve aim of carbon neutral authority.

**Responsibility** Kevin Toller

**Priority**

**Actions** Carbon neutrality action plan to be developed.

**Deadline** March 2011

### Recommendation 15

Use sustainability appraisals to inform decisions.

**Responsibility** Kevin Toller

**Priority**

**Actions** Agreed.

**Deadline** December 2010

### Recommendation 16

Implements benefit tracking tool in SW1 contract.

**Responsibility** Alison North

**Priority**

**Actions** Agreed – robust contract monitoring already in place.

**Deadline** Ongoing

## Recommendations

### Recommendation 17

Exert more effective management to reduce staff sickness.

<b>Responsibility</b>	Martin Griffin
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<b>Priority</b>	
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<b>Actions</b>	Agreed – regular monitoring and reporting mechanism is in place with SW1. CMT receive regular reports.
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<b>Deadline</b>	Ongoing
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### Recommendation 18

Complete and agree new workforce plan.

<b>Responsibility</b>	Shirlene Adam/Martin Griffin
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<b>Priority</b>	
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<b>Actions</b>	Agreed – this is a repetition of earlier recommendation.
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<b>Deadline</b>	N/A
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# Taunton Deane Borough Council

## CORPORATE GOVERNANCE COMMITTEE 20<sup>th</sup> December 2010

### INTERNAL AUDIT PLAN – PROGRESS REVIEW

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

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

#### 1. Executive Summary

This report highlights significant findings and recommendations that have occurred since the Committee last considered the detailed findings of Internal Audit reports in September 2010.

#### 2. Background

To provide members with an update on the activities of the Internal Audit team for the period October to December 2010.

#### 3. Audits Completed and Progress against Plan

Please see attached report.

#### 5. Finance Comments

N/a

#### 6. Legal Comments

N/a

#### 7. 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.

**8. Environmental and Community Safety Implications**

N/a

**9. Equalities Impact**

N/a

**10. Risk Management**

N/a

**11. Partnership Implications**

N/a

**12. Recommendations**

The Committee should note the content of this report.

**Contact:** Chris Gunn  
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## **Taunton Deane Borough Council**

Report of Internal Audit Activity  
Quarter 3, 2010/11

# Contents

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# Summary Page 2

Our audit activity is split between:

- **Operational Audit**
- **Managed Audit**
- **Governance, Fraud & Corruption**
- **Special Reviews**

## Role of Internal Audit

The Internal Audit service for Taunton Deane Borough Council is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Corporate Governance Committee at its meeting on 15th March . Internal Audit provides an independent and objective opinion on the Council's control environment by evaluating its effectiveness. Primarily the work includes;

- Plan of Operational Reviews
- Annual Review of Key Financial System Controls (Managed Audits) - scheduled for Quarter 3
- Annual review of key governance and fraud controls

## Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to the Corporate Governance Committee at its meeting in March.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

## Quarter 3 Outturn:

**We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action**

## Internal Audit Work Programme

The schedule provided at [Appendix A](#) contains a list of all audits as agreed in the Annual Audit Plan 2010/11. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “control assurance” opinions together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in [Appendix C](#).

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent a less than significant risk to the Council’s operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Quarter 3 Outturn:

## Completed Audit Assignments In The Period

### Operational Audits

Operational Audits are a detailed evaluation of a service's control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

During the period the Customer Services audit was completed. For the Debtors and Creditors audits draft reports were produced. We have also started the audit on Main Accounting and Housing Benefit Fraud.

### Managed Audits

Managed Audits are completed to assist the External Auditor in their assessment of the Council's financial control environment. There are seven such audits within the 2010/11 Audit Plan and all are scheduled to be carried out in Quarter 3.

During the period, all seven Managed Audits have been started. For Treasury Management a final report has been issued and for Capital Accounting a draft report has been issued. For the balance of these audits we expect to produce draft reports by the end of December 2010.

Quarter 3 Outturn:

**Completed Audit  
Assignments In The Period**

## Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level.

Three governance audits have been completed these being :

- Equalities and Diversity (Impact Assessments)
- Health and Safety
- N188 Use of Natural Resources

## Special Reviews

There have been no further special reviews carried out since the Quarter 2 Outturn report.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

## Future Planned Work

This is detailed in [Appendix A](#) and is obviously subject to any changes in agreement with the S151 officer.

## Conclusions

For those audits still required by the client SWAP are on target to complete those audits as planned. For the audits completed to report stage each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the Categorisation of recommendations section in [Appendix C](#).

SWAP have recently implemented a change to the audit process for operational reviews whereby an assessment on the management of each risk is included in reports. Any risks where the auditor's assessment of risk to the organisation is "Very High" will be reported to the Audit Committee.

Audit report findings which have priority scores 4 or 5 are highlighted in [Appendix B](#) together with recommendations and management responses.

TDBC management have responded positively to internal audit suggestions for improvements and corrective action has already been taken in a number of cases.

Appendix A

Directorate/Service	Audit Area	Quarter	Audit Days	Status	Opinion	No. of recs	1 = Minor → 5 = Major				
							Recommendations				
							1	2	3	4	5
Operational Audits	Building Control	Apr-10	15	Final Report	Reasonable	8	0	0	6	2	0
Operational Audits	Property Services	Apr-10	20	Removed			0	0	0	0	0
Operational Audits	Customer Services	Apr-10	20	Final Report	Reasonable	5	0	0	3	2	0
Operational Audits	Choice Based Lettings	Apr-10	15	Removed			0	0	0	0	0
ICT - Policy	SWAP Information Security Group - SISG	Apr-10	4	In Progress	Non Opinion		0	0	0	0	0
ICT - Security	Threat Protection	Apr-10	8	Deferred			0	0	0	0	0
Governance, Fraud & Corruption	Data Quality - Performance Indicators	Apr-10	8	Final Report	Comprehensive	0	0	0	0	0	0
Governance, Fraud & Corruption	Procurement (Category Management)	Apr-10	10	Draft Report			0	0	0	0	0
Governance, Fraud & Corruption	Risk Management (Risk Registers including Major Projects)	Apr-10	10	In Progress			0	0	0	0	0
Client Support	Special Review - DLO Due Diligence	May-10	35	Draft Report	Non Opinion		0	0	0	0	0
Operational Audits	Creditors	Jul-10	20	Draft Report			0	0	0	0	0
Operational Audits	Debtors	Jul-10	20	Draft Report			0	0	0	0	0
Operational Audits	Main Accounting	Jul-10	20	In Progress			0	0	0	0	0
ICT - Security	Corporate back up routines	Jul-10	8	In Progress			0	0	0	0	0
Governance, Fraud & Corruption	Equalities and Diversity - Impact Assessments	Jul-10	8	Final Report	Partial	5	0	0	5	0	0
Governance, Fraud & Corruption	Health and Safety	Jul-10	5	Final Report	Partial	7	0	0	7	0	0
Governance, Fraud & Corruption	Performance - NI 179 Efficiency Statements	Jul-10	5	In Progress			0	0	0	0	0
Governance, Fraud & Corruption	Performance - NI 188 Use of Natural Resources	Jul-10	5	Final Report	Comprehensive	0	0	0	0	0	0
Client Support	Special Review - Parking Services Stock	Jul-10	8	Final Report	Non Opinion	0	0	0	0	0	0
Client Support	Special Review - Licensing Cash Handling	Aug-10	12	Final Report	Non Opinion	0	0	0	0	0	0
Operational Audits	Housing Benefits Fraud	Oct-10	15	In Progress			0	0	0	0	0
Operational Audits	Review of Core Council Arrangements	Oct-10	15	Removed			0	0	0	0	0
Managed Audits	Capital Accounting	Oct-10	5.5	Draft Report			0	0	0	0	0
Managed Audits	Council Tax	Oct-10	11	In Progress			0	0	0	0	0
Managed Audits	Housing Benefits	Oct-10	11	In Progress			0	0	0	0	0

Managed Audits	Housing Rents	Oct-10	11	In Progress			0	0	0	0	0
Managed Audits	NNDR	Oct-10	8	In Progress			0	0	0	0	0
Managed Audits	Payroll	Oct-10	11	In Progress			0	0	0	0	0
Managed Audits	Treasury Management	Oct-10	5.5	Final Report	Reasonable	4	0	2	2	0	0
Operational Audits	Legal Services	Jan-11	15	Removed			0	0	0	0	0
Operational Audits	Deane Helpline Income	Jan-11	15	New audit			0	0	0	0	0
Operational Audits	Partnership Arrangements	Jan-11	15				0	0	0	0	0
Operational Audits	Section 106 Agreements	Jan-11	15				0	0	0	0	0
Operational Audits	Strategic Housing	Jan-11	20	Removed			0	0	0	0	0
Governance, Fraud & Corruption	Business Continuity (Major Partnerships and Contractors)	Jan-11	8				0	0	0	0	0
Governance, Fraud & Corruption	Gifts & Hospitality - Register of Interests - Members	Jan-11	3	Final Report	Reasonable	7	0	3	4	0	0
Governance, Fraud & Corruption	Gifts and Hospitality - Register of Interests	Jan-11	3	Final Report	Reasonable	8	0	4	4	0	0
Governance, Fraud & Corruption	Fees and Charges	Jan-11	5	Final Report	Reasonable	3	0	0	3	0	0
Governance, Fraud & Corruption	Income Collection (Analytical Review including Budgets and Methods of Payment	Jan-11	8				0	0	0	0	0

Appendix A

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Governance, Fraud & Corruption	Fees and Charges	Jan-11	5	Final Report	Reasonable	3	0	0	3	0	0
Governance, Fraud & Corruption	Income Collection (Analytical Review including Budgets and Methods of Payment	Jan-11	8				0	0	0	0	0

## Audit Framework Definitions

### Control Assurance Definitions

<b>Comprehensive</b>	▲ ★★★ I am able to offer comprehensive assurance as 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.
<b>Reasonable</b>	▲ ★★ I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	▲ ★ I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>None</b>	▲ I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

### Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

### Definitions of Risk

<b>Risk</b>	<b>Reporting Implications</b>
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>High</b>	Issues that we consider need to be brought to the attention of senior management.
<b>Very High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.