

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 23 May 2011 at 18:15.

Agenda

- 1 Appointment of Chairman
- 2 Appointment of Vice-Chairman
- 3 Apologies.
- 4 Minutes of the meetings of the Corporate Governance Committee held on 1 March and 14 March 2011 (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 Audit Commission Fees 2011/2012. Report of the Strategic Director (attached)
Reporting Officer: Brian Bethell
- 8 Accounts and Audit Regulations 2011. Report of the Financial Services Manager (attached)
Reporting Officer: Paul Fitzgerald
- 9 Governance of Partnerships. Report of the Legal and Democratic Services Manager (attached)
Reporting Officer: Tonya Meers
- 10 SAP Controls - update - report of the Strategic Finance Officer (attached)
Reporting Officer: Maggie Hammond
- 11 Section 106 Agreements - verbal report of the Strategic Director
- 12 Corporate Governance Committee Forward Plan - details of forthcoming items to be considered by the Corporate Governance Committee and the opportunity for Members to suggest further items (attached)

Tonya Meers
Legal and Democratic Services Manager

01 August 2011

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.

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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	(Chairman)
Councillor A Wedderkopp	(Vice-Chairman)
Councillor A Beaven	
Councillor S Coles	
Councillor E Gaines	
Councillor A Govier	
Councillor T Hall	
Councillor J Hunt	
Councillor L James	
Councillor R Lees	
Councillor D Reed	
Councillor V Stock-Williams	
Councillor P Tooze	

Corporate Governance Committee – 1 March 2011

Present: Councillor Denington (Chairman)
Councillor Coles (Vice-Chairman)
Councillors Beaven, Hall, Henley, Miss James, Thorne, A Wedderkopp,
and Mrs Wilson.

Officers: Mrs S Adam (Strategic Director), Mrs T Meers (Legal and Democratic
Services Manager), Mr M Daly (Strategy Lead) and Mrs G Croucher
(Democratic Services Officer)

Also Present: Councillors House and Morrell and Mr B Bethell and Mr P Lappin (Audit
Commission)

(The meeting commenced at 6.15 pm)

1. Apology

Councillor Govier.

2. Minutes

The minutes of the meeting held on 27 September 2010 were taken as read
and were signed.

3. Declaration of Interests

Councillor Henley declared a personal interest as a Member of Somerset
County Council. Councillor Miss James declared a personal interest as an
employee of Viridor.

4. Audit Commission Annual Audit Letter 2009/2010

Mr Brian Bethell and Mr Peter Lappin of the Audit Commission introduced
Taunton Deane Borough Council's Annual Audit Letter.

The report set out an overall summary of the Audit Commission's assessment
of the Council and outlined 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; and
- Action Plan.

A major challenge for the Council was 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.

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

Resolved that the report be noted.

5. Action Plan – Annual Governance Report

Considered report previously circulated, concerning the Annual Governance Report Action Plan.

The Action Plan had been prepared to meet the recommendations set out in the Annual Governance Report presented to the Committee in September 2010. The progress of the Action Plan would be monitored by the Strategic Director and a further report would be made to the Committee in May 2011.

Resolved that the report be noted.

6. Grants Claims Report

Mr Brian Bethell and Mr Peter Lappin introduced the Certification of Claims and Returns Report 2009/2010 reviewing the Council's arrangements to prepare grant claims.

The Council received funding from various grant paying departments and had to demonstrate that the conditions attached to the grants had been met.

Reported that six claims had been certified in 2009/2010 with a total value of £45m. A full review of five claims and a limited review of one claim had been carried out. Four claims requiring full certification for errors were amended and one claim could not be fully certified and a qualification letter to the grant-paying body had been issued.

The fee for the audit of grant claims in 2009/2010 was £32,500.

Resolved that the report be noted.

7. Value for Money Report 2009/2010

Mr Brian Bethell and Mr Peter Lappin introduced the Value for Money Report 2009/2010 giving details of the Audit Commission's review of Taunton Deane Borough Council's arrangements.

The review found that the Council had proper arrangements to secure economy, efficiency and effectiveness of its use of resources.

The review also found 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. Some teething problems

had been met in the operation of some of the joint services, including the financial systems based on SAP. However, despite these problems, the Council had maintained proper arrangements to achieve economy, efficiency and effectiveness.

Resolved that the report be noted.

8. Audit Commission Audit Plan 2010/2011

Mr Brian Bethell and Mr Peter Lappin introduced the Audit Commission's Audit Plan 2010/2011 setting out the audit work the Audit Commission proposed to undertake for the audit of Taunton Deane Borough Council's financial statements and the value for money conclusion 2010/2011.

The Plan was based on the risk-based approach to audit planning and reflected the audit work specified by the Audit Commission for 2010/2011, the current national risks relevant to Taunton Deane Borough Council and also our local risks.

Resolved that the report be noted.

9. Localism Bill Response

Mrs Meers reported that the Localism Bill had been released in December 2010 and would introduce a number of changes to local authority arrangements.

The Bill was currently with the House of Commons Parliamentary Scrutiny Committee and the Council had the opportunity to submit evidence on a number of proposals including changes to Standards, Governance Procedures, Community Empowerment and Predetermination.

Members discussed the proposals and made a number of comments that included the roles and powers of the Standards Committee; the financial cost of any changes to the governance procedures; a local referendum on community empowerment and the lack of detail on predetermination.

Mrs Meers reported that a range of consultation documents would be released over the coming months to enable a more detailed response to be submitted.

Resolved that the response of the Corporate Governance Committee be submitted to the Parliamentary Scrutiny Committee.

10. Update of Part 3 of the Constitution

Reported that a number of changes to the planning delegation scheme had been agreed by the Planning Committee on 25 February 2009. However, the Constitution had not been updated to reflect the agreed amendments.

Resolved that Council be recommended to agree the proposed amendments to Part 3 of the Constitution.

11. Forward Plan

Submitted for information the proposed Forward Plan of the Corporate Governance Committee.

Resolved that the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 8.25 pm).

Corporate Governance Committee – 14 March 2011

Present: Councillor Denington (Chairman)
Councillor Coles (Vice-Chairman)
Councillors Mrs Allgrove, Beaven, Cavill, Miss James, Thorne and
A Wedderkopp

Officers: Mrs S Adam (Strategic Director), Mr P Fitzgerald (Financial Services
Manager), Mr C Gunn (Group Auditor, South West Audit Partnership),
Mr A Brown (South West Audit Partnership), Mr D Webb (Client and
Performance Officer), Mr D Woodbury (Health and Safety Advisor), and
Mrs G Croucher (Democratic Services Officer)

Also Present: Councillors Morrell and Stuart-Thorn

(The meeting commenced at 6.15 pm)

12. Apologies/Substitutions

Apologies: Councillor Govier, Hall, Henley, O'Brien and Mrs Wilson

Substitutions: Councillor Mrs Allgrove for Councillor Hall and Councillor Cavill
for Councillor O'Brien

13. Declaration of Interests

Councillor Miss James declared a personal interest as an employee of Viridor.

14. Health and Safety Update

Mr David Woodbury, the Health and Safety Advisor, presented the Health and
Safety Report and updated Members on issues including a number of issues
reported to the Health and Safety Committee.

Resolved that the report be noted.

15. 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 had undergone a full review and had
been updated to include the most recent audit recommendations. These were

in addition to some actions from previous audits that remained outstanding or were still considered as priorities for improvement.

The Action Plan listed 34 actions, details of which were submitted. There were no items off target and most actions were on course to be completed by the target date.

Resolved that progress against the Corporate Governance Action Plan be noted.

16. Risk Management

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

The annual review of the Corporate Risk Register had been completed by the Corporate Management Team in February 2011. Particular emphasis had been placed on the consideration of risks arising from the significant cuts to the Government Grant Settlement and Government Reforms. The development of Management Action Plans for further control measures for the highest level risks would be reported to the June 2011 meeting.

Also reported that operational risk registers had been produced for each of the Council's Themes and were reviewed on a quarterly basis.

Resolved that:-

- 1) The Corporate Risk Register be noted; and
- 2) The progress with Risk Management be noted.

17. Internal Audit – Review of Internal Audit Charter

Considered report previously circulated, setting out the terms of reference of the Internal Audit Charter which 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 approved.

18. Internal Audit Plan 2010/2011 – Progress Review

Considered report previously circulated, which provided an update on the significant findings and recommendations since September 2010.

Details of the four operational audits completed during the period were reported, together with details of the seven managed audits completed to draft or final report state.

Also reported that six governance audits had been completed to draft or final report stage and the remaining two audits would be completed by the year end.

Resolved that the report be noted.

19. Annual Audit Plan 2011/2012

Submitted for consideration the Annual Audit Plan 2011/2012.

The Plan had been developed with the co-operation and approval of the Section 151 Officer. It was risk based and, where possible, 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 Audit Reviews; Governance Reviews; Annual Reviews of Key Financial System Controls and Follow Up Reviews.

Details of the reviews planned for 2011/2012 were submitted for consideration by Members.

Resolved that the Annual Audit Plan for 2011/2012 be agreed.

20. International Financial Reporting Standards Update

Considered report previously circulated, giving details of the progress made on the implementation of International Financial Reporting Standards (IFRS) in 2010/2011. This related to changes to the technical accounting rules that the Council used for its financial reporting and would be implemented for the 2010/2011 Statement of Accounts.

IFRS were accounting standards issued by the International Accounting Standards Board. These standards were the equivalent of the current UK GAAP, which was the set of "Generally Accepted Accounting Principles" under which the Council met its statutory obligations in the preparation of its financial statements.

The most significant areas of change were:-

- Accounting policies;
- Format of the main Financial Statements and supporting notes;
- Accounting for leases;
- Accounting for fixed assets, including component accounting;
- Accounting for employee benefits;

- Segmental reporting; and
- Group accounts.

The Council set an implementation timetable in line with early guidance which intended to give local authorities plenty of time to plan and prepare for the changes. However, the timetable has been revised to accommodate revised expectations.

Although the implementation of IFRS was later than planned, good progress had been made and the proposed key milestone dates to complete the IFRS and the 2010/2011 Financial Statements had been proposed as follows:-

Heading	Target
Restatement of 2009/2010 Comprehensive Income and Expenditure Statement	31 March 2011
Restatement of 31 March 2009 and 31 March 2010 Balance Sheets	31 March 2011
Draft 2010/2011 Unaudited Statement of Accounts (on IFRS basis) approved by S151 Officer	15 June 2011
Corporate Governance Committee approve 2010/2011 Statement of Accounts	27 June 2011
External Audit provide Audit Opinion on 2010/2011 Statement of Accounts	30 September 2011

Resolved that the report be noted.

21. Corporate Governance Committee Forward Plan

Submitted for information the proposed Forward Plan of the Corporate Governance Committee.

Resolved that the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 8.35 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 23rd MAY 2011

Report of the Strategic Director (Shirlene Adam).

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

AUDIT COMMISSION FEES 2011/12

Executive Summary

The indicative Audit Commission fee position for 2011/12 was shared in the report to the March Corporate Governance Committee.

This report shares the final fee position – as set out in Appendix 1.

1. Background

1.1 The Audit Commission's Audit Plan for 2010/11 was shared at the March meeting of the Corporate Governance Committee. The attached report from the Audit Commission provides details of the final agreed fee, and sets out the team that will be leading on the Taunton Deane work and the timescales for their reporting.

2. Financial Issues / Comments

2.1 The indicative audit fee of £144k is within the Councils budget for 2011/12.

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 No implications.

9. Recommendation

9.1 Members are requested to note the Audit Commission Audit Fee Letter for 2011/12.

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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4 April 2011

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Chief Executive
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Dear Penny

Annual audit fee 2011/12

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Taunton Deane Borough Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- The audit of financial statements
- Value for money conclusion
- Whole of Government accounts.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

Audit fee

The Audit Commission proposes to set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, as follows:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local VFM audit work; and
- a cut in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

The scale fee for Taunton Deane Borough Council is £111,008. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above, shown in the table below. Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee.

Audit area	Scale fee 2011/12	Planned fee 2010/11
Audit fee	£111,008	£116,850
Certification of claims and returns	£33,000	£34,250

I will issue a separate audit plan in December 2011. This will detail the risks identified to both the financial statements audit and the vfm conclusion. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Shirlene Adam, Strategic Director. I will then prepare a report outlining the reasons the fee needs to change for discussion with the Corporate Governance Committee.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

Audit team

Your audit team must meet high specifications and must:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are:

Name	Contact details	Responsibilities
Brian Bethell District Auditor / Engagement Lead	b-bethell @audit- commission.gov.uk 07887 825584	Brian is responsible for the overall delivery of the audit including the quality of

		outputs, liaison with the Chief Executive and Chair of the Corporate Governance Committee and issuing the auditor's report.
Peter Lappin Audit Manager	p-lappin@audit-commission.gov.uk 07909 930437	Peter manages and coordinates the different elements of the audit work. Key point of contact for the Strategic Director
Rachel Bishop Team Leader	r-bishop@audit-commission.gov.uk 07966 927718	Rachel has experience of auditing the financial statements of large local authorities. She will lead the on-site team in delivering the audit.

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. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Brian Bethell
District Auditor

cc Shirlene Adam, Strategic Director

cc Chair of the Corporate Governance Committee

Appendix 1- Planned outputs

I will discuss and agree my reports with officers before issuing them to the Corporate Governance Committee.

Table 1

Planned output	Indicative date
Audit plan	December 2011
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum (to the Strategic Director)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013

Taunton Deane Borough Council

Corporate Governance – 23 May 2011

Accounts and Audit Regulations 2011

Report of the Financial Services Manager

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

1 Executive Summary

The Government has issued revised and updated the Accounts and Audit Regulations, with the main changes related to the approval process for the Statement of Accounts and the presentation of the Annual Governance Statement.

This report provides Members with an explanation of the changes and their impact, and recommends changes to the Council's accounts approval process in line with the new regulations.

2 Purpose

- 2.1 The Accounts and Audit (England) Regulations 2011 (SI 2011 no 817) were published in March and came into force on 31 March 2011. The purpose of this report is inform Members of the impact of revised regulations, and to recommend changes to the approval process for the Council's Statement of Accounts.

3 Accounts and Audit Regulations Main Changes

- 3.1 The Accounts and Audit Regulations contain important provisions on financial management, annual accounts and audit procedures affecting all local authorities and a number of other local public bodies. The previous Regulations were issued in 2003 and were subsequently amended in 2006 and 2009. The new regulations consolidate the previous regulations and amendments, together with further changes, into the 2011 Regulations.
- 3.2 The main changes to the 2011 Regulations that are relevant to Taunton Deane Borough Council are explained below.

Approval and Publication of Annual Accounts

- 3.3 The previous regulations required members to approve the annual accounts before they have been reviewed by the external auditor. This is out of step with requirements in the private sector and elsewhere in the public sector, where directors or board members will be aware of the findings of the audit before they approve the accounts. The 2011 Regulations have therefore been updated with the following provisions for the approval and publication of the annual accounts:

Provision	What Has Changed
No later than 30 June following the financial year end the responsible financial officer must certify the presentation of the annual accounts.	Previously the Corporate Governance Committee was required to approve the unaudited accounts by 30 June.
The annual accounts must be published with the audit opinion and certificate by no later than 30 September, and before that must have been approved by members.	Previously, approval by Members was by 30 June with possible re-approval after the audit.
The responsible financial officer must re-certify the presentation of the annual accounts before member approval is given.	New requirement.

3.4 Although it is not a matter for the regulations, it is understood that the finalisation of the audit opinion and certificate would follow shortly after member approval.

3.5 From members' perspective, the key difference is that the accounts will be presented for approval after rather than before the audit, and therefore the deadline for approval by members is 30 September rather than 30 June. However, it is recognised as good practice to continue to present the accounts to members once it is certified by the responsible financial officer, to give an early notification of the financial outcome of the previous financial year. This is reflected in the proposed timetable below.

Remuneration Reporting

3.6 The Accounts and Audit (Amendment No. 2) (England) Regulations 2009 provided for the disclosure of senior officers' pay and other benefits. The 2011 Regulations have been updated to "remove doubt" about the definition of remuneration to ensure there is consistency in reporting by all local authorities. This is not expected to have any impact on reporting for this Council.

Annual Governance Statement

3.7 Previous regulations required the Annual Governance Statement (AGS) to be published within the Statement of Accounts. The new regulations have been amended to require the AGS to "accompany" the Accounts. This means the AGS can be published as a separate document alongside the Statement of Accounts rather than within the latter.

4 Proposed Timeline for Approval of Accounts

4.1 In view of the amended regulations it is proposed to implement a revised timetable for the presentation and approval for TDBC's annual accounts as follows:

	Operational Target date 2011	Statutory Deadline
Unaudited Statement of Accounts to be approved by "responsible financial officer" (Shirlene Adam)	30 June	30 June

	Operational Target date 2011	Statutory Deadline
Approved Unaudited Statement of Accounts presented to Corporate Governance Committee	25 July (to be confirmed subject to re-arranged meeting)	
External audit review of the accounts	July and August	
Audited Statement of Accounts re-certified by "responsible financial officer" (Shirlene Adam)	9 September	
Audited Statement of Accounts approved by Corporate Governance Committee	26 September	30 September

- 4.2 The revised regulations provide an opportunity to push back the operational deadline for the responsible financial officer (Strategic Director / S151 Officer) to approve the unaudited accounts. It is proposed to take advantage of this opportunity, and set the formal deadline for approval of 30 June as shown above. However, suitable time is planned in advance of this for the Strategic Director to review the draft accounts prior to approval.
- 4.3 Working to this updated timetable will give the SWONE finance team and TDBC management additional time to prepare the accounts and undertake additional quality assurance work for the draft accounts. This will be particularly helpful this year due to the added burden of reporting the accounts under International Financial Reporting Standards (IFRS) for the first time, and will also enable better preparation for the external audit.
- 4.4 In order to comply with best practice, it is proposed to present the pre-audit annual accounts to Corporate Governance Committee in July, to provide members with early notification of the financial outcome of the previous financial year.

5 Annual Governance Statement

- 5.1 The draft Annual Governance Statement will be shared with Members at the July meeting, with the final Statement being approved and published alongside the Statement of Accounts.

6 Finance Comments

- 6.1 This is a finance report and there are no additional comments.

7 Legal Comments

- 7.1 The Accounts and Audit (England) Regulations 2011 are cast in statute and must be complied with. The Strategic Director and Southwest One finance staff are aware of the requirements and will ensure these are complied with.

8 Links to Corporate Aims

8.1 Compliance with the Accounts and Audit Regulations is a statutory requirement and not directly linked with corporate aims.

9 Environmental and Community Safety Implications

9.1 Not applicable.

10 Equalities Impact

10.1 Not applicable.

11 Risk Management

11.1 There are no changes to the risks associated with the Council's financial management and reporting arrangements as a result of the new regulations.

12 Partnership Implications

12.1 The Statement of Accounts is prepared for the Council by Southwest One. The requirements and recommendations in this report will directly impact on the delivery of the Council's requirements. The proposed changes to the approval timeline will be beneficial in providing additional time to prepare the accounts, which is welcome due to the added impact of implementing International Financial Reporting Standards (IFRS) for this year's accounts.

13 Recommendations

13.1 Members are requested to note the changes to the Accounts and Audit Regulations as set out in this report.

13.2 Members are recommended to endorse the proposed timeline for the approval of the annual accounts for 2010/11 and later years.

Contact Officers:

Paul Fitzgerald, Financial Services Manager

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Taunton Deane Borough Council

Corporate Governance Committee – 23rd May 2011

Governance of Partnerships

Report of the Legal & Democratic Services Manager

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

1. Executive summary

Partnership working is important to the Council and will continue to be so therefore it is imperative that the Council establishes a protocol and tool kit for ensuring that any partnership that the Council enters into is appropriate and delivers the councils aims and priorities.

2. Background

- 2.1 The Council has recognised that partnership working has increased over the years and is likely to continue to increase given the financial constraints that the Council is facing.
- 2.2 The Council has also recognised the importance of scrutinising the performance of those partnerships and therefore regular reports are brought to the relevant scrutiny committees in order to assess performance of them.
- 2.3 However due to the wide diversity of these partnerships it was felt that a review should be undertaken to assess whether these partnerships were being adequately managed corporately and were meeting the needs of the Council and its relevant objectives.
- 2.4 The Council's constitution provides over arching guidelines for external arrangements with partners and includes management controls and financial arrangements. There is an expectation that the same high standards of conduct are maintained with regard to financial administration in partnerships that apply throughout the authority. The term 'partnership' is attributed to many different types of relationships with other agencies or organisations. This ranges from partnerships with formal legal agreements with other organisations through to forums, working groups, project groups and one off meetings.
- 2.5 As part of this review officers asked SWAP to carry out an audit of the Council's partnership arrangements on that basis. Out of that audit came a number of recommendations which have been incorporated into the Corporate Governance Action Plan for 2011.
- 2.6 The actions set out in the Action Plan were to:-
 - 2.6.1. prepare a protocol for establishing new partnerships
 - 2.6.2. establish a framework and categorisation of partnerships

2.6.3. confirm involvement and the partnership meets the local authority's aims and objectives

2.7 In addition there was a recommendation to maintain a partnership register.

2.8 Unfortunately some of this work has been delayed for a number of reasons but in order to give this fresh impetus a further audit has been carried out in April 2011 following a meeting with the Strategic Director and the Legal & Democratic Services Manager and it was agreed that the audit would focus on the four key partnerships the Council are involved in namely, Tone Leisure, Somerset Waste Partnership, Taunton Deane Partnership and Project Taunton.

2.9 The audit report is still in draft format but SWAP have given the Council a partial assurance in relation to the areas viewed and the controls found to be in place.

2.10 In addition SWAP have given a number of recommendations that they believe would assist the Authority in ensuring that these partnerships are well managed. A copy of the draft audit report is attached to this report at Appendix A.

2.11 The recommendations have been discussed with the auditor and the report is currently with the relevant officers but it is not anticipated that the report will be finalised by the time of the meeting and there may be some minor changes once the relevant officers have reviewed their recommendations. A verbal update on this will be given at the meeting.

2.12 The recommendations from the report will be added to the relevant services plans and also the Corporate Governance Action Plan in order for this area to be monitored more closely by this Committee.

3. Finance comments

3.1 There are no financial implications in this report. However it is anticipated that one of the criteria of entering into any partnership is that it should be financially beneficial to the Council in addition to meeting the corporate aims and objectives.

4. Legal comments

4.1 There are no legal implications in this report.

5. Links to corporate aims

5.1 The tool kit which is developed should ensure that any partnership meets the Council's corporate aims and objectives.

6. Environmental and community safety implications

6.1 There are no implications for the environment or community safety.

7. Equalities impact

- 7.1 An impact assessment is not required in respect of this report. However the implementation of the recommendations from this audit will help to ensure consistency in monitoring our partnerships and therefore enables the Authority to ensure that our partnerships comply with their duties under the Equalities legislation.

8. Risk management

- 8.1 The risk of not implementing these recommendations means that the Authority is at risk of not managing its partnerships effectively and the Council's aims and objectives not being met.

9. Recommendations

- 9.1 The Committee is asked to note this report and make any comments it feels appropriate.

Contact

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Taunton Deane Borough Council

► Partnership Arrangements

Issued to: Tonya Meers
*Legal and Democratic Services
Manager*

Working in partnership with



Date of Report: 11th May 2011

Issued by: Tony Brown
Lead Auditor

Partnership Arrangements

Management Summary

The importance of partnership working has increased significantly over recent years. It is recognised that collaboration significantly contributes to policy development and service delivery. Within Taunton Deane the Council is engaged in a number of significant partnerships which include Southwest One, Tone Leisure, Somerset Waste Partnership, Project Taunton, SWAP, and the Local Strategic Partnerships.

The Council's Constitution provides over arching guidelines for external arrangements with partners and includes management controls and financial arrangements. There is an expectation that the same high standards of conduct are maintained with regard to financial administration in partnerships that apply throughout the authority. The term 'partnership' is attributed to many different types of relationship with other agencies or organisations. This ranges from partnerships with formal legal arrangements with other organisations through to forums, working groups, project groups and one off meetings.

This lack of corporate management means that time and resources can be made available to 'partnership' arrangements that may not be approved or may conflict with the authority's wider objectives and interests. There is also a risk that membership of these partnerships may commit the authority to providing other resources, financial and otherwise that the authority cannot afford.

The management or administration of 'partnerships' will vary on the scope and level of each partnership but the authority do not have any policies or guidelines that give members or officers advice on minimum standards or expectations that should be fulfilled. While there is no clarity over the authority's definition of partnerships there can be no clarity of the expectations of members and officers for ensuring that the authority's interests are protected.

Since the last audit review detailed recommendations have been considered and incorporated within the current TDBC Corporate Governance Action Plan 2011. At the time of the last audit there was no formal list maintained of major partnerships across the authority but a list of significant partnerships was put together and this still currently exists. However, there has been no further development work carried out in order to assess the completeness and appropriateness of the current list. The plan expresses a commitment to maintain a Register of Partnerships. The Corporate Governance Action Plan also seeks to

- a) prepare a Protocol for establishing new Partnerships
- b) establish a framework and categorisation of partnerships
- c) confirm involvement and the partnership meets the authority's aims and objectives

The intention is to feed the results from the current audit process into the review actions expressed within the Corporate Governance Action Plan. Therefore the main body of work required to complete this commitment has not yet been developed.

The scope for the current audit was developed following a meeting with the Corporate Director (Head of Policy and Performance) and the Legal and Democratic Services Manager. It was agreed the audit would focus on 4 key partnerships these being:

- a) Tone Leisure
- b) Somerset Waste Partnership
- c) Taunton Deane Partnership
- d) Project Taunton

The audit methodology was based upon examining a number of key areas within each partnership these being:

- Governance
- Decision making
- Standards of conduct
- Risk management
- Performance management
- Financial management
- Legal arrangements
- IT arrangements
- Partnership staff

A questionnaire was employed in order to recover the key information in respect of the four partnerships. This was based upon an audit programme which was set up to consider four key risks. The questionnaire asked for respondents to provide a 'Yes', 'No' or 'Don't Know' response to each question and also gave the opportunity for further comment. Following receipt of the questionnaires follow up questions were put to representatives of each Partnership either through face to face meeting, telephone conversations and e mail. For Somerset waste placed reliance upon other audit work carried out earlier in the year on Corporate Governance

The wide diversity of 'partnerships' tested makes it impossible to provide any 'score' for tests satisfied as the relevance of each test depended on the type of partnership. It is quite reasonable that some questions would have been answered in the negative as the control may not have been applicable to that specific partnership, so we have not reported any of these responses as 'weaknesses'. We have however, considered responses against those controls that we feel are applicable to all partnerships and reported issues of non-compliance and perhaps more worryingly lack of awareness.

The findings have to be judged against background of the various levels of maturity of the partnership and the nature of the scale of the administrative arrangements in place to manage the day to day workings of the partnership.

As part of the audit we researched what protocols/toolkits are in use by other SWAP clients. We have supplied to the Legal and Democratic Services Manager examples of such documents currently in use as policies/procedures both for entering into new partnerships and reviewing the effectiveness of existing partnerships.

Summary of Significant Corporate Findings

- There is a need to agree a corporate methodology for assessing the importance of individual partnerships to TDBC
- There is a need to develop appropriate toolkit for providing guidance to officers in entering into new partnerships
- There is no structured methodology applied across TDBC to enable a periodic review of the effectiveness of existing partnerships
- There is a lack of detailed consideration of the content of individual Partnership Risk Registers in drawing through key risks to the TDBC Corporate Risk Register

Further details of audits' findings can be viewed in the full audit report, which follows this Management Summary.

Conclusion and Audit Opinion

Opinion key ▲★★★★ **Comprehensive** ▲★★★ **Reasonable** ▲★★ **Partial** ▲★ **No**

▲★★★ 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.

Detailed Audit Report

Objectives & Risks

The key objectives of the service and risks that could impact on achievement of these objectives were discussed and are identified below. The table captures the inherent risk (the risk of exposure with no controls in place) The Auditors assessment is the summary of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Objective: To ensure partnership risks are effectively managed to achieve agreed objectives.

		Inherent Risk Assessment	Auditors Assessment
Risk 1	Council officers/Members lack skills, knowledge and guidance to enter into partnership arrangements.	High	Medium
Risk 2	The Council and its Partners does not make best use of limited resources to achieve partnership objectives.	High	Medium
Risk 3	A lack of governance arrangements to review the effectiveness of partnerships and their future development.	High	Medium
Risk 4	Key partnership risks are not effectively managed	High	Medium

Method & Scope

This audit has been carried out in accordance with our risk based audit methodology. This means that:

- We discussed and agreed the objectives and risks with management at the outset of the audit.
- We met with key staff and reviewed documentation to find out what controls have been established to manage the risks.
- We evaluated whether or not these controls are sufficient and appropriate to address the risks and seek evidence that the controls are working in practice.
- At the end of the audit we discussed our findings and our suggestions for improvement with the main contact at a close-out meeting.

Findings

The following paragraphs detail all findings that warrant the attention of management.

The findings are all grouped under the objective and risk that they relate.

Risk: 1 Council officers/Members lack skills, knowledge and guidance to enter into partnership arrangements.

1.1 Setting Up New Partnerships

The last Internal Audit Report in February 2009 stated that the authority do not have any policies or guidelines that give members or officers advice on minimum standards or expectations that should be fulfilled.

While there is no clarity over the authority's definition of partnership there can be no clarity of the expectations of members and officers for ensuring that the authority's interests are protected".

At the current time the Taunton Deane Council still has no check list or toolkit in place in order to provide advice and guidance to officers into entering into new partnerships

Audit reviews elsewhere suggest that other Councils have made progress in putting suitable frameworks for meeting these requirements.

Taunton Deane Council do however have a Corporate Governance Action Plan which seeks to address this weakness. There is a commitment within the DBC Corporate Governance Action Plan 2011 to:

- b) Prepare a Protocol for establishing new Partnerships
- b) Confirm involvement and they meet Authority's Aims and Objectives

In preparing a Partnership Protocol it is fundamental to define for TDBC purposes what constitutes a Partnership and therefore recognise what is not a Partnership (eg Supply/Service Contracts, Service Level Agreements etc. The term 'partnership' is attributed to many different types of relationship with other agencies or organisations. This ranges from partnerships with formal legal arrangements with other organisations (eg Somerset Waste and Tone Leisure) through to forums, working groups, project groups (eg Taunton Deane Partnership) and one off meetings.

Of fundamental importance is setting a policy for entering into partnerships. Consideration of the purpose of entering into a Partnership is key which should link directly with the Council's key aims and objectives.

In establishing a new partnership considerations should include:

- a) Is the Partnership really necessary
- b) Is a Partnership the best away of achieving the required outcomes
- c) Will this Partnership duplicate the work of other groups
- d) Can we work with an existing Partnership instead
- e) Have we got the right people and level of resource required

1.1a **I recommend that the Legal and Democratic Services Manager develops an appropriate toolkit for use as a corporate template of the processes and procedures to adopt in setting up partnerships.**

1.2 Categorising Partnerships

Taunton Deane Council has no developed methodology for assessing and categorising partnerships in terms of their significance or importance to TDBC.

Other District Councils have developed an approach or criteria which they can use to sort the partnerships. This needs to recognise the importance of the partnership to the council in terms.

Some council's assess importance by financial impact (e.g. Forest of Deane Council). Others categorise partnerships by the role and purpose of the partnership (e.g. Mendip District Council).

Selection criteria based upon the contribution to the Council's aims and objectives could be considered an appropriate methodology for categorising partnerships. Alternatively partnerships could be assessed in their role in the direct delivery of individual services.

- 1.2a I recommend that the Legal and Democratic Services Manager draws on the work carried out by other councils in developing a basis of assessing the value of all the existing partnerships to the council so that those of greatest significance form the core part of the Council Partnership Register.**

Risk: 3. The Council and its Partners does not make best use of limited resources to achieve partnership objectives.

3.1 Reviewing Existing Partnerships

Currently the Council does not have a methodology for a periodic and systematic review of existing partnerships. There is no structured approach therefore available to officers and members which can be used to review the control framework and operations of the existing partnerships.

A lack of periodic review increases that the existing partnerships are effectively managed and controlled and that they make an effective contribution to the agreed aims and objectives originally set when they were created.

A number of Councils have developed toolkits in order that this process can be carried out by officers in a common manner with an agreed schedule of areas for review. The audit methodology for review of 4 partnerships employed a questionnaire which was based upon considering a number of criteria for each partnership these being:

- a) Governance
- b) Decision Making
- c) Standards of Conduct
- d) Risk Management
- e) Performance Management
- f) Financial Management
- g) Legal Arrangements
- h) IT Arrangements
- i) Partnership Staff

- 3.1a I recommend that the Legal and Democratic Services Manager develops an appropriate structure to use as a corporate template of the areas for review in managing partnerships.**

3.2. Governance

Audit Questionnaire responses highlighted the fact that the form of constitution varied considerably across the four partnerships from a Memorandum of Understanding for Project Taunton to full Articles and Memorandum of Association for Tone Leisure as a limited company.

Audit enquires in respect of Project Taunton highlighted the fact that the Memorandum of Understanding had expired as the current 2 year agreement had an end date of March 2010. We understand that a discussion on the future and how it is to be constituted is currently being held as revenue funding is not certain after March 2012.

There were not always documented aims and objectives for all the partnerships. For Project Taunton however although there are no defined aims and objectives set within the MOU there is a declared Purpose (as well as, Delivery Mechanism, Financial Arrangements and Communications Protocol) However in establishing links back to TDBC corporate strategies the position was not always clear. For Tone Leisure it was not apparent that TDBC had a current Leisure Strategy in place which drove the aims and objectives that Tone Leisure were seeking to deliver against. We did however find a "Sports and Physical Activity Strategy 2007- 2012" but the status of this was unclear.

In response to the question on where the procurement arrangements are set out it was generally stated that TDBC Procurement Rules applied. However for Project Taunton where this was stated in fact the actual working practice was different and the RDA procedures were being applied as they were considered to be more rigorous than those for TDBC.

The audit survey highlighted that for the Taunton Deane Partnership there was no dispute resolution procedure in place or any guidance in place on managing conflicts of interest.

For some partnerships gathering information in respect of complaints was very important and for comprehensive internal provision was in place. Tone Leisure had made extensive provision for capturing service users views on the facilities. This was also important for Project Taunton but the methodology for handling complaints was somewhat different and TDBC complaints handling system would be used.. However for Taunton Deane Partnership there are no documented arrangements for handling complaints.

Financial arrangements for concluding the partnership were not considered relevant for two of the partnerships i.e. Project Taunton and the Taunton Deane Partnership. For the Taunton Deane Partnership this was because the membership of the partnership is not contractual.

3.2.a I recommend that the review of the governance structure for Project Taunton needs to be completed as soon as possible to ensure appropriate working relationship is retained with TDBC.

3.2.b I recommend that the methodology for managing the Taunton Deane Partnership needs to include appropriate provision for both handling complaints and dispute resolution.

3.3 Decision Making

The questionnaire focussed on whether there are clearly defined arrangements for sharing partnership information between partners and that partnership officers and board members know what is required of them on information sharing. Questions also sought to establish whether the partnership is open and transparent in its decisions and activities. Individual questions asked how decisions and actions are communicated to the public and what the arrangements are to ensure that citizens, users, carers, etc., are represented in the governance and management arrangements.

The four partnerships recorded positive responses to all the questions. However for the Taunton Deane Partnership the detailed methodology is currently being developed and some of the responses indicated a work in progress situation. As an example of this a Communications Strategy has been recently developed and an Annual Forum is planned to enable wider scrutiny. Taunton Deane Partnership also wished to emphasise that the membership of the Board and the Action Groups is fluid and key individuals are invited to attend as necessary.

For Tone Leisure the Managing Director seeks wide representation on the Board but it is sometimes difficult to get representatives from certain areas eg health and education. Extensive use is made of logging Board Papers on individual web sites as well as providing in some cases other vehicles of communication (eg Tone Leisure use of Facebook and Twitter)

For Project Taunton in respect of citizens being represented in the governance and management arrangements it was stated that consultation with the community is extensive with young champions quoted as an example of this approach.

For Somerset Waste however there was no expectation that stakeholders (public, users, carers etc.) should be involved in governance, management, decision making and operational activities.

3.4 Standards of Conduct

The questionnaire asked if the partnership had written conduct procedures to guide partnership board members and officers. It focussed on whether there are documented standing orders and financial regulations governing the partnership. It also sought to establish that there is a documented protocol on partnership member/officer and partner involvement in commercial transactions (e.g. when letting contracts).

Whilst there appeared to be evidence of Standing Orders and Financial Regulations provisions it was not always clear which organisation's provisions applied. There was an assumption that TDBC Standing Orders and Financial Regulations applied where not stated otherwise.

For Project Taunton the questionnaire response suggested that TDBC Standing Orders and Financial Regulations applied. However the Project Manager was unaware of the content of the TDBC documents and in fact the team had adopted the adhered the RDA equivalent of TDBC Standing Orders and Financial Regulations. The RDA regulations were considered to provide a more stringent approach eg for a tender in the methods of instruction and briefing of interested parties and Member involvement in the Pedestrianisation Project of Castle Green (where potential opposition was likely to proposals).

Tone Leisure have their own Standing Orders and Financial Regulations which were supplied to internal audit and these are based upon those of TDBC.

For Somerset Waste Partnership the host authority (SCC) Standing Orders and Financial Regulations apply

For the Taunton Deane Partnership there are no specific documented Standing Orders or Financial Regulations although it could be anticipated that TDBC provisions would apply

this was not specifically recorded. The Partnership Agreement which has recently been put together does not make any reference to the controlling provisions. It was important that there was a recognised protocol for recording a conflict of interest and on partnership member/officer and partner involvement in commercial transactions e.g. when letting contracts. Without reference to clear standards of conduct to be applied within the partnerships there is the potential for officers to put themselves, the partnership and the Council at risk of malpractice.

3.4a I recommend that the development and documentation of procedures for the Taunton Deane Partnership need to clearly recognise what Standing Orders and Financial Regulations will apply to the Partnership.

3.5 Performance Management

Performance reporting was well established across the partnerships. However detailed parameters and methodologies for measurement of performance and varied considerably across the four partnerships.

The reporting process for the Taunton Deane Partnership was based upon Highlight Reports with key data presented against each Priority Area and for Project Taunton reporting was based upon delivery milestones.

For the Somerset Waste Partnership and Tone Leisure Board reporting was in a more traditional sense against key business parameters supported by very detailed operational data.

In respect of Tone Leisure there was a large quantity of performance data presented to support a Balanced Scorecard. The data was at a relatively high level and did not necessarily give a detailed view of the underlying performance of the company against the controlling agreement with Tone Leisure. The Performance and Client Officer is however currently agreeing a mix of measures and KPI's to enable a closer monitoring on specific areas of the agreement. It was also noted that certain property related periodic actions and checks within the various sports centres and swimming pools buildings (which are recorded within the individual Lease Agreements) were not being effectively monitored.

3.5a I recommend that the Performance and Client Lead Officer completes the agreement with Tone Leisure of the revised detailed make up of the reporting matrix for client reporting.

3.6 Financial Arrangements

The questionnaire asked whether the financial monitoring and reporting arrangements are clearly set out and what monitoring information was produced.

The questionnaire responses highlighted the fact that not all the direct and indirect costs of participation within the partnership are individually identified and costed out within the TDBC accounting system. This was highlighted particularly in respect of the Taunton Deane Partnership and Project Taunton.

For Tone Leisure although major costs were identified the accounting arrangements were not as clear as they could be in that there was some overlap in responsibility for specific Cost Centres within SAP between the Client and Performance Lead Officer and the Community Development Manager. There are currently three cost centres involved these being "Sports Development and Community Recreation", "Indoor Sports and Recreation Facilities" and Tone Leisure.

The Client and Performance Lead for Tone Leisure has budget responsibility for Tone Leisure but the costs of supporting Tone Leisure are not all separated out into one 1 budget code in SAP. As well as the annual grant which TDBC give to Tone Leisure (2010/11 £522k) and payments for Free swimming, there are also significant maintenance costs (incurred by TDBC as landlord), on the property estate used by Tone Leisure.

Unless budget and budget outturn figures are clearly separated and reported to individual budget holders there is a potential lack of accountability for such reported figures.

3.6a I recommend that the current SAP GL coding and budget allocations for Tone Leisure is revised as soon as possible to facilitate clarity of budget responsibility and budget outturn reporting.

3.7 Legal Arrangements

Whilst not all questions were initially answered there appeared to be no issues associated with contractual arrangements and understanding the nature of them. However in respect of monitoring compliance with the defined legal framework the position was less clear.

It was apparent that getting people with relevant legal experience onto the controlling Boards was sometime difficult eg for Tone Leisure this has proved difficult often because of potential conflict of interest

For Project Taunton it was not clear whether there were arrangements in place for monitoring the application of the constitution whilst arrangements varied for the other 3 from being designated as the responsibility of the Host Authority Legal Services team for Somerset Waste to the Board Members for Tone Leisure.

It was not always apparent that a periodic review had taken place against the provisions of the controlling legal framework.

3.7a I recommend that appropriate provision is made for a periodic review of the operations of each Partnership against the controlling legal framework to ensure that each is functioning in accordance with the legal agreement.

3.8 IT Arrangements

For Somerset Waste Partnership the host authority provided the infrastructure and in respect of Tone Leisure there was a similar dependence upon TDBC although they had their own IT appointed advisers.

For Project Taunton and the Taunton Deane Partnership there was also a dependence upon TDBC IT facilities.

It was not always clear that there was adequate consideration within organisation plans of this dependency and particularly the need to recognise the dependence within organisation Business Continuity Plans.

3.8a I recommend that TDBC Partnership Leads should ensure that the dependence upon TDBC IT infrastructure should be clearly recognised within Business Continuity Plans and that if these facilities are interrupted that there is adequate provision for alternative arrangements in order to ensure business continuity.

3.9 Partnership Staff

For the Taunton Deane Partnership there are no directly employed staff so there are no employment processes that need to be provided for.

For Somerset Waste the Host Authority provides the administrative support in staff appointments. This was also stated to be the case for Project Taunton.

For Tone Leisure although they had inherited most of the staff via TUPE transfer from TDBC and had inherited their Terms and Conditions of employment. There was significant dependence upon TDBC HR Advisory function for a number of years but Tone Leisure had now appointed their own in house HR Manager.

Risk: 4 Key partnership risks are not effectively managed.

4.1 TDBC Corporate Risk Register

The Performance and Client Lead Officer (TDBC Client Team) is responsible for monitoring risk management throughout TDBC. He maintains the TDBC Corporate Risk Register which is refreshed every 6 months. A Risk Management report goes to the Corporate Governance Committee each quarter for approval.

The Corporate Risk Register has only a generic entry within it for all partnerships stated in terms of non delivery of corporate objectives. Direct reference is made to Tone Leisure, Somerset Waste and Southwest One but there is no reference to Project Taunton or the Taunton Deane Partnership. The Risk Register highlights key risks as being:

- a) Financial Loss
- b) Adverse impact on Council Reputation
- c) Adverse Impact on Customers.

Project Taunton

Project Taunton maintain their own Risk Register. The risk register is shared with the Corporate Director but neither the Advisory Board nor the Steering Group see it. The Performance and Client Lead Officer stated that he had never seen or reviewed the Project Taunton Risk Register. Limited knowledge of the content of the Project Taunton Risk Register puts the Performance and Client Lead Officer in a difficult position in trying to assess whether key risks have been properly incorporated within the TDBC Corporate Risk Register.

The methodology used within the Project Taunton Risk Register was seen to follow the overall methodology for maintain the TDBC Corporate Risk Register. There was evidence of review of the Risk Register but at the time of audit the Risk Register was not up to date. There was no evidence that it had been formally reviewed since June last year.

We also noted inconsistencies within the register as the version update information on the front tab did not agree with the latest recorded date in the body of the Register (June 2010).

Tone Leisure

Tone Leisure inherited the overall risk management approach from TDBC in 2004. The methodology was based upon that put forward by Zurich ("STORM") who were the contracted insurers at the time. Because however the contracted insurers have changed insurers TDBC have since changed their methodology but Tone Leisure have not..

Insurance is now through Allianz managed through a Leisure specialist broker. The Tone Leisure Managing Director is now looking to develop the current approach and is seeking support from Allianz to bring about changes and also to train Tone Leisure staff in applying a different approach across the company.

The Managing Director highlighted the fact that there is limited leisure expertise within TDBC which potentially leaves TDBC exposed ie unable to properly appreciate the key issues in running a leisure service like Tone Leisure.

There are key financial risks centre. A high level of maintenance (planned and unplanned) is necessary to keep some of the sports facilities going. A number of the facilities are very old and could malfunction at any time and prevent operations. An example is St James Pool which is nearing end of useful life but complete shutdown would cause financial loss to Tone Leisure and impact on the Business Plan). Not sure TDBC appreciate the potential cost impact as Tone Leisure who would then seek financial compensation from TDBC.

Damage could also be caused to TDBC reputation from the failure of a sports facility which necessitates a sudden shut down. Further key risks were quoted around

government initiatives (eg Free Swimming) which could force TDBC to offer a facility through Tone Leisure and adequate facilities may not be available.

Whilst these risks are present generically within the TDBC Corporate Risk Register there needs to be a closer working relationship to ensure the impact and likelihood is appropriately considered and appropriate joint actions agreed to mitigate the risks.

There is a commitment stated within Corporate Governance Committee report September 2010 to review the current Risk Management process with Tone and explore joint risks. At the time of audit this had not taken place. .

Somerset Waste

The process for risk management was examined within the Somerset Waste Governance Audit for 2009/10. Some weaknesses were highlighted in the last audit on detailed methodology which were to be addressed. These weaknesses were recorded within Board Meeting papers September 2010 and December 2010.

Taunton Deane Partnership

There is no overall Risk Register for the Taunton Deane partnership overall as risks vary from project to project. Risk Assessments are to be undertaken on each major project that is to be steered / governed by the TDP. However the detailed methodology is currently being developed across the Partnership.

It has not been the practice for previous project risk assessments to be seen by the Client and Performance Lead so there could be specific risks within individual projects which are not reflected within the generic risk statements currently incorporated within the TDBC Corporate Risk Register ..

Although the TDBC risk management approach is adopted in principle there are omissions in the detailed methodology. Audit examination highlighted a lack of defined Action Owners and Action Dates.

- 4.1a I recommend that all Partnership Risk Registers are seen and discussed with the Client and Performance Lead on a regular basis (at least annually) and that the report to the Corporate Governance Committee records this review process.**
- 4.1b I recommend that the Performance and Client Lead ensures that the Partnership Risk Registers are reviewed against the TDBC approved corporate methodology and where variances are apparent then changes are advised to bring into line.**

The Agreed Action Plan provides a formal record of points arising from this audit and, where appropriate, the action management has agreed to take and the timescale in which the action will be completed. All findings have been given a priority rating between 1 and 5, where 1 is low and 5 is high.

It is these findings that have formed our opinion of the service's control environment that has been reported in the Management Summary.

Partnership Arrangements

Confidential

Agreed Action Plan

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
Objective: To ensure partnership risks are effectively managed to achieve agreed objectives.					
1. Risk: 1. Council officers/Members lack skills, knowledge and guidance to enter into partnership arrangements.					
1. 1a Lack of corporate template for entering into new partnerships.	I recommend that the Legal and Democratic Services Manager develops an appropriate toolkit for use as a corporate template of the processes and procedures to adopt in setting up partnerships.	4			
1.2a No criteria in place to assess the value of individual partnerships to the Council	I recommend that the Legal and Democratic Services Manager draws on the work carried out by other councils in developing a basis of assessing the value of all the existing partnerships to the council so that those of greatest significance form the core part of the Council Partnership Register	4			
Risk: 3. The Council and its Partners does not make best use of limited resources to achieve partnership objectives.					
3.1a No agreed methodology to use for the periodic review of the effectiveness of individual partnerships	. I recommend that the Legal and Democratic Services Manager develops an appropriate structure to use as a corporate template of the areas for review in managing partnerships.	4			
3.2a Memorandum Of	I recommend that the review of	3			

	Understanding for Project Taunton passed defined expiry date.	the governance structure for Project Taunton needs to be completed as soon as possible to ensure appropriate working relationship is retained with TDBC.				
3.2b	Incomplete processes for overall governance of the Taunton Deane Partnership.	I recommend that the methodology for managing the Taunton Deane Partnership needs to include appropriate provision for both handling complaints and dispute resolution.	2			
3.4a	Lack of clarity on applicability of TDBC Standing Orders and Financial Regulations for the Taunton Deane Partnership.	I recommend that the development and documentation of procedures for the Taunton Deane Partnership need to clearly recognise what Standing Orders and Financial Regulations will apply to the Partnership.	3			
3.5a	Work in Progress in developing a more detailed approach to review of Tone Leisure Performance.	I recommend that the Performance and Client Lead Officer completes the agreement with Tone Leisure of the revised detailed make up of the reporting matrix for client reporting.	3			
3.6a	Lack of clarity on period budget reporting for Tone Leisure.	I recommend that the current SAP GL coding and budget allocations for Tone Leisure is revised as soon as possible to facilitate clarity of budget responsibility and budget outturn reporting.	3			
3.7a	Lack of evidence of	I recommend that appropriate	3			

<p>compliance of partnership operations against defined legal framework.</p>	<p>provision is made for a periodic review of the operations of each Partnership against the controlling legal framework to ensure that each is functioning in accordance with the legal agreement.</p>				
<p>3.8a Dependence of provision of IT facilities through TDBC should be recognised within Business Continuity planning process.</p>	<p>I recommend that TDBC Partnership Leads should ensure that the dependence upon TDBC IT infrastructure should be clearly recognised within Business Continuity Plans and that if these facilities are interrupted that there is adequate provision for alternative arrangements in order to ensure business continuity.</p>	<p>3</p>			
<p>Risk: 4. Key partnership risks are not effectively managed.</p>					
<p>4. 1a Lack of sharing of individual partnership registers with TDBC Client Lead for Risk Management .</p>	<p>I recommend that all Partnership Risk Registers are seen and discussed with the Client and Performance Lead on a regular basis (at least annually) and that the report to the Corporate Governance Committee records this review process.</p>	<p>4</p>			
<p>4. 1b Different methodologies being used in the individual partnership risk registers.</p>	<p>I recommend that the Performance and Client Lead ensures that the Partnership Risk Registers are reviewed against the TDBC approved corporate methodology and where variances are apparent then changes are advised to bring into line.</p>	<p>3</p>			

Control Assurance Definitions

Comprehensive	☑️ 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.
Reasonable	👉 I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	👉 I am able to offer Partial assurance 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.
None	👉 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

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

Taunton Deane Borough Council

Corporate Governance Committee – 23 May 2011

SAP Controls - update

Report of the Strategic Finance Officer

(This matter is the responsibility of Executive Councillor Terry Hall)

1. Executive Summary

TDBC introduced a new financial system which has been used since 1st April 2009.

There are controls built into the SAP system and these are a crucial part of the internal control regime.

The implementation of this system was an extremely challenging time for TDBC with significant issues needing to be addressed quickly, resulting in some “work arounds” that bypassed the controls built into the system.

Officers have worked hard over the past two years to ensure that the controls are fully operational.

Audit reports over the past 2 years have highlighted significant issues and this report updates Corporate Governance Committee on the issues raised and also highlights ongoing work on controls.

2. Background

- 2.1 On 1st April 2009 Taunton Deane Borough Council introduced a new financial system call SAP. This new system covered both payment of invoices and the raising of sundry debtors.
- 2.2 During 2009 there were significant issues with SAP which lead to several “work arounds” to ensure that our suppliers were paid. Some of the normal processes with the controls built into the system were bypassed.
- 2.3 The system has settled down and the various modules of SAP that are being used are following set processes and therefore the controls inherent within the system are working.

3. SAP Controls

- 3.1 The appendices attached to this report give details of the risks identified within the separate modules of SAP, the current controls in place and any ongoing work on controls
- 3.2 There are 4 appendices being Payroll/OM Structure Appendix A, Creditors Appendix B, Debtors Appendix C, Master Data Appendix D.

4. Finance Comments

- 4.1 This is a finance report and there are no further comments to make.

5. Legal Comments

- 5.1 It is essential that adequate controls are in place to ensure the council pays its invoices on time in order to avoid incurring any additional cost through non-payment and potential court actions. This report identifies what controls are in place.

6. Equalities Impact

- 6.1 This is an information only report and has no equalities issues to assess.

7. Risk Management

- 7.1 The controls that are in place within SAP are there to reduce risk of both a financial and reputational nature.

8. Partnership Implications

- 8.1 There are no partnership implications of this report.

9. Recommendations

- 9.1 This is an information only report and there are no recommendations attached to this report.

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Risk	SAP Controls in Place	Ongoing work
Positions created/deleted/amended without authorisation	The Retained HR Manager or Strategic Finance Officer approve any changes to The OM structure within SAP	
The OM structure within SAP does not match the organisations structure	The structure has been recently reviewed and changes made to reflect the current organisation. No changes can be made with authorisation (see above)	
<p>Periodic reconciliation of the payroll system to personnel records does not take place.</p> <p>Individual departments do not review the accuracy of their payroll bills.</p>	<p>A report is produced on a quarterly basis which is issued to Theme Managers asking them to review the list of staff and report back any errors.</p> <p>Any errors identified are investigated and corrected where necessary.</p>	
Payroll costs are not coded accurately	Monthly budget monitoring includes details of salary costs for budget holder review. Any errors are discussed with the accountant and are rectified within the Payroll System.	

CREDITORS (invoice payment)

Risk	SAP Controls in Place	Ongoing work
<p>All invoices are not correctly authorised before being paid.</p> <p>Payment is incorrect</p> <p>Invoices are not paid to terms agreed</p>	<p>All invoices are process through SAP.</p> <p>All cost centres within SAP have position numbers against them that can authorise spend within a given band. SAP uses this delegation table to pick authoriser for spend.</p> <p>SAP will only allow invoices requiring a purchase order to be paid through the 3 way match process (automatic payment on receipt of an invoice without manual intervention) if the invoice quotes a valid purchase order number and the good receipt input by staff matches the invoice. The approval comes from the purchase order which is approved by an Officer from the delegation table.</p> <p>When an invoice is received that does not require a purchase order (i.e. a utilities bill) then SAP will require a member of staff to “code” the invoice. By doing this the member of staff is confirming that the invoice is correct and which budget line the expenditure is to be shown against. There is then an approval stage where the authorisers for that code from the delegation table can release the invoice for payment. The invoice will not be paid until both stages are fully completed.</p> <p>As long as staff following the process that has been communicated to them in a timely manner invoices will be paid within the suppliers agreed terms.</p>	

Transaction or event has not occurred or does not relate to the authority	SAP will confirm that a scanned document is either an invoice or credit note. Those items that fail this control are rejected by the system. This ensures that TDBC does not pay on incorrect invoices	
Fraudulent/Duplicate payments made	<p>Duplicate payment identification is made throughout the whole process with potential duplicate payments being identified manually or through a computer program.</p> <p>A program called Etesius is run prior to all payment runs to identify potential duplicate invoices. These are manually investigated and where proved to be a duplicate are removed from the payment run.</p>	
Duplicate vendors created		<p>Southwest One recognised that this is a significant issue and are currently investigating the number of potential duplicates.</p> <p>Once the number are known a timetable will be written for the safe removal of the duplicate records from SAP.</p>
Training is insufficient	<p>Significant work has been carried out on training staff during 2010/11 and quick reference guides are available for all payment processes within SAP that breakdown the process and have screen shots for staff to follow.</p> <p>There are also SAP champions throughout the organisation to help staff that have any issues using SAP.</p>	<p>A request to budget holders has been made to ask if they require further training and in which areas. Once this has been collated further training will be organised.</p>

	The sharepoint site for SAP also has a document that gives staff details of the escalation process should they have any problems with SAP.	
Outputs from the creditors system are reconciled regularly to the information in the General Ledger	Bank reconciliations are carried out that ensure the output from the creditors system (that appear on the bank statement) are within the SAP General Ledger.	
All invoices received are not loaded onto the system	During the various stages of scanning invoices to upload into SAP SWOne are able to quickly identify and correct any issue through reconciliations.	
Direct input bypasses all controls and incorrect payments are made. (Direct input is used for payment of items such as grants where an invoice is not received.)		An electronic form known as a E-PRF is currently being piloted in a couple of services within TDBC. This form is loaded into SAP and follows the delegations set up in SAP to ensure that the payment is correctly authorised. When the E-PRF is ready for a full launch guidance will be issued to staff on its use.

Debtors (sundry debts)

Risk	SAP Controls in Place	Ongoing work
All invoice request forms are not authorised, before information is put onto the debtors system	Not all members of staff have access to raise sundry debtor accounts. For those staff that do not have access there is a form to complete to request a debtor account is raised. If the form is not completed or data is missing the request is passed back to the service.	
Debts are not recovered.	<p>When an account is not fully paid then the recovery processes begins. SAP produces an initial reminder if the account has been marked ok for recovery and the account exceeds its payment terms. If the customer still does not pay the account then the customer will either receive a final reminder produced by SAP or will be contacted by the AR team.</p> <p>SAP has an aged debt report suit which allows managers to check their debts at a high level, service level or customer level. This highlights to managers debts that are not being repaid and any areas of concern</p>	Aged debts reports will be discussed at Theme Manager meetings (starting May 11) and will then discussed at CMT.
Procedures are not adhered to	Quick reference guides are on the SAP sharepoint site. These are communicated through the AR user group meeting. Any issued around procedures can be discussed at these meetings and best practice is shared between officers.	
All credit notes are subject to appropriate level of authorisation.	An authorised signatory list has been compiled on a Theme basis which gives details of who can approve these	A new role is being developed by Southwest One which will allow approval of credit notes to be made in

	changes.	SAP. Only those staff given the role will be able to approve credit notes.
All write offs are subject to appropriate level of authorisation	The AR team are aware of the write-off procedure. A debt will not be written off without the agreement of the s151 officer, head of paid services or executive (depending on debtor value)	

MASTER DATA

Risk	SAP Controls in Place	Ongoing work
Incorrect data/changes are processed	<p>The creation of and amendment of supplier and customer details follow a strict process. Forms for the creation of new data are required along with supporting documentation which is checked.</p> <p>Updating supplier and customer details are thoroughly checked as this is a major fraud area. The master data team have stopped some potential frauds by following a robust process.</p>	
New cost centres are created without approval. Funds can be misappropriated or discrepancies hidden.	All new cost centres and GL accounts are approved by the Strategic Finance Officer before creation after a case for creation has been reviewed.	

23/05/2011, Report:SAP Controls update

Reporting Officers:Maggie Hammond

23/05/2011, Report:Governance of Partnerships

Reporting Officers:Tonya Meers

23/05/2011, Report:Section 106 Agreements

Objectives:Verbal report giving details of Section 106 agreements complied and not complied with

Reporting Officers:Shirlene Adam

23/05/2011, Report:Changes to Accounts and Audit Regulations

Reporting Officers:Paul Fitzgerald

23/05/2011, Report:Annual Audit Fee Letter 2011/2012

Objectives:For information

Reporting Officers:Brian Bethell

27/06/2011, Report:Internal Audit Service - Review of Effectiveness

Reporting Officers:Shirlene Adam

27/06/2011, Report:Whistleblowing Policy update

Reporting Officers:Shirlene Adam

27/06/2011, Report:Annual Report of SWAP

Reporting Officers:Gerry Cox

27/06/2011, Report:Debt Recovery Update

Reporting Officers:Paul Harding

27/06/2011, Report:Internal Audit Plan - progress report

Reporting Officers:Chris Gunn

27/06/2011, Report:Corporate Governance Action Plan update

Reporting Officers:Dan Webb

27/06/2011, Report:Health and Safety update report

Reporting Officers:David Woodbury

27/06/2011, Report:Financial Controls Report

Reporting Officers:Rachel Bishop

27/06/2011, Report:Future of Local Audit

Reporting Officers:Shirlene Adam

25/07/2011, Report:Draft Annual Governance Statement 2010/2011

Reporting Officers:Shirlene Adam

25/07/2011, Report:Local Code of Corporate Governance update

Reporting Officers:Tonya Meers

25/07/2011, Report:Draft Annual Accounts

Reporting Officers:Paul Fitzgerald

25/07/2011, Report:Audit Review of Section 106 Process

Reporting Officers:Shirlene Adam

26/09/2011, Report:Standards Committee - Review of 2010/2011

Reporting Officers:Anne Elder

26/09/2011, Report:Approval of Statement of Accounts 2010/2011

Reporting Officers:Paul Fitzgerald

26/09/2011, Report:Risk Management update

Reporting Officers:Dan Webb

26/09/2011, Report:Health and Safety update report

Reporting Officers:David Woodbury

26/09/2011, Report:Audit Commission - Annual Governance Report 2010/2011

Reporting Officers:Shirlene Adam

26/09/2011, Report:Internal Audit Plan - progress report

Reporting Officers:Chris Gunn

26/09/2011, Report:Risk Management update

Reporting Officers:Dan Webb

26/09/2011, Report:Corporate Governance Action Plan update

Reporting Officers:Dan Webb

12/12/2011, Report:Health and Safety update report

Reporting Officers:David Woodbury

12/12/2011, Report:Audit Commission - Annual Audit Letter 2010/2011

Reporting Officers:Shirlene Adam

12/12/2011, Report:Internal Audit Plan - progress report

Reporting Officers:Chris Gunn

12/12/2011, Report:Risk Management update

Reporting Officers:Dan Webb

12/12/2011, Report:Corporate Governance Action Plan update

Reporting Officers:Dan Webb

12/12/2011, Report:Debt Recovery update

Reporting Officers:Paul Harding