

You are requested to attend a meeting of the Corporate Governance Committee to be held in The John Meikle Room, The Deane House, Belvedere Road, Taunton on 24 June 2013 at 18:15.

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### **Agenda**

- 1 Apologies.
- 2 Minutes of the meeting of the Corporate Governance Committee held on 20 May 2013 (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 Update on the Health and Safety Performance and Strategy for 2013 - 2014.  
Report of the Acting Corporate Health and Safety Advisor (attached).  

Reporting Officer: Catrin Brown
- 6 External Audit Fees 2013/2014. Report of the Strategic Director (attached).  

Reporting Officer: Shirlene Adam
- 7 External Audit (Grant Thornton) Audit Plan 2012/2013. Report of the Strategic Director (attached).  

Reporting Officer: Shirlene Adam
- 8 Review of the size of Committees. Joint report of the Legal and Democratic Services Manager and the Chairman of the Constitutional Sub-Committee (Councillor Denington).  

Reporting Officer: Tonya Meers
- 9 Annual Governance Statement. Report of the Strategic Finance Officer (attached).  

Reporting Officer: Maggie Hammond

- 10 Risk Management. Report of the Performance Lead (attached).  
Reporting Officer: Dan Webb
- 11 Internal Audit Plan 2012-2013 Annual Report and 2013-2014 Quarter 1 Progress. Report of the Group Audit Manager (attached).  
Reporting Officer: Ian Baker
- 12 Internal Audit - Review of Internal Audit Charter. Report of the Group Audit Manager (attached).  
Reporting Officer: Ian Baker
- 13 Review of effectiveness of Internal Audit. Report of the Strategic Director (attached).  
Reporting Officer: Shirlene Adam
- 14 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)

Bruce Lang  
Assistant Chief Executive

10 March 2014

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.

Except at meetings of Full Council, where public participation will be restricted to Public Question Time only, if a member of the public wishes to address the Committee on any matter appearing on the agenda, the Chairman will normally permit this to occur when that item is reached and before the Councillors begin to debate the item.

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

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

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

Full Council, Executive, Committees and Task and Finish Review agendas, reports and minutes are available on our website: [www.tauntondeane.gov.uk](http://www.tauntondeane.gov.uk)



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



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

**For further information about the meeting, please contact the Corporate Support Unit on 01823 356414 or email [r.bryant@tauntondeane.gov.uk](mailto:r.bryant@tauntondeane.gov.uk)**

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**Corporate Governance Committee Members:-**

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

## **Corporate Governance Committee – 20 May 2013**

**Present:** Councillors Beaven, Coles, Denington, Gaines, Govier, Hall, Horsley, Hunt, Mrs Lees, D Reed, Mrs Stock-Williams, Tooze and A Wedderkopp

**Officers:** Maggie Hammond (Strategic Finance Officer), Tonya Mears (Legal and Democratic Services Manager), Heather Tiso (Head of Revenues and Benefits Service), Helen Vile (Overpayments, Investigation and Support Team Leader), Dan Webb (Performance Lead) and Natasha Williams (Corporate Support Officer)

(The meeting commenced at 6.15 pm)

### **15. Appointment of Chairman**

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

### **16. Appointment of Vice-Chairman**

**Resolved** that Councillor A Wedderkopp be appointed as Vice-Chairman of the Corporate Governance Committee for the remainder of the Municipal Year.

### **17. Apologies/Substitutions**

**Apologies:** Councillors Miss James and R Lees.

**Substitutions:** Councillor Horsley for Councillor Miss James; and Councillor Mrs Lees for Councillor R Lees.

### **18. Minutes**

The minutes of the meeting held on 11 March 2013 were taken as read and were signed.

### **19. Declaration of Interests**

Councillors Hunt and A Wedderkopp declared personal interests as new Members of Somerset County Council.

### **20. Revenues and Benefits Investigation Team Report**

Heather Tiso (Head of Revenues and Benefits Service) gave a presentation which updated Members on the activities and performance of the Fraud Investigations Team during 2012/2013 as well as the developments for the next financial year.

The team aimed to reduce fraud and the risk of fraud by using effective processes to prevent, detect and investigate abuse of Housing Benefit, Council Tax Benefit and other income related benefits. Some of the activities undertaken included:-

- Taking action against those who committed fraud and seeking to prosecute and sanction offenders where appropriate, in accordance with the Council's Anti-Fraud and Prosecution Policies;
- Minimising the risks of landlord fraud;
- Remaining compliant with the guidance set out in the Verification Framework and continued operation of the "do not re-direct" (DNR) scheme as well as security of prime documents;
- Participating in data matching schemes such as the Housing Benefit Matching Service and National Fraud Initiative (NFI) as well as membership of the National Anti-Fraud Network (NAFN);
- Working closely with the Department for Work and Pensions (DWP) and other agencies to combat claim related fraud;
- Using all legislative powers available and sharing intelligence with other agencies where the Data Protection Act permitted this; and
- Using the Operational Intelligence Unit (OIU) to assist the Council in obtaining employment and pension details.

In 2012/2013 the team received 320 referrals. Of these, once preliminary checks had been carried out, there was sufficient justification to conduct investigations into 205 cases. Of the 15 cases approved for prosecution in 2012/2013, 14 were successfully prosecuted and sentencing included fines, Community Service Orders, conditional discharge and suspended custodial sentences.

The changes within the UK Government's Welfare Reform Bill included the introduction of Universal Credit from 2013. Universal Credit would replace income related benefits (including Housing Benefit) over the period 2013 to 2017 and would be administered by the DWP. As part of this reform a Single Fraud Investigation Service (SFIS) would be created.

The Audit Commission's report in 2012 "Protecting the Public Purse" identified high risk fraud that in Taunton Deane was likely to be concentrated on:-

- Business Rates;
- The Council Tax Support Scheme;
- The Housing Tenancy Fraud; and
- Right to Buy.

Members discussed Housing Tenancy Fraud with regard to Taunton Deane.

Heather Tiso was thanked for an informative report.

**Resolved** that the activities in the report be supported.

## **21. Update Report on Freedom of Information Act**

The Freedom of Information Act 2000 had come into effect on the 1 January 2005. Anyone who requested information under the Act had to apply in writing and the Council had to respond in writing.

The Council had 20 working days in which to respond to the request and all

requests were logged, and responded to, by the FOI Administrator although the requests were normally sent to the relevant Service Unit(s) for a response.

Tonya Meers (Legal and Democratic Services Manager) updated Members on how the requests for recorded information under the Freedom of Information Act had increased.

The number of requests over the last five years had increased considerably year on year. In 2009 – 269 requests had been received; 2010 – 326 requests; 2011 – 432 requests and 2012 – 520 requests. 214 requests had already been received since January 2013 at the time of writing the report.

Generally, the Council could not charge for the information that would be supplied unless it was estimated that to provide the information would exceed £450. This amount was set down in the regulations.

From this new financial year, performance monitoring of FOI requests would form part of the Corporate Scorecard as it was now something that needed to be monitored at a corporate level rather than a service level. Members supported the need to determine whether resources would need to be allocated differently in order to deal with the growing number of requests.

**Resolved** that the report be noted.

## **22. Audit of Data Security Breaches**

Considered report previously circulated, which provided Members with a progress update following the audit carried out by South West Audit Partnership on 15 February 2013 as well as the Data Security Breach Management Policy.

The review was undertaken to assess the adequacy of the controls and procedures in place for Data Security Breaches across the Council.

The conclusion of the report gave the Council a partial assurance in relation to the areas that were reviewed. There were a total of eleven recommendations. Two of those recommendations were a priority 4, four were classed as a priority 3 and five were a priority 2.

The implementation date for the majority of the recommendations was the 30<sup>th</sup> June 2013; however two of the recommendations had already been completed.

**Resolved** that the Information Security Incident Management Process be approved.

## **22. Corporate Governance Action Plan**

Considered report previously circulated, which provided details of the progress made against the Corporate Governance Action Plan as at the end of April 2013.

The Corporate Governance Action Plan currently included 18 actions, which

had emerged from external audits, specifically, recommendations from the Annual Governance Reports from the last two years - 2010/11 and 2011/12.

There were three actions that were 'some concern' (Amber status). One of these was rated as 'High priority', and the other two actions rated as 'Medium priority'. These were:-

- Updating the Workforce Strategy (ensuring there were clear links to financial planning) and completing and agreeing a new Workforce Plan (High priority);
- To fully review the Financial Regulations (Medium priority);
- Develop benchmarking to support decisions in allocating resources (Medium priority).

A total of 83% audit actions were now closed or 'on target'. This was a slight improvement since the previous report in December 2012.

**Resolved** that the Corporate Governance Action Plan be scrutinised.

### **23. SAP Controls - Update**

On 1 April 2009 Taunton Deane Borough Council introduced a new financial system call SAP (Systems, Applications and Products). This new system covered both payment of invoices and the raising of sundry debtors. 2012/2013 was the fourth year of the Council using SAP and officers had continued to work on the controls within SAP to reduce risk to the council.

Controls had been built into the system and these inherent controls were a crucial part of the internal control regime.

Following the loading of an upgrade, a control issue had come to light. Before the upgrade a person who requested goods and services via a purchase order could not approve their own order. Following the upgrade this was now possible, where the approver was absent and the requester was listed on SAP as the substitute for the approver. This was not widely known.

SAP continued to work on this to resolve the issue. In the interim a list was produced weekly of any instances where the requisitioner and the approver were the same person. Since October 2012 there has been just one incident and closer investigation showed that the order was correct.

**Resolved** that the report be noted.

### **24. 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 7.56pm).



# Taunton Deane Borough Council

## Corporate Governance Committee – 24 June 2013

### Update on the Health and Safety Performance and Strategy for 2013 - 2014

#### Report of the Acting Corporate Health and Safety Advisor

(This matter is the responsibility of the Chief Executive and Leader of the Council.)

#### 1. Executive Summary

This report provides an update on the progress of a range of Health and Safety matters across the organisation. These include:-

- The situation with regard to the vacant Health and Safety Advisor position;
- The arrangements for the Health and Safety Committee;
- The progress being made on Joint Health and Safety Inspections;
- Training on Health and Safety
- Provision of Health and Safety Information
- The current position with regard to the consolidation and compliance audit;
- The SWAP Audit on Health and Safety.
- Accident and Incident Data for the period 1 January 2013 – 31 March 2013
- Capturing Accident and Incident data

#### 2. Health and Safety Advisor Position

Temporary arrangements put in place at the beginning of the year are continuing. The Health and Safety Advisor role is being covered by myself and Kate Woollard, Technical Assistant, Community and Commercial Services. We are providing technical advice and ensuring that the Priorities set out in the H&S Strategy are being taken forward. Further key work areas have been identified and objectives set in an ongoing action plan.

There are ongoing discussions between SW1 and TDBC with regards to the future of the position and where this will be best situated in order to provide the authority with the service and resilience it requires.

#### 3. Health and Safety Committee

The Joint Management/Union Health and Safety Committee is meeting at regular quarterly intervals. Previous actions from earlier committees have been reviewed

by the Joint Secretaries and either closed down with the agreement of the Committee or are being actioned.

The last meeting took place on 25 April 2013 with the next meeting scheduled for 23 July 2013.

#### **4. Joint Health and Safety Inspections**

Workplace inspection activity is ongoing within the Deane House and at the Depot in line with the Inspection Programme for 2013.

This process will be reported on at the Joint Health and Safety Committee and actions will be monitored to ensure progress is being made. Where necessary advice has been sought from the Health and Safety Advisor and matters for further discussion where necessary may be escalated to the Joint Health and Safety Committee.

#### **5. Training**

Developing Health and Safety competency continues to be a priority.

Theme Managers and Leads have been invited to undertake Health and Safety refresher training with over 30 having already attended. This will link in with the Competency Framework and Audit process.

A training programme has been developed for the DLO. Toolbox talks on dynamic risk assessment and near miss reporting have been carried out for all work areas. Training for specific job related areas has been planned in – e.g. refresher on grass cutting machinery for Parks and Open Spaces.

Statutory training has been undertaken in a variety of work areas to ensure that the services comply with statutory legislation and guidance where applicable.

Firewarden training was carried out in May 2013.

#### **6. Provision of Health and Safety Information**

The sharepoint site used by staff to access information on health and safety matters is being updated. Improvements have already been made to make information more accessible and more updates are planned. Links will be provided to information readily available and kept up to date by the Health and Safety Executive.

All DLO health and safety policies are now uploaded to the site.

Once completed the new look site will be highlighted with Leads and to all staff by e-mail.

#### **7. Consolidation and Compliance Audit**

The audit process has now been instigated within all Themes and Managers have been provided with an Audit Compliance score sheet and Priorities for action.

Monitoring of progress on health and safety action plans continues to be through the Quarterly Performance Reports that Theme Managers produce and a more detailed position statement on the audit process will be produced and delivered to the next Joint Health and Safety Committee.

The audit process continues to be supported and monitored by the South West Audit Partnership (SWAP) and the service is on track to meet the targets set.

## **8. SWAP Audit on Health and Safety**

A detailed action plan has been drawn up to ensure that all aspects of the SWAP audit requiring consideration will be addressed within the agreed time frames and a more detailed report will be provided to the September Corporate Governance Committee.

## **9. Accident and Incident Data**

Accident and incident data for the period 1 April 2013 through to 31 March 2013 are attached at Appendix B.

## **10. Capturing Accident and Incident Data**

There has been ongoing research into the best method of capturing accident data and collating statistics for analysis and reporting for the authority.

We have currently reverted to a paper based system – using the accident book and internal H&S Notification forms. Information is then collated in the form of a spreadsheet. Further research is being carried out into the best method of recording any investigations undertaken and whether existing IT programmes are suitable for this task.

Unison Safety Representatives will be included in this process and a Report on the outcome will be taken to the July Joint Health and Safety Committee for consideration.

Once agreed, the new process will be highlighted with all staff.

## **11. Finance Comments**

Any emerging issues or additional training will have to be funded from existing budgets. Line managers are expected to prioritise and refer any difficulties through their Theme Manager to CMT.

## **11. Legal Comments**

Failure to meet or maintain minimum legal compliance will increase Corporate and individual risk, with the potential for criminal and civil actions

## **12. Links to Corporate Aims**

Competent employees working safely in the delivery of the Council's services form an essential contribution to the Corporate Aims.

### **13. Environmental Implications**

There are no environmental implications arising from this report.

### **14. Community Safety Implications**

There are no community safety implications arising from this report.

### **15. Equalities Impact**

There are no equalities impacts over and above those already required to be identified in the Theme delivery plans and existing arrangements. The Equalities Impact Assessments for H&S policies and procedures are available on the H&S sharepoint site.

### **16. Risk Management**

Failure to meet minimum H&S statutory requirements has been identified in the Corporate Risk Register.

### **17. Partnership Implications**

The Health and Safety Strategy sets out the majority of the work programme for delivery by SW One.

The audit strategy utilises and involves the expertise of SWAP, potentially reduces resource requirements and delivers an integrated approach.

### **18. Recommendations**

The Committee are asked to note the progress being made on the delivery of the strategy and the initiatives to improve our operating culture. There are no significant risks or incidents to report.

<b>Contact:</b>	Officer Name	Catrin Brown
	Direct Dial No	01823 356340
	<u>e-mail</u> address	c.brown@tauntondeane.gov.uk

## Appendix B

### Accident, incident data and lessons implemented

<b>TDBC Totals</b> –1 April 2012 – 31 March 2013				
Classification	Core Council	DLO	public	Contractors
Reportable	<b>0</b>	<b>0</b>	0	No data
Non-reportable	<b>5</b>	<b>33</b>	<b>0</b>	–
Near Miss	-	<b>2</b>	-	-
<b>Period total</b>	<b>5</b>	<b>33</b>	<b>4*</b>	<b>0</b>

\*potential uncertainty in numbers reported by public. (Playgrounds)

# Taunton Deane Borough Council

## Corporate Governance Committee - 24 June 2013

### External Audit Fees 2013/2014

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

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

#### Executive Summary

This report shares the fee position for external audit services for 2013/2014.

#### 1. Background

- 1.1 The external audit function for Taunton Deane transferred from the Audit Commission to Grant Thornton during 2012. This change was part of a national programme of “outsourcing” the external audit work – and has resulted in significant savings for all local authorities.
- 1.2 The attached letter provides details of the agreed fee for 2013/14, and sets out the team that will be leading on the Taunton Deane work and the indicative timescales for their reporting.
- 1.3 Any additional audit work – outside of the planned audit and grant fee work - will be billed separately and in addition to the fee quoted.

#### 2. Financial Issues / Comments

- 2.1 The indicative audit fee for 2013/14 is £84,205 which is within the Councils draft budget position for 2013/14.

#### 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 There are no implications arising from this fee reduction.

#### 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 Grant Thornton Audit Fee Letter for 2013/14.

**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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15 April 2013

Dear Penny

### **Planned audit fee for 2013/14**

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

### **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2013/14 has been set by the Audit Commission at £66,605 which is unchanged from the audit fee for 2012/13.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at [www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-work-programme](http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-work-programme).

The audit planning process for 2013/14, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### **Scope of the audit fee**

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

#### **Chartered Accountants**

Member firm within Grant Thornton International Ltd  
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP  
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.



### Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

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

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

### Certification of grant claims and returns

The Audit Commission has set the Council's indicative grant certification fee at £17,600.

### Billing schedule

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2013	16,652
December 2013	16,651
March 2014	16,651
June 2014	16,651
	<b>66,605</b>
<b>Grant Certification</b>	
June 2014	17,600
<b>Total</b>	<b>84,205</b>

### Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2013. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in September 2013 and work on the whole of government accounts return in September 2013.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	December 2013 to March 2014	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.

Final accounts audit	June to Sept 2014	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2014	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2014	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2014	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2014	Grant certification report	A report summarising the findings of our grant certification work

### **Our team**

The key members of the audit team for 2013/14 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	Stephen Malyn	0117 305 7862	steve.g.malyn@uk.gt.com
Engagement Manager	Peter Lappin	0117 305 7865	peter.lappin@uk.gt.com
Audit Executive	Sarah Martin	0117 305 7861	sarah.j.martin@uk.gt.com

### **Additional work**

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

### **Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance.

Alternatively you may wish to contact John Golding, our Public Sector Assurance regional lead partner ([john.golding@uk.gt.com](mailto:john.golding@uk.gt.com)).

Yours sincerely

A handwritten signature in cursive script, appearing to read "S Malyn".

Stephen Malyn  
Director  
For Grant Thornton UK LLP

# Taunton Deane Borough Council

## Corporate Governance Committee - 24 June 2013

### External Audit (Grant Thornton) Audit Plan 2012/2013

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

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

#### Executive Summary

This report introduces the External Audit Plan for 2012/2013. This is prepared by our external auditors, Grant Thornton (and set out in an Appendix to this report).

The report, which will be presented by Grant Thornton, summarises their approach to the 2012/2013 audit programme, and provides information on the work already undertaken, the work still to be completed and the likely timescales, and the auditors view on risk.

#### 1. Background

- 1.1 Grant Thornton, our external auditor, has finalised the External Audit Plan for 2012/13 – as set out in Appendix 1.

#### 2. Financial Issues / Comments

- 2.1 The report – in a new format this year – sets out the External Auditors views on risk areas for the Council and their approach to auditing them.

#### 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 issues flagged in this report into

account when reviewing the areas of risk to be reviewed by Internal Audit in the current and future years.

**9. Recommendation**

- 9.1 Members are requested to note the External Audit Plan 2012/13 from Grant Thornton.

**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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# The Audit Plan for Taunton Deane Borough Council

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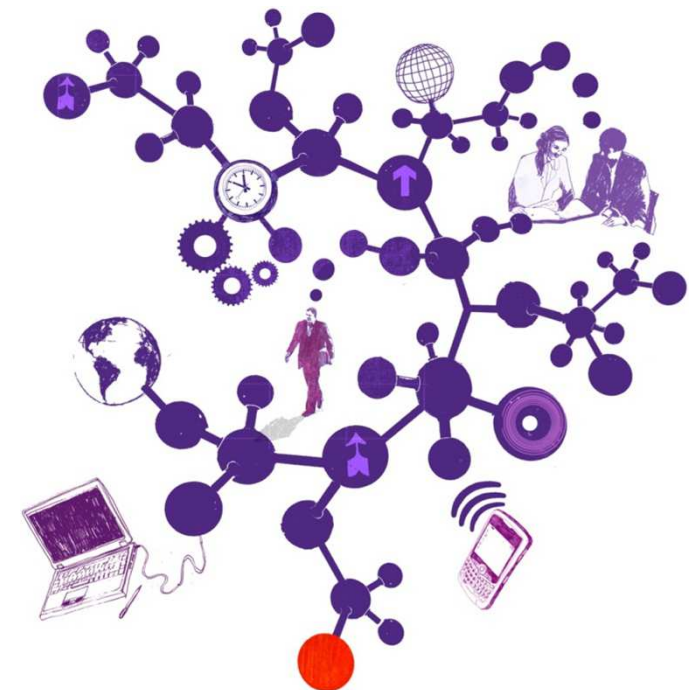
**Year ended 31 March 2013**

June 2013

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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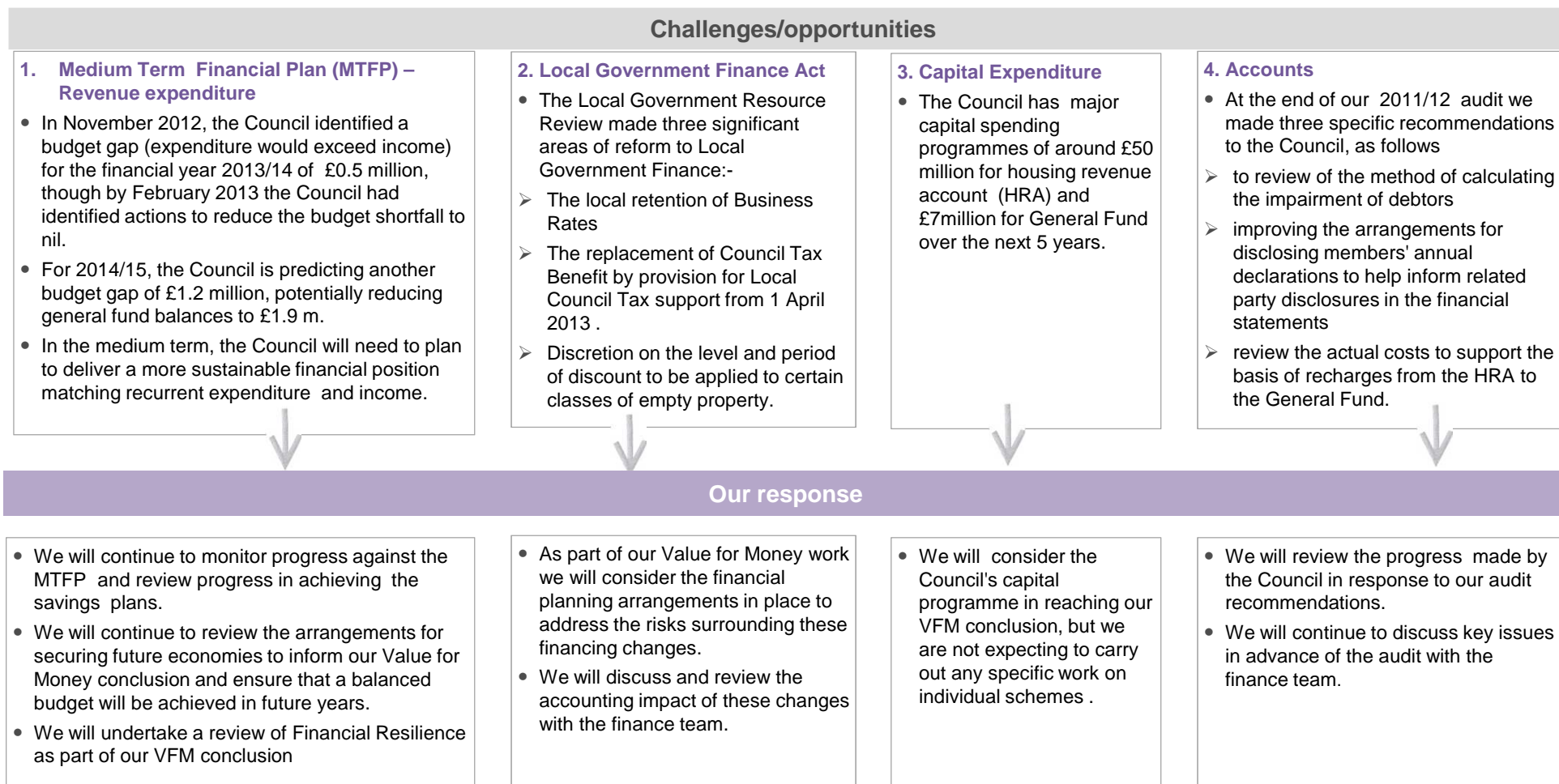
## **Section**

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Results of interim work
8. Group audit scope and risk assessment
9. Value for Money
10. Logistics and our team
11. Fees and independence
12. Communication of audit matters with those charged with governance



# 1. Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



## 2. Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

### Developments and other requirements

#### 1. Financial reporting

- Changes to the CIPFA Code of Practice
- Recognition of grant conditions and income
- Self financing Housing Revenue Account

#### 2. Legislation

- Local Government Finance settlement 2012-3
- Welfare reform Act 2012

#### 3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

#### 4. Pensions

- Planning for the impact of the changes to the Local Government pension Scheme (LGPS). The new LGPS 2014 will be based on average salary instead of final salary and changing contribution rates

#### 5. Other requirements

- The Council is required to submit a Whole of Government (WGA) accounts pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

### Our response

We will review whether

- the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing
- grant income is recognised in line with the correct accounting standard

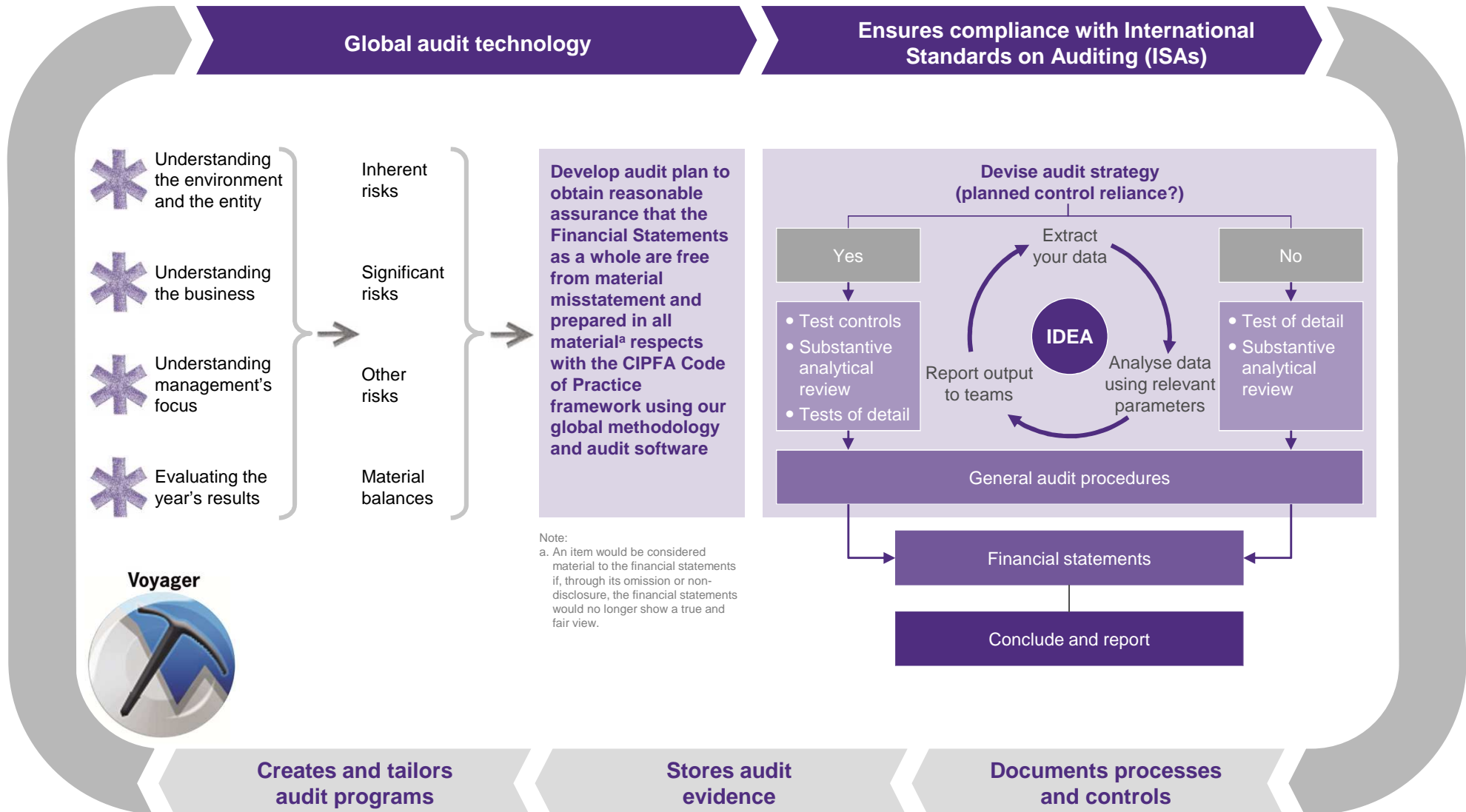
- We will discuss the impact of the legislative changes with the Council through our regular meetings with management and those charged with governance, providing a view where appropriate

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge
- We will consider the extent to which the Council has reflected on the best practice for its AGS and transparency of its governance arrangements

- We will discuss how the Council is planning to deal with the impact of the changes through our meetings with management

- We will carry out work on the WGA pack in accordance with requirements
- We will certify grant claims and returns in accordance with Audit Commission requirements

### 3. Our audit approach



## 4. An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

**Significant** – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

**Other** – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

**None** – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses understated	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – Housing revenue	Yes	Housing Revenue Account	Medium	Other	Housing revenue transactions not recorded	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	No	Property, Plant and Equipment	Low	None		×
Payments to Housing Capital Receipts Pool	No	Property, Plant & Equipment	Low	None		×
Precepts and Levies	Yes	Council Tax	Low	None		✓

## 4. An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	Yes	Borrowings	Low	None		✓
Pension Interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		×
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Impairment of investments	No	Investments	Low	None		×
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
Other Government grants	Yes	Grant Income	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		×

## 4. An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	PPE activity not valid	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	Revaluation measurements not correct	✓
Intangible assets	No	Intangible assets	Low	None		×
Investments (long & short term)	Yes	Investments	Low	None		×
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		×
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓
Borrowing (long & short term)	Yes	Debt	Low	None		✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	No	Provision	Low	None		×
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

## 5. Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are included below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>No work yet completed</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Testing of revenue recognition policies</li> <li>Performance of attribute testing on material revenue streams.</li> </ul>
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>No work yet completed</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Review of accounting estimates, judgments and decisions made by management</li> <li>Testing of journal entries</li> <li>Review of unusual significant transactions.</li> </ul>

## 6. Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses and creditors	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> <li>Walkthrough tests of design and operation of controls have not identified any weaknesses.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing of material expenditure streams for the 2012-13 financial year</li> <li>Substantive testing of significant creditor balances</li> <li>Review of after date payments to ensure all liabilities identified</li> </ul>
Employee remuneration	Remuneration expenses understated	<ul style="list-style-type: none"> <li>Walkthrough tests of design and operation of controls have not identified any weaknesses.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing of employee remuneration expenditure</li> </ul>
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> <li>Walkthrough tests of design and operation of controls have not identified any weaknesses.</li> </ul>	<ul style="list-style-type: none"> <li>Completion of housing and council tax benefits subsidy certification</li> </ul>
Housing Rent Revenue Account	Revenue transactions not recorded	<ul style="list-style-type: none"> <li>Walkthrough tests of design and operation of controls have not identified any weaknesses.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing of HRA rental revenue</li> </ul>
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> <li>Many of the processes that relate to PPE are undertaken at the end of the year but for other processes walkthrough tests of design and operation of controls have not identified any weaknesses.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing of PPE additions and disposals</li> </ul>
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> <li>This is a test to be carried out after the preparation of the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>Review of accounting entries in respect of any revaluations to ensure fully and accurately reflected in the accounts</li> </ul>



## 7. Interim audit work

### Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we will consider:

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls

	Work performed	Conclusion
<b>Internal audit</b>	We have reviewed internal audit's overall arrangements. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.	Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council.  We will continue to review the internal audit's findings to inform our audit planning.
<b>Walkthrough testing</b>	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. These relate to: <ul style="list-style-type: none"> <li>• Property, plant and equipment</li> <li>• Employee remuneration</li> <li>• Operating expenses and creditors</li> <li>• Welfare Expenditure</li> <li>• HRA Rental Revenue</li> </ul>	No significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding.

## 7. Results of interim audit work (continued)

	<b>Work performed</b>	<b>Conclusion</b>
<b>Review of information technology (IT) controls</b>	Our information systems specialist will perform a review of the general IT control environment in June 2013.	Following completion of this work, we will confirm whether there are any material weaknesses which are likely to adversely impact on the Council's financial statements.
<b>Journal entry controls</b>	We are reviewing the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We have begun detailed testing on journal transactions by extracting large and 'unusual' entries for further review.	Following completion of this work, we will confirm whether there are any material weaknesses which are likely to adversely impact on the Council's financial statements.
<b>Follow up of prior year recommendations</b>	We have considered the recommendations made following our 2011-12 audit of the financial statements and discussed progress with the finance team.	We will continue to review progress against the recommendations raised as the implementation of these will be during the preparation of the 2012-13 financial statements.

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## 8. Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Tone Leisure	No	Analytical	None. Accounting as an associate the Council's share of the surplus for 2011/12 was only £31,000. The Council's share in net assets of Tone Leisure at 31 March 2013 was a negative £244,000.	Desktop review performed by GT UK

# 9. Value for Money

## Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

## 2012-13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

## Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget

## Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control. Specifically we will assess the arrangements in place to ensure financial resilience.

# 10. Logistics and our team



Date	Activity
March	Planning meeting
March/April	Interim site work
June	The audit plan presented to Corporate Governance Committee
August	Year end fieldwork commences
September	Audit findings clearance meeting
September	Audit Committee meeting to report our findings
September	Sign financial statements and VfM conclusion
October	Issue Annual Audit Letter

## Our team

<p><b>Stephen Malyn</b>  <b>Engagement Lead</b>                      T 0117 305 7708                      E steve.g.malyn@uk.gt.com</p>	<p><b>Alex Critchley</b>  <b>Executive</b>                      T 0117 305 7882                      E alex.critchley@uk.gt.com</p>
<p><b>Peter Lappin</b>  <b>Audit Manager</b>                      T 0117 305 7865                      E peter.lappin@uk.gt.com</p>	

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# 11. Fees and independence

## Fees

	2012-13	2011-12
Audit of financial statements	£66,605	£111,008
Grant certification*	£13,650	£31,576
<b>Total</b>	<b>£80,255</b>	<b>£142,584</b>

## Fees for other services

Service	Fees £
None	Nil

\* Indicative fee for 2012-13 will be based on actual time

### Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

## 12. Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

### Respective responsibilities

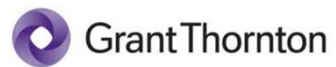
This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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# Taunton Deane Borough Council

## Corporate Governance Committee - 24 June 2013

### Review of the size of Committees

**Joint report of the Legal and Democratic Services Manager and Councillor Bryan Denington (Chairman of the Constitutional Sub-Committee)**

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

#### 1. Executive summary

To approve the changes to the size of the various Committees following a review in light of the change of administration.
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#### 2. Background

- 2.1 Following one Member of the Conservative Group moving to become an Independent Councillor in May 2013 and the changes to the Standards Committee now being a politically balanced Committee, a review of the size of Committees was deemed appropriate.
- 2.2 Sections 15 and 16 of the Local Government and Housing Act 1989 provides a duty on authorities to review the proportionality to ensure that it reflects the political make up of the Council.
- 2.3 The matter was discussed at the Constitutional Sub-Committee on the 4 June 2013 and the proposed changes agreed by that Committee are outlined in Appendix 1.

#### 3. Finance comments

- 3.1 There are no financial implications in this report.

#### 4. Legal comments

- 4.1 There are no legal implications other than those already mentioned in this report.

#### 5. Links to Corporate Aims

- 5.1 There are no specific links to the corporate aims.

#### 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.

## **8. Risk management**

8.1 There are no risks attached to this report.

## **9. Recommendations**

9.1 To recommend to Full Council that the changes to the size of the various Committees as detailed in Appendix 1 to this report be approved.

### **Contact**

Contact officer: Tonya Meers  
Telephone: 01823 358691  
E-mail: [t.meers@tauntondeane.gov.uk](mailto:t.meers@tauntondeane.gov.uk)

## Review of the size of Committees – Appendix 1

### Executive Members:-

- Councillor Williams – Leader of the Council
- Councillor Edwards – Deputy Leader – (Planning and Transportation and Communications)
- Councillor Mrs Adkins (Housing Services)
- Councillor Cavill (Economic Development, Asset Management, Tourism and the Arts)
- Councillor Hayward (Environmental Services and Climate Change)
- Councillor Mrs Herbert (Sports, Parks and Leisure)
- Councillor Mrs Stock-Williams (Corporate Resources)
- Councillor Mrs Warmington – (Community Leadership)

### Political make up

Conservatives	27	48.2%
Liberal Democrats	23	41.1%
Independents	3	5.4%
Labour	3	5.4%
	<b>56</b>	<b>100%</b>

Committee	Conservatives	Lib Dems	Independent	Labour
Community Scrutiny	7	6	1	1
Corporate Governance	7	6	1	1
Corporate Scrutiny	7	6	1	1
Licensing	7	6	1	1
Planning	7	6	1	1
Standards	2	2	1	
	<b>37</b>	<b>32</b>	<b>6</b>	<b>5</b>

### Chairs

**Conservatives** 4

**Liberal Democrats** 2

Vice Chairs will be selected by their respective committees.

# Taunton Deane Borough Council

## Corporate Governance Committee – 24 June 2012

### Annual Governance Statement

#### Report of the Strategic Finance Officer – Maggie Hammond

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

#### 1. Executive Summary

This report invites Members of the Corporate Governance Committee to consider the attached draft Annual Governance Statement (AGS) for Taunton Deane Borough Council before it is signed by the Leader of the Council and the Chief Executive.

#### 2. Background

- 2.1 From 2007/08 the Accounts and Audit Regulations (2006 ) required this Council to prepare, as proper practice, an Annual Governance Statement to sit alongside the Councils accounts. The purpose of this statement is to provide assurance that the Council has a sound governance framework in place to manage risks that might prevent achievement of its statutory obligations and organisational objectives
- 2.2 The Deputy s151 Officer has led the 2012/13 review of the governance framework, supported by the Monitoring Officer, the Group Auditor and Performance Lead Officer. The purpose of the review is to highlight any serious governance issues and actions needed to deal with them.

#### 3. Annual Governance Statement (AGS)

- 3.1 The conclusions from the review are that the Councils governance framework was reasonable during 2012/13.
- 3.2 SAP controls are working well. The challenge now is for the Council to ensure the agreed procedures are in place and being followed across the entire organisation.
- 3.3 Like all councils we continue to face increased treasury management risks, mainly due to the Eurozone and finding a safe place to invest any surplus cash still remains difficult. The investment strategy is to spread this risk wide with the preservation of cash at the heart of any investment decision.
- 3.6 During 2012/13 the council reviewed its 30 year HRA Business Plan. This review was informed by the first year of self-financing and

aspirations of the council in respect of building new council housing amongst other things.

- 3.7 On the agenda for today is the report on the Internal Audit Service Review of Effectiveness.
- 3.8 A Corporate Project log is maintained and regularly reviewed by the Project Management Group (PMG). This group meets monthly. The Corporate Project log is also reviewed by CMT. This document enables effective prioritisation of key corporate projects and other significant tasks, as well as resource planning, issues and risk management.
- 3.9 The Annual Governance Statement is included as an Appendix to this report.
- 3.10 The content of the AGS will need to be reviewed immediately before the publication of the Council's accounts to ensure that the governance framework and risk have not significantly changed since the review was carried out.

#### **4. Finance Comments**

- 4.1 There are no specific finance issues relating to this report.

#### **5. Legal Comments**

- 5.1 There are no specific legal issues relating to this report.

#### **6. Links to Corporate Aims**

- 6.1 The AGS reports on the governance framework – which is essential to support the delivery of all Corporate Aims.

#### **7. Environmental Implications**

- 7.1 There are no direct implications from this report.

#### **8. Community Safety Implications**

- 8.1 There are no direct implications from this report.

#### **9. Equalities Impact**

- 9.1 There are no direct implications from this report.

#### **10. Risk Management**

- 10.1 The issues flagged as actions in the AGS will be monitored throughout the year. The previous year's action plan is also included with an update on the actions.

#### **11. Partnership Implications**

- 11.1 Key services supporting our arrangements for governance are delivered by our Partners – Southwest One and South West Audit Partnership.

## 12. Recommendations

- 12.1 Members of the Corporate Governance Committee are requested to approve the Annual Governance Statement.

### Contact Officers:

Shirlene Adam Strategic Director 01823 356310 <a href="mailto:s.adam@tauntondeane.gov.uk">s.adam@tauntondeane.gov.uk</a>	Tonya Meers Legal & Democratic Services Manager 01823 356391 <a href="mailto:t.meers@tauntondeane.gov.uk">t.meers@tauntondeane.gov.uk</a>
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# TAUNTON DEANE BOROUGH COUNCIL

## ANNUAL GOVERNANCE STATEMENT 2012/2013

### Scope of responsibility

Taunton Deane Borough Council is responsible for making sure that:-

- its business is conducted in accordance with the law and proper standards
- public money is protected and properly accounted for
- public money used economically, efficiently and effectively.
- there is a sound system of governance incorporating the system of internal control.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and the management of risk.

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

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

### Purpose of the Governance Framework

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

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

The governance framework has been in place at Taunton Deane Borough Council for the whole year ended 31 March 2013 and up to the date of approval of the statement of accounts.

## **The Governance Framework**

In March 2008, Taunton Deane Borough Council adopted a formal code of corporate governance in line with guidance provided by CIPFA and SOLACE. This describes how Taunton Deane discharges its responsibilities for putting in place proper arrangements for the governance of its affairs, incorporating the six core principles identified by CIPFA / SOLACE. The framework we have in place to ensure we adhere to the Code is described in more detail below.

### **Core Principle 1 : Focusing on the purpose of the Council and on outcomes for the community creating and implementing a vision for the local area.**

- The Council has developed a new 3 year Corporate Business Plan (2013/14 – 2015/16) which replaces the current Corporate Strategy from April 2013. The Business Plan has been developed after detailed consultation work with councillors and all political groups and following an external peer review by the Local Government Association (LGA). It sets out a new Vision, four corporate aims, and a series of high level actions to achieve its aims and transform the council, ensuring statutory requirements are met whilst being fit for purpose, addressing funding pressures and setting a balanced, sustainable budget. The Corporate Business Plan is the Council's core planning document, from which the Financial Strategy, Medium Term Financial Plan, Annual Budget, Asset Management Plan, Capital and Housing Strategies are formed to underpin the corporate aims. Service Plans are produced from the Corporate Business Plan to show how each service will contribute to the delivery of the Corporate Aims and its service objectives.

(hyperlink to Business Plan report to Exec:

<http://www1.tauntondeane.gov.uk/tdbcsites/tdbcagendas/RtnPDF.aspx?ImgName=Item%209.PDF&PMI=20131471> )

- The Performance Outturn Report and Annual Accounts review our performance over the last year, highlighting some practical examples of our achievements.
- Scrutiny Committees and the Executive regularly review our performance and delivery of the plans and priorities.
- The Taunton Deane Partnership comprises key agencies within the public and voluntary sectors that seek to tackle both urban and rural deprivation. The focus of activity within Taunton is North Taunton and Taunton East. The TDP have prepared the Priority Areas Strategy and Action Plan (PAS). This was developed through extensive consultation and engagement. The PAS contains four themes: building strong communities, improved access to services, improving the lives of the most vulnerable families and improving the look and feel of priority areas. A revised version of the PAS will be published in Summer 2013. The TDP also supports the delivery of the Troubled Families agenda and the Somerset Health and Wellbeing Strategy



**Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

- The Council's constitution documents the roles and responsibilities of the Council, Executive, Scrutiny, Policy Development, Regulatory and Officer functions. The constitution is kept under review by the Constitutional Sub-Committee. All proposed changes are considered by the Corporate Governance Committee and Full Council.
- The Statutory Officers meet as a Corporate Governance Group. The Monitoring Officer and S151 Officer are members of the Corporate Management Team.
- The Group Leaders, Chief Executive and other relevant key officers meet monthly to share information and discuss any issues for the authority.
- The strategic direction of the organisation and sponsorship of key objectives and priorities is undertaken by the Corporate Management Team, which consists of the Directors, Theme Managers and a representative of Southwest One – who meet on a fortnightly basis with the Chief Executive. In addition to this the Chief Executive and Directors meet on alternative fortnights.
- The Council's Lead Officers meeting monthly along with the members of CMT. Many items are discussed and the contents of the Core Brief are approved in these meetings. The expectation is that key messages are shared back to teams through team meetings.
- The Leader and Chief Executive meet on a monthly basis in order to maintain a shared understanding of roles and objectives.
- The statutory roles of Monitoring Officer and Chief Finance Officer are well established with their own control regimes to enhance the control environment.
- There is a member/officer protocol that sets out the standards of behaviour expected to ensure a good working relationship between members and officers.
- Portfolio holders and the shadow portfolio holders meet key officers on a regular basis to discuss relevant issues within their portfolio.
- The Council asked the LGA to carry out a Peer Review to assist with the development of the business plan. One thing that was noted in that report is that there were good working relationships between officers and members
- We review our financial management arrangements on a regular basis to ensure they conform to the requirements of CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. The review confirmed that during the financial year 2012/13 the Council complied with these requirements.

- TDBC is part of a partnership called Southwest One. We are represented on the main Southwest One Board, which meets quarterly, through a nominated elected member. The Board is responsible for setting the strategic direction of the company and for its financial performance

The Corporate and Client Services Manager meets on a monthly basis with Southwest One's CEO and Senior Responsible Officers of the other two partners, to discuss strategy and broad operational issues. They also meet on a monthly basis with the Southwest One Director of Service Operations and the Heads of Client of the other two partners, to discuss day to day operational issues

### **Core Principle 3: Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- The Localism Act 2011 made a number of changes to the Standards Regime which was implemented by the Council in July 2012. The Council decided to keep a Standards Committee. The Committee is politically balanced with five elected members, three independent co-opted members and two parish council representatives. In addition the Council also appointed an Independent Person and a reserve Independent Person. The terms of reference for the Committee are set out in the Constitution set out at

<http://www.tauntondeane.gov.uk/irj/public/council/councillors/councillor?rid=/wpccontent/Sites/TDBC/Web%20Pages/Council/Councillors/Taunton%20Deane%20Standards%20Committee>

The Committee promotes and maintains high standards of conduct by Councillors, advising and training on the member's code of conduct, dealing with complaints against members, and any issues raised by the Monitoring Officer. The Committee submits an annual report to the Council's Corporate Governance Committee.

Since the start of the new regime only one complaint has been received and it was decided not to investigate.

- The Council has a set of four Core Values and Business Principles which underpin and support the Council's Vision, and reflect its fundamental beliefs as an organisation and guide how it deals with staff, customers and partners.  
Core Values:
  - **Integrity** – we will be honest, do what is right and stick to it
  - **Fairness** – we will consistently treat everyone as an equal, respecting their individual needs and abilities
  - **Respect** – we will always show respect for everyone
  - **Trust** – we will show trust and confidence in our staff and customers
 Business Principles:
  - **Quality Services** – ensuring the delivery of accessible, quality services that provide good value for money (either as direct providers or through partnership)
  - **Customer Driven** – we will put the needs of our customers at the heart of all that we do

- **A dynamic organisation** – innovative, forward-looking and focussed on results
- **Environmentally Responsible** – we will minimise the environmental impact from our operations
- Managers are responsible for making sure members of staff keep to policies, procedures, laws and regulations and for making sure that we include risk management in our work.
- A complaints procedure is in place for the Council to receive and investigate any complaint made against Borough or Parish members.
- Internal and External audit work together to review and provide annual opinions on the control framework, governance and validity of the annual accounts.

**Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and risk management arrangements**

- Taunton Deane Borough Council has a published Constitution that sets out the decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals.
- Corporate Scrutiny and Community Scrutiny were set up in April 2009. Performance issues identified in the monitoring reports can be referred to other committees for further scrutiny.
- The main decision making body of the Council is the Executive, which consists of the Leader together with 7 Councillors and carries out all of the Council's functions, which are not the responsibility of any other part of the Council.
- An objection to the 2011/12 accounts was received surrounding the charges made to the taxi trade. The result of this objection is that we have reviewed our charges and the calculation of them to ensure that they accurately reflect the cost of providing the service which should be “cost neutral”. During 2013/14 we will be reviewing all the fee structure for licensing where we have the discretion to set charges to ensure that the charges are transparent and can be proven. If the external auditors make further recommendations in their final report we will incorporate them into an existing action plan.
- Council meetings are open to the public (with the exception of items that are exempt under the Access to Information Act). The Council makes every effort to advertise meetings, communicate decisions and minutes to ensure they are publicly available.
- The Executive has a published Forward Plan of Decisions to be taken and meets on a monthly basis. The Forward Plan was amended in line with the Local Authority (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 last year and now has a column where it is anticipated that confidential items are likely to be discussed and

allows for representations to be made to state why a decision should not be made in private session. To date no representations have been received.

- Executive Councillors have delegated authority to make certain decisions, which are published in the Council's Weekly Bulletin. This, together with an appropriate level of delegation to senior managers, enables speedy and effective decision-making. In addition, all draft Executive minutes are circulated with a call-in pro-forma to all councillors, ensuring a prompt response to any request.
- The Council has in place a Risk Management Policy and Strategy, and maintains a Risk Management Action Plan which ensures that Risk Management is embedded within the Council and aligned with our partner organisations. The strategy sets out clear limits of responsibility for risk management across the Council. Major projects and partnerships also have risk registers in place and CMT has reviewed and refreshed the Corporate Risk Register during the course of the year
- Council committee reports include a standard section for the consideration of risks, which informs decision-making.
- TDBC operates a Corporate Governance Committee which is independent of the Executive and Scrutiny functions of the Council. They cover a wide remit and deal with such things as health and safety, risk management, recommend changes to the Constitution in addition to receiving any audit reports given to the Authority.

**Core Principle 5: Developing the capacity and capability of members and officers to be effective in their roles**

- The Council aims to ensure that officers and members have the knowledge, capacity and skills they need to undertake their duties, and this is reviewed through the appraisal system. An induction programme is in place for all new staff and new Members.
- Members of the Council's Corporate Governance Committee have received update reports outlining the current Risk Management arrangements and any future actions. Council committee reports include a standard section for the consideration of risks, which informs decision-making.
- A new 'Programme Management Group' has been formed to oversee and monitor the Council's programme of major projects – a key role is to understand capacity and resourcing issues within project delivery, and report to CMT to enable these issues to be addressed.
- All staff have a performance review and employee development (PRED) meeting with their manager. Performance is reviewed and an action plan for the next period is set. This assists the member of staff in the performance of their work, help develop their skills and identify any training needs. Members have member development plans to help them carry out their roles effectively.

- As part of the annual planning processes the Learning and Development Lead liaises with all Theme Managers on the Theme training plans before preparing a plan for CMT approval.

In addition to this there is a corporate training plan developed every year to meet corporate needs. This year the Corporate Business Plan is being used as the baseline for identifying needs and this also links to the emerging Workforce Plan.

- The Council's Performance Management Framework ensures that the links between the Council's Corporate Objectives, Operational Plans and those of individual officers are clear.
- All Executive reports are required to include an Equalities Impact Assessment to ensure that members make decisions with a clear understanding of the impacts on groups with protected equalities characteristics.
- The Council has regular member briefings which cover a range of issues and to ensure that the members are fully equipped with the skills they need in order to be effective leaders in their community.

**Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability**

- The Council consults using a variety of methods, which include public meetings, forums, surveys, feedback forms and focus groups. Listening to and understanding the views of residents, services users, business people, visitors and staff is important to Taunton Deane Borough Council.
- Council's vision and priorities are regularly communicated to the Community through the Somerset County Gazette
- The Council produces the Annual Statement of Accounts. The Council tax booklet shares with payers, details on the Council's financial strategy, priorities, performance and other useful information and is available on line and also available in paper format on request.
- Committee and Council meetings are open to the public, with papers available on the internet.
- There is regular community engagement and participation through specific community groups involving Housing, Environmental Health, Planning and Democratic Services.
- The Council encourages all types of feedback (complaints, compliments, comments & suggestions) from a number of channels (website, telephone, e-mail/letter, face-to-face), and these are logged on a central database for analysis and review. A Customer Feedback Guidance & Process document is available for Managers and Officers to deal with feedback consistently and effectively.

## Review of effectiveness

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

The review for the 12/13 statement was led by the Deputy s151 Officer, supported by the Monitoring Officer, the Council's Audit Manager and Performance Lead Officer. The review was informed by:

- LGA Peer Review
- Internal Audits annual opinion report for 2012/13
- The effectiveness of internal audit review
- External auditors comments
- The Councils Corporate Governance Action Plan
- Input From The Work Of the Standards Committee
- Performance Monitoring Reports

The conclusion of the review is that, overall, the governance arrangements are robust and are working effectively. Some issues need attention and they are set out below.

## Significant governance issues

During the year the Group Auditor (South West Audit Partnership) brought a number of control issues to the attention of the Council's Corporate Governance Committee. The opinion of the Internal Auditors was that the control environment was reasonable in 2012/13.

Key governance issues for the Council to progress in order to strengthen the control framework include:-

Governance Issue	Owner	Completion Date
Ensuring we have up to date disaster ICT recovery plans for major risk areas of the Council	Southwest One	March 2014
To update the Councils policy on Fraud and Corruption, and ensure robust arrangements for monitoring, recording, reviewing & learning lessons following any investigation	Tonya Meers	July 2013
To develop the Council's Strategic IT arrangements, updating the IT Strategies ensuring there are clear links from these to financial planning	Fiona Kirkham	Autumn 2013
To update the Councils Financial Procedure Rules, train staff and monitor compliance	Maggie Hammond	September 2013

To increase awareness of the council's Equalities Framework, strengthen monitoring arrangements and ensure that robust Equality Impact Assessments are included in Scrutiny and Executive reports	Simon Lewis	March 2014
Ensure the Council has appropriate policies and arrangements in place to comply with safeguarding legislation	Simon Lewis	December 2013
Update the Workforce Strategy (ensuring that there are clear links to financial planning) and complete & agree a new workforce plan	Martin Griffin	October 2013
Use comparative information such as benchmarking to inform strategic decisions on the allocation of resources	Dan Webb	August 2013
To ensure a robust approach to debt recovery action	Maggie Hammond	December 2013
To ensure robust Health & Safety arrangements, policies and procedures are in place and adopted (including information & guidance, training, risk assessments)	Richard Sealy	Ongoing
To ensure robust Information Governance arrangements, policies and procedures are in place and adopted (including record retention & disposal, reporting & managing breaches, confidentiality code of practice)	Richard Sealy / Tonya Meers	March 2014
To ensure robust project governance & control of major capital projects	Simon Lewis	March 2014
Introduce a rolling information governance training and awareness program	Tonya Meers	March 2014

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

The list from the Annual Governance Statement for 2011/12 is shown below with an update on the actions.

Governance Issue	Owner	Update
Ensuring we have up to date business continuity plans for all services	John Lewis	Plans in place and tested
Ensuring we have up to date disaster recovery plans for major risk areas of	Southwest One	In list to complete in 13/14

the Council		
Ensuring our Partnerships realise the benefits they are intended to achieve	CMT	Monitoring ongoing
To update the Councils policy on Fraud and Corruption	Tonya Meers	In list to complete in 13/14
To develop the Council's Strategic IT and Property arrangements	Southwest One	In list to complete in 13/14
To continue to review the operation of and usage of SAP to ensure that the internal control framework remains robust	Maggie Hammond	Ongoing
To update the Councils Financial Procedure Rules, train staff and monitor compliance	Maggie Hammond	In list to complete in 13/14
To update the Contract Procedure Rules	Tonya Meers	Completed
Maintenance of the Contract Register	Southwest One	Completed
Adopt new Code of Conduct and changes to the Standards regime and ensure all Members are trained	Tonya Meers	Completed
Ensure we review the publication scheme for FOI	Chris Gunn/Tonya Meers	Completed
Ensure that robust Equality Impact Assessments are included in Scrutiny and Executive reports	Simon Lewis	In list to complete in 13/14
Ensure the Council has appropriate policies and arrangements in place to comply with safeguarding legislation	Simon Lewis	In list to complete in 13/14
Update the Workforce Strategy (ensuring that there are clear links to financial planning) and complete & agree a new workforce plan	Martin Griffin	In list to complete in 13/14
Use comparative information such as benchmarking to inform strategic decisions on the allocation of resources	Dan Webb	In list to complete in 13/14
Introduce a rolling information governance training and awareness program	Tonya Meers	In list to complete in 13/14
Ensure all risks around the Welfare Reform Act are identified and mitigated wherever possible	Paul Harding	Completed

Signed:

Cllr John Williams

Signed:

Penny James



# Taunton Deane Borough Council

## Corporate Governance Committee – 24 June 2013

### Risk Management

#### Report of the Performance Lead

(This matter is the responsibility of Executive Councillor Vivienne Stock-Williams)

#### 1. Executive Summary

- 1.1 This report provides an update on progress with the Council's approach to Risk Management (Strategic, Projects, and Operational).
- 1.2 The Corporate Management Team (CMT) has recently undertaken a review of the Corporate Risk Register (as part of the quarterly corporate performance review process).
- 1.3 A Risk Management Action Plan is included within this report – this outlines the key areas of focus to further improve and embed Risk Management during 2013.

#### 2. Background

##### 2.1 Introduction

*Risk Management* is an important element of management and in planning and providing the safe delivery of economic, efficient, and effective Council services. It is recognised as an integral part of good management practice. To be most effective, risk management should become part of the Council's culture. It should be part of the philosophy, practices and service planning rather than viewed as a separate initiative. When this is achieved, risk management becomes the business of everyone in the organisation and therefore is embedded

##### 2.2 Roles and responsibilities of the Corporate Governance Committee

The Corporate Governance Committee is responsible for monitoring the corporate governance of the authority. It will receive regular reports on way risk is being managed in the authority.

Members' key tasks in relation to Risk Management are:

- Approving the Risk Management Strategy and implementation plan.
- Monitoring the effectiveness of the Council's risk management and internal control arrangements.
- Reviewing Corporate Risks

### **3. Risk Management progress update**

#### **3.1 Corporate Risk Register**

3.1.1 A copy of the current Corporate Risk Register is found in Appendix A.

3.1.2 The Corporate Risk Register is a 'live' document and has been subject to formal reviews by CMT in September 2012, February 2013, and more recently 8<sup>th</sup> May 2013. The key outcomes of the CMT risk review process are:

- To review and approve refreshed Corporate Risk Register (with recent updates from each risk owner), and to consider TDBC overall risk exposure (summary risk profile)
- To identify any new strategic risks for inclusion on the Corporate Risk Register
- To consider any risks that require escalating to the Corporate Risk Register from Theme / Service or Project risk registers

3.1.3 The Corporate Risk Register includes:

- Detailed risk description (cause, risk 'event', effects)
- Risk owner
- Existing control measures and planned risk response actions
- Current and target risk probability & impact assessment 'scores'

3.1.4 Regular review and monitoring of the Corporate Risk Register is now included as an integral part of the quarterly CMT corporate performance review meetings. The next review is scheduled for 31<sup>st</sup> July 2013 (Quarter 1 performance review).

#### **3.2 Operational Risk Registers**

3.2.1 Each Theme / Service has an operational risk register in place. These are constantly under review and were updated as part of the 2013/14 annual service planning process. The highest areas of risk are considered by CMT for escalation to the Corporate Risk Register – this happens during CMT quarterly corporate performance review meetings.

#### **3.3 Programme and Project Risk Registers**

3.3.1 The Corporate Management Team (CMT) meeting forward plan now includes a monthly Programme & major Projects review, where key risks and issues are considered. Additionally, the 'Programme Management Group' (PMG) is responsible for identifying and managing cross-Programme issues and risks as well as risks and issues escalated by Project Managers.

3.3.2 'PMG' also ensures that each major corporate project / 'business as usual' priority task has appropriate governance in place, for example: Project Risk Management Strategy; Project Risk Register (subject to regular review); Risk Response Action Plans (including the monitoring and effectiveness of risk control measures).

3.3.3 A recent PMG meeting included a discussion to identify the key 'programme' risks – those that are common in most major corporate projects, and impact on the council's two key programmes, ie Growth & Regeneration, and Internal Transformation. More work needs to be done to complete a 'programme' risk register, but the key risks identified at this stage are:

- Communications being badly managed or not fully considered
- Opportunity to see the programme as a whole & improve links between projects
- Resourcing & capacity for project support (ie HR, Finance, Legal, Comms, IT etc) – major projects plus all other projects across the council
- Changes & uncertainty (eg Govt 'changing the goalposts' re new legislation)
- Political support and potential future political leadership changes
- Impact of projects on TDBC operations/business as usual
- Staff morale (ie uncertainty with WSC/TDBC and/or service cuts = staff 'at risk') and impact on the quality of projects & service & delivery
- Governance structures – risk of too many forums / duplication / too many reports / lengthy decision-making process

3.3.4 Current major corporate projects with their own project risk register in place include:

- West Somerset Council / TDBC joint-working feasibility
- DLO depot relocation feasibility
- Swimming Pools
- Community Infrastructure Levy
- Taunton Flood Alleviation Solutions
- Redevelopment of Creechbarrow Road

### 3.4 Risk Management Action Plan 2013

3.4.1 The key areas of focus to further improve and embed Risk Management during 2013 are shown in the TDBC Risk Management Action Plan (see Appendix B).

3.4.2 The action plan includes a mix of essential and desirable / developmental activities – each action has been given a priority rating as High, Medium or Low.

3.4.3 Reassurance on the Council's approach to Risk Management should be gained from the feedback from the LGA Peer Review (September 2012) where risk management was described as 'robust'. In addition, internal (SWAP) audit reports from 2011 and 2012 provided 'reasonable assurance' audit findings.

## 4. Finance Comments

4.1 Financial risk is explained in the Risk Management Strategy and considered within the Corporate Risk Register.

## **5. Legal Comments**

5.1 Legal risk is explained in the Risk Management Strategy and considered within the Corporate Risk Register.

## **6. Links to Corporate Aims**

6.1 As this report covers the Council-wide approach to managing risk, all Corporate Priorities are affected

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

7.1 These areas are considered within the Corporate Risk Register.

## **8. Equalities Impact**

8.1 An Equalities Impact Assessment is not required. Equalities issues are considered within the Risk management process.

## **9. Risk Management**

9.1 This report outlines all aspects of corporate Risk Management.

## **10. Partnership Implications**

10.1 Partnership risk management is referred to in the Risk Management Strategy, Action Plan, and Corporate Risk Register.

## **11. Recommendations**

11.1 It is recommended that the Corporate Governance Committee note progress with Corporate Risk Management, the Corporate Risk Register, and the Risk Management Action Plan

### **Contact:**

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Risk No.	Risk / Issue description	Current Assessment		Score	Risk Response Actions	Target score (post response)		Score
		Probability	Impact			Probability	Impact	
1	<p><b>Political Leadership</b> TDBC remains in a 'no overall control' position. <b>There is a risk of lack of clear political leadership and difficulties with decision-making on key strategic issues.</b> Key effects may include: ~ difficulties with long-term strategic &amp; operational planning; ~ lack of cross-party buy-in to the corporate strategy</p>	Likely(4)	Major(4)	16	<ul style="list-style-type: none"> <li>~ Corporate Business Plan process</li> <li>~ Leader / Director meetings</li> <li>~ Shadow Executive engagement</li> <li>~ Joint Portfolio/Shadow PFH briefings</li> <li>~ Cross-party steering groups on key issues</li> <li>~ 1:1 with Leader of the Opposition</li> </ul>	Feasible(3)	Major(4)	12
2	<p><b>Financial - Medium-Term Financial Planning (MTFP)</b> We are experiencing unprecedented budgetary pressures and adverse economic conditions. <b>There is a risk that this could result in a failure to agree and deliver a sustainable MTFP for the next 5 years (2012/13 - 2016/17).</b> Key effects may include: ~ short-term or 'knee jerk' decisions with detrimental long-term implications ~ Government intervention ~ Adverse impact on TDBC's limited reserves &amp; financial standing ~ Potential service closure / reduced service quality &amp; therefore inability to deliver customer expectations ~ Insufficient capital resources to fund Corporate Strategy objectives ~ Inability to continue funding partnerships (eg Tone Leisure, SWP) ~ Unable to maximise investment returns</p>	Feasible(3)	Critical(5)	15	<ul style="list-style-type: none"> <li>~ Action plan in place through Business Plan project</li> <li>~ LGA prioritisation workshop April 2013 (Directors using findings to develop high-level principles and new work streams)</li> <li>~ New projects initiated (Asset Management, Customer Access/Accommodation, Marketing Taunton)</li> <li>~ Financial Strategy refresh - summer 2013</li> <li>~ West Somerset Council / TDBC joint-working feasibility project</li> </ul>	Slight(2)	Critical(5)	10
3	<p><b>Corporate Aim - Tackling Deprivation</b> IMD scores in 2010 confirm that deprivation is worsening and deepening in North Taunton and Taunton East, and this is compounded by the adverse economic conditions and increasing unemployment. Taunton Deane Partnership's 'Priority Areas Strategy' (PAS) programme is being developed to address the issue, however, if the work is not supported, or not adequately resourced: <b>There is a risk that the PAS programme may be unsuccessful and we fail to reduce levels of deprivation in our most deprived communities.</b> Key effects may include: ~ areas of deprivation remain or worsen; ~ other areas slip into deprivation; ~ community expectations are not managed or delivered ~ further burden on TDBC resources (eg increase in 'Troubled Families' interventions, Housing demand etc) ~ lost opportunities for additional funding, reduced service costs, reduced work duplication, improved experience for the customer ~ negative impacts on individuals, families &amp; communities, plus the financial cost to public sector agencies increases</p>	Likely(4)	Major(4)	16	<ul style="list-style-type: none"> <li>~ Troubled Families work programme over the next 2 years should help address deprivation</li> <li>~ Develop additional PAS actions (through TDP) to cover rural deprivation</li> <li>~ Ensure there are strong links between future Halcon work and the PAS (ongoing dialogue)</li> <li>~ Support the 'Halcon One team' approach</li> <li>~ Commence Halcon Hub project</li> <li>~ Audit of Council's contribution to Health &amp; Wellbeing and actions to close gaps</li> <li>~ Job Clubs &amp; SLAs with Resource &amp; Link Centres</li> <li>~ Links being made to Health and Wellbeing work in deprived areas</li> <li>~ Links being made between PAS and Halcon projects &amp; Rural PAS</li> </ul>	Feasible(3)	Major(4)	12

Risk No.	Risk / Issue description	Current Assessment		Score	Risk Response Actions	Target score (post response)		Score
		Probability	Impact			Probability	Impact	
4	<p><b>Corporate Aim - Growth</b></p> <p>The on-going adverse economic climate (national &amp; local), a lack of market appetite for growth and no 'plan B' means that</p> <p><b>There is a risk that the Development Plan proposals for housing delivery and employment land may not be realised.</b></p> <p>Key effects may include:</p> <ul style="list-style-type: none"> <li>~ loss of New Homes Bonus and CIL income (= a detrimental impact on ability to deliver infrastructure);</li> <li>~ the borough may 'stagnate' (eg less inward investment &amp; CIL income; impact on Taunton's status / profile within the region - less able to attract external funding);</li> <li>~ increasing issues around meeting housing need (including affordable housing)</li> </ul>	Feasible(3)	Major(4)	12	<ul style="list-style-type: none"> <li>~ Master Planning</li> <li>~ Planning Agreements with key developers</li> <li>~ a positive response to development proposals wherever possible</li> <li>~ Core Strategy adopted</li> <li>~ preparation of Site Allocations Plan</li> <li>~ Planning Protocol</li> <li>~ Raise profile and find solution to Western Relief Road at Monkton Heathfield</li> </ul>	Feasible(3)	Major(4)	12
5	<p><b>Corporate Aim - Growth</b></p> <p>A lack of funding for infrastructure (insufficient CIL income, New Homes Bonus &amp; other Govt funding through the LEP), and a lack of engagement with the Local Enterprise Partnership (LEP):</p> <p><b>There is a risk that the Infrastructure Delivery Plan (IDP) cannot be delivered.</b></p> <p>Key effects may include:</p> <ul style="list-style-type: none"> <li>~ lack of new / improved infrastructure needed to support the growth plan</li> <li>~ M5 &amp; A358 do not improve (traffic problems worsen);</li> <li>~ Unable to attract inward business investment to Taunton Deane</li> <li>~ Detrimental impact on the local economy</li> </ul>	Likely(4)	Major(4)	16	<ul style="list-style-type: none"> <li>~ Engagement with Chair of LEP with senior Councillors &amp; Staff</li> <li>~ Engagement with Chair of LEP and Board Members and Taunton Advisory Board</li> <li>~ Engagement with LEP business planning process</li> <li>~ CIL implementation project in place</li> <li>~ Development of plan of priority projects for funding by LEP and other bodies</li> <li>~ On-going dialogue with LEP and Somerset / Taunton Deane based Board members</li> <li>~ Implementation of CIL (summer/autumn 2013)</li> </ul>	Feasible(3)	Major(4)	12
6	<p><b>Corporate Aim - Regeneration of Taunton town centre &amp; retail scheme</b></p> <p>Adverse economic conditions, delay in NIDR access route and lack of development activity with Firepool &amp; a retail scheme means that:</p> <p><b>There is a risk that the 'Firepool' site may fail to attract private sector investment &amp; stagnates, and Taunton town retail centre scheme may not come forward.</b></p> <p>Key effects may include:</p> <ul style="list-style-type: none"> <li>~ being forced into purely financial decisions for the Firepool site;</li> <li>~ no money to invest in the public realm;</li> <li>~ Taunton town centre declines;</li> <li>~ less able to prevent out-of-town schemes (which would impact on car parking income, local economy &amp; result in sustainability issues)</li> </ul>	Very Likely(5)	Major(4)	20	<ul style="list-style-type: none"> <li>~ Oversight and steer from Taunton Advisory Board (partners) &amp; Project Taunton Steering Group (elected members)</li> <li>~ Close monitoring by Project Taunton Delivery Team</li> <li>~ Brief for independent rethink of Town Centre being developed to take account of new economic circumstances.</li> <li>~ Discussions with new owner of Orchard Shopping Centre under way re new scheme for an extension</li> <li>~ NIDR delivery now approved</li> </ul>	Likely(4)	Major(4)	16

7	<p><b>ICT Infrastructure</b>  TDBC has an ageing ICT infrastructure (95% is over 6 years old) and a replacement of key elements is well overdue.  <b>A risk of significant failure of key servers and/or internal networks.</b>  This will result in an inability to access key systems for a significant time period and potentially a loss of data.</p>	Feasible(3)	Critical(5)	15	<ul style="list-style-type: none"> <li>~ ICT have identified the enhancements needed to our infrastructure</li> <li>~ Minor interim changes to network switches have been made</li> <li>~ The new hardware has been delivered</li> <li>~ Our retained ICT officer is working with ICT to ensure that a detailed implementation plan is produced</li> <li>~ Network switches to be replaced</li> <li>~ New hardware (Servers) to be installed</li> <li>~ Need to consider lessons learned - how did we get into this position? ICT resilience / lack of IT strategy.</li> <li>~ in the process of discussing &amp; agreeing a IIP Asset Infrastructure Investments Plan with SW1 for the next 4 years</li> </ul>	Slight(2)	Significant(3)	6
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Risk No.	Risk / Issue description	Current Assessment		Score	Risk Response Actions	Target score (post response)		Score
		Probability	Impact			Probability	Impact	
8	<p><b>Information Governance</b></p> <p>A lack of adequate corporate knowledge &amp; training (ie policies &amp; processes) could cause:</p> <p><b>A risk of a significant failure of Information Governance controls (eg a breach of data security / data protection regs).</b></p> <p>Key effects may include:</p> <ul style="list-style-type: none"> <li>~ prosecution of TDBC and/or individuals</li> <li>~ financial costs (eg fines from Information Commissioner)</li> <li>~ reputational damage</li> </ul>	Slight(2)	Major(4)	8	<ul style="list-style-type: none"> <li>~ Internal audit findings &amp; action plan (Jan 2012) - items on Action Plan are being progressed</li> <li>~ Existing policies in place - review and update policies as required, including refresher training</li> <li>~ New Retained IT Lead in post - responsibility for IT element</li> </ul>	Slight(2)	Major(4)	8
9	<p><b>Health &amp; Safety</b></p> <p>A lack of adequate arrangements in place (corporate procedures, systems, training, planning &amp; guidance) could mean</p> <p><b>There is a risk of serious failure in the delivery of Health &amp; Safety duties and policy compliance.</b></p> <p>Key effects may include:</p> <ul style="list-style-type: none"> <li>~ significant injury or death of a member of public or staff;</li> <li>~ personal litigation / Corporate Manslaughter claim;</li> <li>~ reputational damage;</li> <li>~ financial loss</li> </ul>	Slight(2)	Critical(5)	10	<ul style="list-style-type: none"> <li>~ H &amp; S committee</li> <li>~ Reports to Corp Governance committee</li> <li>~ Safety reps</li> <li>~ Dedicated retained H &amp; S advisory resource (new Officer to be appointed)</li> <li>~ H &amp; S audit completed with resulting action plan</li> <li>~ H &amp; S training sessions March-April 2013</li> <li>~ Delivery of Corporate H &amp; S action plan (implement, monitor progress &amp; KPIs, &amp; review)</li> <li>~ H &amp; S Theme "audit" process to be completed</li> <li>~ Deliver actions from H &amp; S audit</li> </ul>	Very Unlikely(1)	Critical(5)	5
10	<p><b>Corporate Governance arrangements on running the business</b></p> <p>Lack of 'policing' of corporate governance arrangements means:</p> <p><b>There is a risk of failure to comply with key internal controls &amp; corporate governance arrangements</b> (ie budget monitoring, risk management, debt management, performance management, compliance with audit recommendations, asset management).</p> <p>Key effects include:</p> <ul style="list-style-type: none"> <li>~ inaccurate budget forecasting &amp; financial loss;</li> <li>~ project or service failure or under-performance:</li> <li>~ reputational damage;</li> <li>~ Government intervention</li> </ul>	Likely(4)	Major(4)	16	<ul style="list-style-type: none"> <li>~ Audit programme</li> <li>~ Corporate Governance Action Plan</li> <li>~ Regular CMT &amp; Member reports on Corporate Performance, Risk Management (CMT have now scheduled quarterly performance focus days)</li> <li>~ Financial procedures redrafted - awaiting S151 approval</li> <li>~ Audit recommendations to be reviewed quarterly &amp; progress reported to S151 officer</li> <li>~ Ongoing regular reviews of Internal Audit Plan (progress and appropriateness) by S151 Officer</li> <li>~ Financial Regs and Financial Procedures to be relaunched by Strategic Finance Officer in spring 2013</li> <li>~ Commitment by CMT to raise profile of 'Corporate Health' issues and to performance management</li> </ul>	Slight(2)	Major(4)	8



11	<p><b>Welfare Reform risk</b>  <b>There is a risk that:</b>  <b>a) the Council does not adequately prepare for the impact of the Government's Welfare Reform Agenda on our community or services</b> (CTRS, Business Rates, Universal Credit)  <b>b) there is a legal challenge against the Council tax Scheme</b>  Key effects include:  ~ unaffordable CTRS  ~ undeliverable CTRS  ~ community unaware of the changes ahead  ~ financial impact (legal costs, higher CTS costs if have to revert to default scheme)</p>	Feasible(3)	Major(4)	12	<ul style="list-style-type: none"> <li>~ Regular liaison with other Somerset authorities</li> <li>~ Briefings to Somerset CEOs each quarter</li> <li>~ CTRS approved Dec 2012 - impact &amp; take-up to be reviewed (summer 2013)</li> <li>~ Business Rates NDR1 approved Jan 2013</li> <li>~ Robust approach to consultation and Equalities Impact Assessment, and pooling of best practice amongst Somerset Districts</li> <li>~ Inclusion of a 'hardship scheme'</li> <li>~ Opportunity re Business Rates Pooling to be reviewed (summer 2013)</li> <li>~ Update to Members re Universal Credit (summer 2013)</li> <li>~ Monitoring arrangements put in place re Business Rates Localisation</li> <li>~ Monitoring arrangements put in place re collection fund</li> </ul>	Slight(2)	Minor(2)	6
Risk No.	Risk / Issue description	Current Assessment		Score	Risk Response Actions	Target score (post response)		Score
		Probability	Impact			Probability	Impact	
12	<p><b>Civil Contingency &amp; Business Continuity Planning (including IT Disaster Recovery)</b>  Should there be a lack of adequate planning or effective arrangements in place:  <b>There is a risk that TDBC may be unprepared for and unable to provide an adequate response to a major emergency incident , or may demonstrate a lack of resilience to unexpected events.</b>  Key effects may include:  ~ loss of life;  ~ major disruption to services;  ~ unplanned costs;  ~ Reputational damage;</p>	Slight(2)	Critical(5)	10	<ul style="list-style-type: none"> <li>~ Planning to date has focussed initially on 'loss of staff' due to major event (eg Pandemic Flu), and latterly on 'loss of facilities' (eg Terrorist incident at Deane House);</li> <li>~ Service specific &amp; corporate plans for 'loss of staff' &amp; 'loss of facilities' have been completed / updated;</li> <li>~ SCC Civil Contingencies Partnership resource is available to support managers in this task;</li> <li>~ CMT emergency rota in place 24/7 stand-by;</li> <li>~ On-going training of CMT when opportunities arise</li> <li>~ Audit of Civil Contingencies and action plan resulting</li> <li>~ Civil Contingencies audit action plan to be implemented</li> </ul>	Slight(2)	Critical(5)	10
13	<p><b>Gypsies &amp; Travellers</b>  Local Authorities have a (planning) duty to allocate suitable provision for Gypsies &amp; Travellers. TDBC has had previous experience of illegal Gypsy &amp; Traveller encampments.  <b>There is a risk that TDBC is unable to identify suitable provision if required and cannot defend against future illegal encampments.</b>  Key effects may include:  ~ unable to respond to community or political pressure;  ~ financial impact (eg high legal fees);  ~ reputational damage</p>	Likely(4)	Significant(3)	12	<ul style="list-style-type: none"> <li>~ report to Scrutiny describing our options and recommending approach to allocate sites - Scrutiny &amp; Portfolio Holder have supported approach</li> <li>~ sites need to be allocated in the Site Allocation document (adoption early 2015)</li> <li>~ explore options for TDBC to purchase sites</li> </ul>	Slight(2)	Significant(3)	6




14	<p><b>Southwest One partnership</b>  SW1 is sustaining significant losses &amp; one of the partners has renegotiated significant elements of their contract with SW1.  <b>There is a risk of the SW1 partnership failing to deliver TDBC objectives, and/or a premature termination of the contract.</b>  Key effects may include:  ~ Decline in in-scope service delivery  ~ Adverse 'knock-on' impact on core-council services  ~ Financial impact  ~ Termination may result in services being brought back in-house (this is both a risk and an opportunity)  ~ Reputational damage</p>	Slight(2)	Critical(5)	10	~ SW1 action plan to address financial & service delivery issues ~ TDBC contingency planning for contract termination ~ Legal advice ~ Maintaining communications between partners via existing governance structures ~ SWOne has new CEO providing an opportunity to reset the partnership and working relations between the partners - the relationship with SW1 has greatly improved since the new CEO started ~ We are modelling alternative options	Slight(2)	Significant(3)	6
15	<p><b>Hinkley Point</b>  The development of a the new Hinkley C power station (a 10 year construction period) may cause a variety of threats and opportunities to the achievement TDBC strategic objectives.  <b>There is a risk that the development will have an adverse impact on local accommodation, skills &amp; employment and highways, and/or Economic &amp; Social opportunities may not be realised (eg benefits to local businesses &amp; the local economy of permanent inward migration).</b>  Key effects may include:  ~ homelessness increases and TDBC is unable to discharge its homelessness obligations;  ~ increase in housing demand &amp; lack of affordable housing;  ~ increased congestion (impacting on Growth &amp; Regeneration goals / inward investment)</p>	Likely(4)	Significant(3)	12	~ EDF studies being monitored ~ Liaison with Highways Agency; SCC; & neighbouring Authorities (working groups) ~ Awarded money through Section 106 Agreement ~ TDBC Local Impact report to be submitted to the Infrastructure Planning Committee (IPC) ~ Housing Fund available to help mitigate accommodation impacts in TD area ~ Working with SCC on inclusion of road infrastructure project at key 'pinch points', including Creech Castle junction and J25.	Feasible(3)	Significant(3)	9

Risk No.	Risk / Issue description	Current Assessment		Score	Risk Response Actions	Target score (post response)		Score
		Probability	Impact			Probability	Impact	
16	<p><b>Flooding</b> Lack of capital finance and an agreed scheme, and lack of awareness of the problem <b>There is a risk of non delivery of flood protection schemes</b> Effect - prevent or affect timing of delivery of developments (Town Centre, Monkton Heathfield) / detrimental impact on existing residential and commercial properties</p>	Likely(4)	Critical(5)	20	<p>~ Exploring solutions with Environment Agency ~ Raised as issue with LEP ~ Identified in IDP ~ 'Flood Alleviation Solutions' project has been initiated - Project aims, scope, success criteria &amp; work-streams to be clearly defined ~ Robust project management &amp; governance (separate project risk register in place)</p>	Feasible(3)	Major(4)	12
17	<p><b>Equalities</b> TDDBC does not have a dedicated resource for equalities. The Strategy team continues to take responsibility for embedding equalities, however an audit report (Nov 2012) on 'Equalities Analysis Integration' offers only 'Partial assurance' and recommends 3 actions with 'Priority 4' rating. 4 risks were identified and given a 'Medium' Auditor's Assessment - these are: <b>Risk 1 - Decision makers and contractors are unaware of their responsibilities under equalities legislation</b> <b>Risk 2 - Equality analysis is not used to inform decisions and policies</b> <b>Risk 3 - Irrelevant and insufficient evidence is used for equality analysis</b> <b>Risk 4 - Actual impacts are different to those expected</b> Effects: Failure to comply with Equalities Duties, Legal challenge, reputational damage, financial impact, lack of equality</p>	Likely(4)	Major(4)	16	<p>A Corporate Equality Action Plan has been developed with CMT and has been considered by Corporate Scrutiny. This identifies a programme of action (for the whole organisation) to address the risks identified within the SWAP report ~ Equalities Action Plans (corporate, S &amp; P team, other Themes) ~ 6-monthly update reports to CMT &amp; Scrutiny ~ Quarterly performance scorecards</p>	Slight(2)	Significant(3)	6
18	<p><b>Brewhouse Theatre</b> The theatre closed and went into administration in February 2013. <b>There is a risk that the theatre remains empty, reducing Taunton's appeal as a cultural destination and leaving a major gap in the heart of the Town's 'cultural quarter'.</b> Effect - Damage to Taunton's reputation, loss of footfall in the Town Centre, reduction in cultural offer within the Town.</p>	Likely(4)	Major(4)	16	<p>~ TDDBC is in discussion with administrators with a view to acquiring the Brewhouse ~ Consultants have been appointed to advise on future operating models, pending outcome of administration.</p>	Feasible(3)	Major(4)	12

# TDBC RISK MANAGEMENT ACTION PLAN 2013/14 (May 2013) Appendix B

**Aim:** To embed a Risk Management culture, leadership & systems across the Authority.

Item	Action	Priority	Responsible Person	Date for completion /review	Status	Notes
1	Review of Corporate Risk Register (inc Risk Response action plans & regular monitoring of these)	H	CMT	Sept 12 (Qtr 1) ✓ Nov 12 (Qtr 2) ✓ Feb 13 (Qtr 3) ✓ May 13 (Qtr 4) ✓	😊	Standing agenda item on CMT quarterly performance reviews. Last CMT corporate risk review 8 <sup>th</sup> May 2013
2	Review and revise Risk Management Policy, Strategy & Process Guide.	M	DW	2013/14	😐	RM Strategy & Process Guide being used by CMT & Project Managers. RM Policy review not yet commenced.
3	<p><u>Risk &amp; Impact Assessments</u></p> <p>Redesign and streamline the current Risk Assessment and Equality Impact Assessment processes to achieve the following:</p> <ul style="list-style-type: none"> <li>• <i>Risks and Impacts are assessed consistently across the Council.</i></li> <li>• <i>Risks and Impacts are assessed from the outset and considered during the development of any project, decision, service plan or policy.</i></li> <li>• <i>CMT &amp; Members are fully aware of potential risks and impacts during decision making.</i></li> </ul>	M	DW	Sept 2013	😊	<p>The Strategy &amp; Performance team have initiated a project to review the Council's approach to 'Impact Assessments' (including committee reports). A new approach will be proposed to CMT that will extend the existing Risk Management process to highlight all types of impacts, ie Equalities, Finance, Legal, Environmental, Community Safety etc). One of the project outcomes will be to provide guidance for report authors.</p> <p>Project 'PID' discussed with CEO and may be introduced as part of project business cases (such as Corporate Business Plan savings plans).</p>
4	Bi-annual RM report to Corporate Governance Committee	H	DW	March & September	😊	Last reported 11 March 2013. Requested at last CG cttee to bring update in June 13

Item	Action	Priority	Responsible Person	Date for completion /review	Status	Notes
5	Ensure Risk Management Strategies are in place for key risk areas: <ul style="list-style-type: none"> <li>i. Strategic (Corporate Business Plan)</li> <li>ii. Programme / Major Projects</li> <li>iii. Operational (Theme / Service Planning)</li> </ul>	M	<ul style="list-style-type: none"> <li>i. CMT</li> <li>ii. PMG</li> <li>iii. DW / TMs</li> </ul>	On-going 2013/14		Strategic RM strategy in place for 2012/13 – needs update once new CBP adopted. Generic Theme/Service RM strategy in place. Project Managers (PMG) requested to complete by Dec '12 – off track.
6	<u>Learning lessons:</u> <ul style="list-style-type: none"> <li>- insurance claims</li> <li>- project management (ie at closure stage)</li> <li>- partnership issues</li> </ul>	M	CMT / PMG	On-going	<b>New</b>	No progress at this stage
7	<u>Linking Risk and Performance</u> ensure 'Early Warning Indicators' are included in corporate performance monitoring (scorecard) once new Corporate Business Plan adopted	H	DW / SL	Qtr 1 (2013/14)		EWIs to be identified as part of corporate scorecard / PI review (transition from Corporate Strategy to new Business Plan) – May/June 2013
8	<u>Project risk management</u> (ref SWAP audit Oct '12) Ensure robust Risk Management approach is embedded & processes are in place for all major projects (ie scope of new Programme Management Group), in particular: <ul style="list-style-type: none"> <li>i. Risk Registers kept up-to-date and reviewed regularly (documenting control measures, revised risk scores etc)</li> <li>ii. Health &amp; safety risk to be fully considered within the RM process,</li> <li>iii. Develop H &amp; S processes for construction projects</li> <li>iv. On-going RM support and training for project managers (through PMG and in other projects on ad-hoc basis)</li> </ul>	H	<ul style="list-style-type: none"> <li>DW / Project Managers (PMG)</li> <li>Richard S</li> <li>DW</li> </ul>	<ul style="list-style-type: none"> <li>i) Monthly (PMG)</li> <li>ii) On-going</li> <li>iii) ?</li> <li>iv) On-going</li> </ul>		<p>Audit Oct '12 – 'Reasonable assurance' with 5 recommendations (priority rating 2/3).</p> <ul style="list-style-type: none"> <li>i) PMG launched Nov '12. Project risks are included within monthly project scorecard reports to PMG, however only 2 Project Risk Registers are currently uploaded to PMG sharepoint.</li> <li>ii) H &amp; S included in Risk Prompt Lists – further development of guidance being considered as part of a wider review of 'Impact Assessment' methodology.</li> <li>iii) Meetings arranged by Richard Sealy in Oct – Nov re H &amp; S processes in construction projects. Issue not resolved (David W has now retired).</li> </ul>

# Taunton Deane Borough Council

## Corporate Governance Committee – 24 June 2013

### Internal Audit Plan 2012-2013 Annual Report and 2013-2014 Quarter 1 Progress

#### Report of the Group Audit Manager – Ian Baker

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

#### 1. Executive Summary

The Internal Audit function plays a central role in corporate governance by providing assurance to the Corporate Governance Committee, looking over financial controls and checking on the probity of the organisation.

This report highlights the outturn position of the 2012-13 Internal Audit Plan and significant findings and recommendations that have been made since the last Committee in March 2013.

This report also provides a brief update on progress of the 2013-14 Audit Plan.

#### 2. Background

This report summarises the work of the Council's Internal Audit Service and provides:

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in March (Appendix B).
- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these (Appendix A).

Members will note that there are some high priority recommendations (4 or 5) identified since the March update. These will be followed-up by Internal Audit to provide assurance that risk exposure has been reduced.

#### 3. Detailed Update

Please refer to the attached SWAP Annual Opinion 2012-13 Report.

**4. Finance Comments**

There are no specific finance issues relating to this report.

**5. Legal Comments**

There are no specific legal issues relating to this report.

**6. Links to Corporate Aims**

Delivery of the corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, South West Audit Partnership.

**7. Environmental Implications**

There are no direct implications from this report.

**8. Community Safety Implications** (if appropriate, such as measures to combat anti-social behaviour)

There are no direct implications from this report.

**9. Equalities Impact**

There are no direct implications from this report.

**10. Risk Management**

Any large organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. TDBC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement. The most significant findings since the last committee report are documented in Appendix B.

**11. Partnership Implications**

There are no direct implications from this report.

**12. Recommendations**

Members are asked to note the content of this report, in particular the opinion being given on the state of internal control and the significant findings since the last Committee in March.

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## **Taunton Deane Borough Council**

Internal Audit Plan – Annual Opinion 2012-13 & Progress  
Quarter 1 2013-14

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## Annual Opinion:

**The Group Audit Manager is required to provide an annual opinion report to support the Annual Governance Statement.**

## **Purpose of Report**

The Accounts and Audit Regulations (England) 2011 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

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

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

## **Background**

The Internal Audit service for Taunton Deane Borough Council is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of SWAP for the year April 2012 to March 2013.

## Annual Opinion:

**The Group Audit Manager is required to provide an annual opinion report to support the Annual Governance Statement.**

## Group Audit Manager's Opinion

Members through the various committees are ultimately responsible for maintaining an effective system of internal control. The purpose of internal control is to manage risk rather than eliminate it. Getting the balance of internal control right is essential for organisational success—to knowingly take risk rather than be unwittingly exposed to it. Under control could expose the organisation to unacceptable risk and destroy value as over control stifles value creation and entrepreneurship. Therefore the Internal Control Environment needs the right balance to help Taunton Deane to deliver its services with ever decreasing resources.

The control environment sets the tone of an organisation, providing discipline and structure. Control environment factors include the integrity, ethical values and managements' competencies, managements' philosophy and operating style, the way authority and responsibility are assigned and how the Council is organised. Key segments include identification and evaluation of risks, control activities (policy and procedures, approvals, authorisations, verifications, etc), monitoring activities and information and communication processes.

Internal Audit has not reviewed all risks and assurances relating to Taunton Deane and cannot provide absolute assurance on the internal control environment. Our opinion is derived from the completion of the risk based internal audit plan and as such it is one source of assurance on the adequacy of the internal control environment.

Of the 28 reviews that have an Assurance Opinion, including indicative assessments, no reviews were given 'No Assurance' and 8 (29%) were given 'Partial Assurance'. Partial Assurance is again being awarded in the reviews of Creditors and Debtors but the Auditor recognises the improvements that have been made and recommendations that have now been implemented.

This left a total of 20 (71%) that returned a favourable opinion of 'Reasonable Assurance' or 'Substantial Assurance'. I am also pleased to report that of the audit opinions returned at Final, none have resulted in any significant corporate risks being identified.

## Annual Opinion:

The Group Audit Manager is required to provide an annual opinion report to support the Annual Governance Statement.

## Group Audit Manager's Opinion (Continued)

We are further encouraged that all internal and external audit recommendations are now being actively monitored by Taunton Deane to seek assurance from relevant managers that the recommendations have been implemented.

Considering the balance of the audit work and outcomes I am able to offer ▲★★★ **'Reasonable Assurance'** in respect of the areas reviewed during the year as on balance most were found to be adequately controlled. Risks are generally managed, although there are some areas that require the introduction or improvement of internal control to help achieve TDBC's services and corporate objectives.

Over the year SWAP has found Senior Management at Taunton Deane Borough Council to be supportive of Internal Audit findings and responsive to the recommendations made. In addition there is a good relationship with Management whereby they feel they can approach SWAP openly into areas where they perceive potential problems and again welcome the opportunity to take on board recommendations for improvement.

Local Government is still, along with other Public Sector partners, experiencing unprecedented change driven by Central Government and will result in many challenges for Taunton Deane Borough Council over the next three to four years. These changes will mean greater reliance will be placed on internal systems and their effectiveness. In order to make changes and react to new and emerging risks, the Council will need assurance that Internal Controls are in place and operating effectively.

A key objective of SWAP is to continue to support management in this task. I am confident that the Internal Audit Plan for 2013-14 has the correct focus for this purpose, but it will of course need to remain flexible to meeting the ever changing risk environment.

## Performance:

**The Head of Internal Audit Partnership reports performance on a regular basis to the SWAP Management and Partnership Boards.**

## SWAP Performance

During the year SWAP were actively working toward becoming a Publicly Owned Company, Limited by Guarantee. This was achieved and became effective from the 1<sup>st</sup> April 2013. Since its beginning SWAP has been building up a reserve fund which, with the dissolving of the old Partnership, has resulted in funds being returned to SWAP Partners for redistribution. Taunton Deane's share of that will be in the region of £14,252; the final figures are yet to be agreed.

Again SWAP has managed to absorb Partner day reductions and maintain day rates for the seventh consecutive year.

With regards to the 2012/13 Annual Plan for Taunton Deane Borough Council, there were a total of 39 reviews delivered. In agreement with management, and previously reported to this Committee, a number of reviews were exchanged as the need to respond to new and emerging risks was identified.

Most audits have been completed to report stage with 4 drafts to be finalised and 3 reviews in progress at the time of this report. These are targeted to be finalised by the end of June 2013.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. As part of the Balanced Scorecard presented to the SWAP Boards, a target of 85% is set where 80% would represent good. The latest Scorecard for the Partnership shows the current average feedback score to be 81.3%. For Taunton Deane Borough Council the average feedback score was 80%.

## Summary of Work 2012-13

*The agreed Annual Audit Plan covers the following*

*Key areas of Activity:*

- ◆ OPERATIONAL AUDITS
- ◆ INFORMATION SYSTEMS
- ◆ KEY CONTROLS
- ◆ GOVERNANCE, FRAUD & CORRUPTION
- ◆ SPECIAL REVIEWS
- ◆ FOLLOW UP

## Internal Audit Work Programme

The schedule provided at [Appendix A](#) contains a list of all audits agreed for inclusion in the Annual Audit Plan 2012-13 and the final outturn for the financial year. In total, 36 (including 4 at draft) audit reviews were completed during the year with a further 3 audits due for completion. 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.

Of the 36 reviews completed (including draft), they are broken down as follows:

• Operational Audits	9
• Information Systems	1
• Key Control	10
• Governance & Fraud	9
• Special Reviews	3
• Follow-up	4

Each completed assignment includes its respective “assurance opinion” rating 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” -[Appendix D](#).

## Summary of Work 2012-13

*Continued.....*

## Audits Completed - Operational

Operational Audits — are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested; risks are assessed against the risk appetite agreed with the SWAP Management Board. Where weaknesses or areas for improvement are identified, actions are agreed with management, prioritised and target dated. Based on the findings of each review, an overall Control Assurance is offered.

Operational Audits completed by SWAP for the Period April 2012 to March 2013, together with the Control Assurance offered, are summarised in the following table:

Audit Area	Audit Opinion	Audit Area	Audit Opinion
SAP Administration	▲★★★★ Reasonable	Health & Safety Review	▲★☆☆ Partial
Development Control	▲★★★★ Reasonable	SWO Contract Monitoring	▲★★★★ Reasonable
Equalities Analysis Integration	▲★☆☆ Partial	South West Private Sector Housing Partnership	▲★★★★ Reasonable
Housing – Asset Management	▲★★★★ Reasonable	Benefits – In House	Non Opinion (Drafting)
Housing – Gas Servicing	▲★☆☆ Partial (Draft)		

The 8 reviews receiving audit opinions identified 39 recommendations for improvement. The breakdown of these recommendations in terms of priority scores are; 3 priority five; 10 priority four; 20 priority three and 6 priority two. This includes Gas Servicing, which once the report is finalised will be reported to the next Corporate Governance Committee in detail. For a summary of Control Assurance Definitions, Categorisation of Recommendations and Definitions of Risk Levels, please refer to [Appendix D](#).



## Summary of Work 2012-13

*Continued.....*

### Audits Completed – Information Systems

Information Systems — IS audits are completed to provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given. The following IS audits were in the plan for 2012/13:

Audit Area	Audit Area
Adherence to the new Information Security Policy including portable storage security	▲★★★ Reasonable
Software Licensing	In Progress
System Development Life cycle	(Deferred to quarter 1 – Time used for additions work on Asset Management Planning, Gas Servicing and Members Expense Data)

The Information Security Policy review raised 3 recommendations; 2 were priority three and 1 a priority two recommendation. The Software Licensing audit is targeted to be at report stage by the end of June and any significant findings will be reported to the next Corporate Governance Committee in September. Given the importance of Information Technology and increasing reliance on IT the ICT Audit work in 2013-14 has increased to accommodate five reviews on critical aspects of IT. See the 2013-14 Audit Plan at [Appendix C](#) for further details.

### Audits Completed – Key Controls, Finance

Key Control Audits — The Key Control Audit process focuses primarily on key risks relating to the Council’s major financial systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. The findings from these reviews are considered by the External Auditors when they assess the Council’s Financial Statements at year end.

## Summary of Work 2012-13

*Continued.....*

### Audits Completed – Key Controls, Finance - Continued

It is noted that there has been improvements within the finance key controls when compared to previous years. Although creditors and debtors returned a partial assurance opinion it is noted there has been some improvement in these two areas as well. Key Control Audits completed by SWAP during the period April 2012 to March 2013 are as follows:

Audit Area	Audit Opinion	Audit Area	Audit Opinion
Creditors	▲☆☆☆ <b>Partial</b>	Payroll	▲☆☆☆ <b>Substantial</b>
Debtors	▲☆☆☆ <b>Partial</b>	Council Tax & NNDR	▲☆☆☆ <b>Substantial</b>
Capital Accounting	▲☆☆☆ <b>Reasonable</b>	Housing Benefits	▲☆☆☆ <b>Substantial</b>
Housing Rents	▲☆☆☆ <b>Reasonable</b>	Treasury Management	▲☆☆☆ <b>Substantial</b>
Main Accounting	▲☆☆☆ <b>Substantial</b>	SAP Access	▲☆☆☆ <b>Substantial</b>

A total of 26 recommendations were raised between these 11 reviews. The breakdown of these recommendations in terms of priority scores are; 5 priority four; 14 priority three and 7 priority two recommendations. It was pleasing to find that the vast majority of key controls were all operating effectively. Over 46 recommendations were raised the previous year (2011-12) for these key control areas.

Previously the External Auditors focussed on these findings when they carried out their work to sign off the Council’s Accounts. However, Grant Thornton as the new External Auditors has a different approach and as such our work on key controls will be subject to change in 2013-14.

## Summary of Work 2012-13

*Continued.....*

### Audits Completed — Governance and Fraud

Governance and Fraud Reviews — The Governance, Fraud and Corruption Audit process focuses primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. The following reviews of this type were completed:

Audit Area	Audit Opinion	Audit Area	Audit Opinion
Fraud and Corruption - Creditors Fraud	▲★★★★ Partial	Procurement Rules	▲★★★★ Reasonable
Data Security Breaches	▲★★★★ Partial	HR Policies - Absence Management	▲★★★★ Reasonable
Business Continuity in times of change/reduction	▲★★★★ Partial	Committee Reporting - Member Decisions	▲★★★★ Reasonable
Delivery of Major Projects - Risk Management	▲★★★★ Reasonable	Fraud and Corruption - Expense Claim Fraud	▲★★★★ Reasonable (Draft)
Fraud and Corruption - Contract Fraud	▲★★★★ Reasonable	Asset Management Planning	In Progress
Treasury Management Strategy Review Cross Partnership	In Progress		

These governance reviews resulted in 46 recommendations for improvement. There were 2 priority five recommendations; 7 priority four recommendations; 29 priority three recommendations and 8 priority two recommendations.

## Summary of Work 2012-13

*Continued.....*

### Audits Completed - Special Reviews (Non Opinion)

Special reviews are where management have requested our time to be spent looking at a particular area where they may have some concerns. There were 3 special reviews undertaken during this period, these being:

Audit Area	Audit Opinion
Project Taunton - Transaction Review	Non-Opinion
Acolaid	Non-Opinion
Project Management - Crematorium - Mercury Filtration	Non-Opinion (Drafting)

Project Taunton and the Acolaid review produced 8 recommendations. There were 5 priority four recommendations and 3 priority three recommendations. Any significant findings from the Mercury Filtration Project will be reported at the next Corporate Governance Committee.

### Audits Completed — Follow Up Audits

All follow up audits are non-opinion as the focus of the review is only to seek assurance that weaknesses raised in the original audit have been addressed. In addition to our follow up work internal audit and external audit recommendations are monitored for management assurance that they have been implemented. The following table shows work undertaken on following up no and partial assurance audits during 2012-13:

Summary of Work 2012-13

*Continued.....*

**Audits Completed — Follow Up Audits Continued**

Audit Area	Audit Opinion	Audit Area	Audit Opinion
Contract Management Monitoring Follow up	Non-Opinion	Threat from Fraud or Corruption (Policy Review) follow up	Non-Opinion
Economic Development Follow up	Non Opinion	Supporting People Follow up	Non Opinion

Outcomes from the follow up audits feed into the risk assessment for future audit plans.

**Priority Actions**

Internal Audit is required to bring to the attention of senior managers and members significant internal control, risk management and governance issues identified through our work. As agreed with this Committee where a review has a status of 'Final' and has been assessed as 'Partial or No Assurance' I provide further details to inform Members of the key issues identified. I normally summarise those actions where the Auditor has assessed the priority to be a level 4 (Medium/High) or 5 (High).

Details of the level 4 and 5 priority recommendations identified since the last Committee are summarised in Appendix B for your information and consideration.

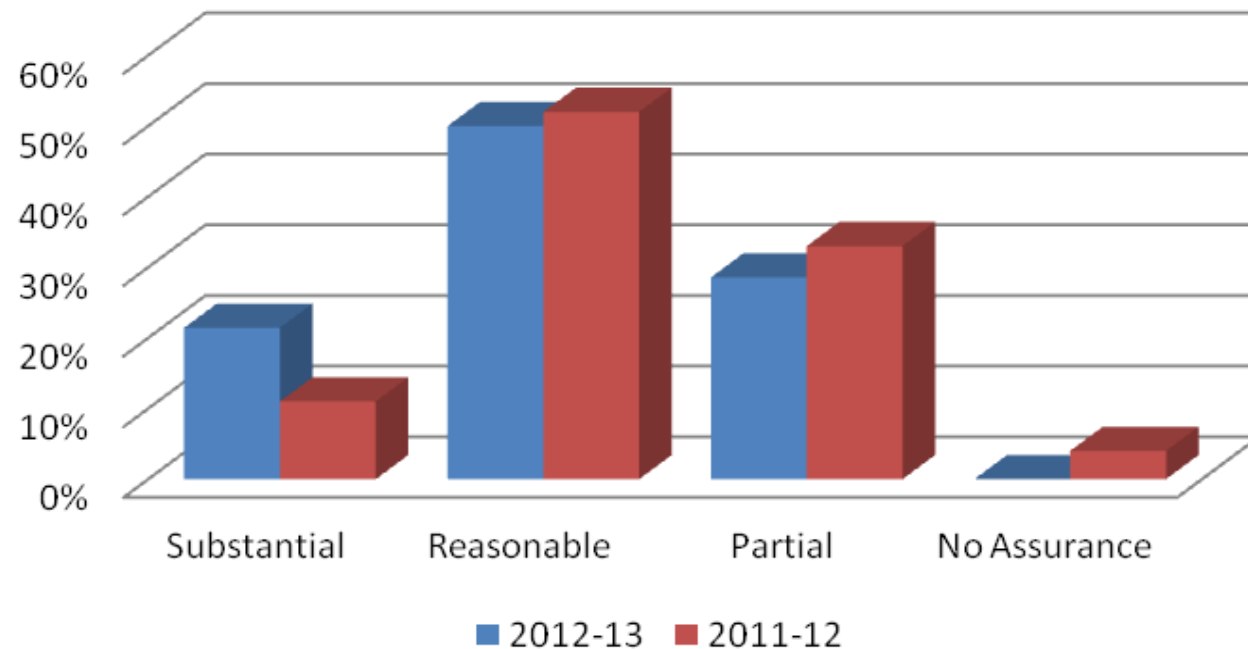
## Summary of Work 2012-13

*Continued.....*

## Summary of Control Assurance and Recommendations

Removing the non-opinion work shows that just over 70% of the reviews undertaken returned a favourable opinion. To provide this Committee with the assurance required, follow up audits are being conducted on the reviews that did not return an adequate assurance rating. Further details can be found in [Appendix C](#) where the follow up audits are listed.

### Assurance Comparison 2012-13 to 2011-12



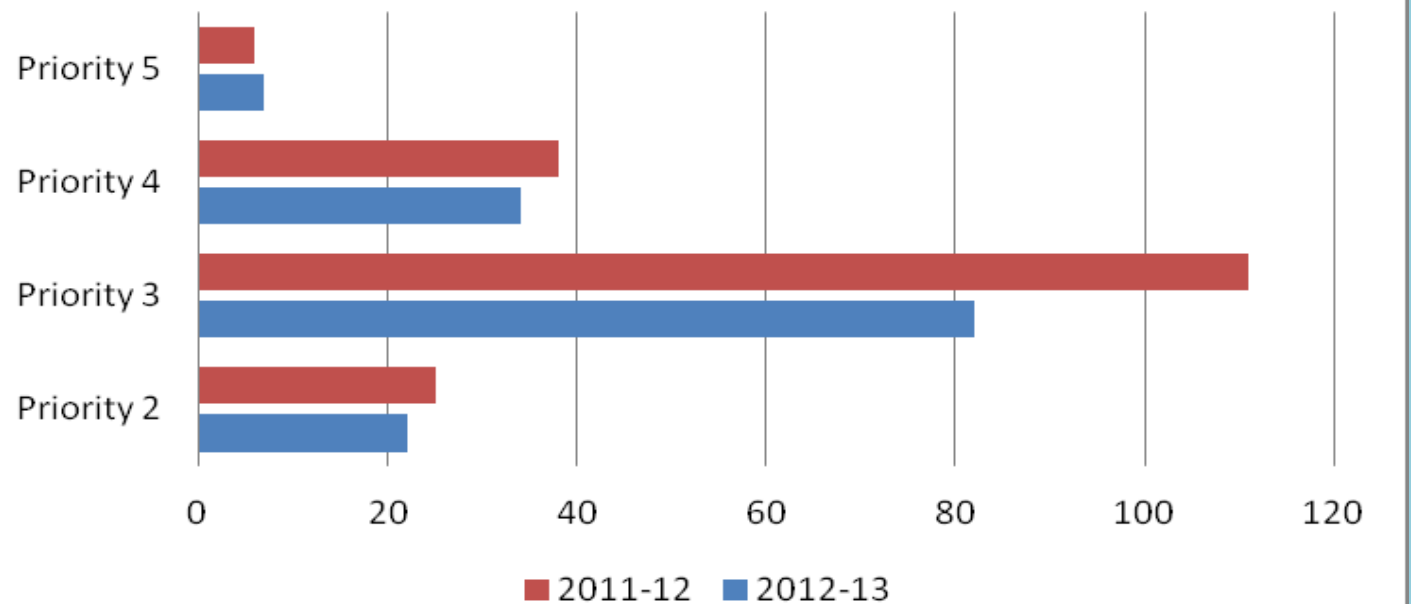
Summary of Work 2012-13

*Continued.....*

**Summary of Control Assurance and Recommendations (Continued)**

This shows that the majority of the recommendations made were of a medium priority. The comparison between years show a reduction in the number of recommendations raised across all priority ratings. Only 5% of all recommendations made in 2012-13 were considered of a High priority (5).

**Recommendation by Priority Score**



## Audit Progress 2013-14

**Our Audit Progress is Split between:**

- ◆ OPERATIONAL AUDITS
- ◆ INFORMATION SYSTEMS
- ◆ KEY CONTROLS
- ◆ GOVERNANCE, FRAUD & CORRUPTION
- ◆ SPECIAL REVIEWS
- ◆ FOLLOW UP

## **Audit Plan Progress 2013-14**

The Annual Audit Plan 2013-14 was agreed by this Committee on Monday, 11th March, 2013 and the progress to date on the quarter scheduled work is detailed in [Appendix C](#).

In terms of the 2013-14 plan I am pleased with the progress that has been made although our priority must be to bring the 2012-13 plan to a swift conclusion. Further details on the 2013-14 plan progress will be presented at the next Corporate Governance Committee in September.



## Audit Plan Progress 2012-13

## APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Follow-up Audit	Contract Management	1	Final	Follow-up	4	0	0	1	1	2
Follow-up Audit	Threat from Fraud or Corruption (Policy Review)	1	Final	Follow-up	5	0	0	4	1	0
Governance, Fraud & Corruption	Fraud and Corruption - Creditors Fraud	1	Final	Partial	7	0	0	6	1	0
Governance, Fraud & Corruption	Data Security Breaches	1	Final	Partial	11	0	5	4	2	0
Governance, Fraud & Corruption	Delivery of Major Projects - Risk Management	1	Final	Reasonable	5	0	2	3	0	0
Governance, Fraud & Corruption	Business Continuity in times of change/reduction	1	Final	Partial	9	0	0	3	4	2
Governance, Fraud & Corruption	HR Policies - Absence Management	1	Final	Reasonable	3	0	1	2	0	0
Operational Audits	SAP Administration	1	Final	Reasonable	2	0	0	0	2	0
Operational Audits	Development Control	1	Final	Reasonable	7	0	3	4	0	0
Operational Audits	Equalities Analysis Integration	1	Final	Partial	3	0	0	0	3	0
Follow-up Audit	Economic Development	2	Final	Follow-up	10	0	0	7	3	0
Follow-up Audit	Supporting People	2	Final	Follow-up	4	0	0	2	2	0
Governance, Fraud & Corruption	Fraud and Corruption - Contract Fraud	2	Final	Reasonable	2	0	0	2	0	0

## Audit Plan Progress 2012-13

## APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Governance, Fraud & Corruption	Committee Reporting - Member Decisions	2	Final	Reasonable	3	0	0	3	0	0
Governance, Fraud & Corruption	Procurement Rules	2	Final	Reasonable	3	0	0	3	0	0
ICT Audits	Adherence to the new Information Security Policy including portable storage security	2	Final	Reasonable	3	0	1	2	0	0
Operational Audits	Housing - Asset Management	2	Final	Reasonable	2	0	2	0	0	0
Operational Audits	South West Private Sector Housing partnership	2	Final	Reasonable	8	0	0	8	0	0
Operational Audits	SWO Contract Monitoring	2	Final	Reasonable	3	0	0	2	1	0
Operational Audits	Health & Safety Review	2	Final	Partial	9	0	1	6	2	0
Key Control	Creditors	3	Final	Partial	9	0	3	3	3	0
Key Control	Council Tax & NNDR	3	Final	Substantial	1	0	0	1	0	0
Key Control	Debtors	3	Final	Partial	8	0	1	5	2	0
Key Control	Housing Benefits	3	Final	Substantial	1	0	1	0	0	0
Key Control	Main Accounting	3	Final	Substantial	0	0	0	0	0	0
Key Control	Payroll	3	Final	Substantial	1	0	1	0	0	0

## Audit Plan Progress 2012-13

## APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Key Control	Capital Accounting	3	Final	Reasonable	3	0	1	2	0	0
Key Control	Housing Rents	3	Final	Reasonable	3	0	0	3	0	0
Key Control	Treasury Management	3	Final	Substantial	0	0	0	0	0	0
Key Control	SAP Access	3	Final	Substantial	0	0	0	0	0	0
Governance, Fraud & Corruption	Treasury Management Strategy Review Cross Partnership	3	In Progress							
ICT Audits	Software Licensing	4	In Progress							
Operational Audits	Benefits In House	4	Drafting							
Governance, Fraud & Corruption	Fraud and Corruption - Expense Claim Fraud	4	Draft	Reasonable	3	0	0	3	0	0
Governance, Fraud & Corruption	Asset Management Planning	4	In Progress							
Operational Audits	Housing - Gas Servicing	4	Draft	Partial						
ICT Audits	System Development Life cycle ( <b>Deferred to quarter 1 – Time used for additions work on Asset Management Planning, Gas Servicing and Members Expense Data</b> )	4	Deferred to Q1							
Operational Audits	Waste & Recycling (Contribution to SWP Plan)	4	N/A		5	0	0	0	2	3

Audit Plan Progress 2012-13

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Follow-up Audit	Project Taunton Follow up work (Deferred to quarter 1 – replaced by Project Management Arrangements - Crematorium Mercury Filtration Project)	4	Deferred to Q1							
Follow-up Audit	IT Strategy (Deferred to quarter 1 – replaced by Project Management Arrangements - Crematorium Mercury Filtration Project)	4	Deferred to Q1							

Special Reviews

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Special review	Project Taunton - Transaction Review	1	Final	Non-Opinion	0	0	0	0	0	0
Special review	Acolaid	3	Final	Non-Opinion	8	0	0	3	5	0
Special review	Project Management - Crematorium - Mercury Filtration	4	Drafting/Review	Non-Opinion						

## High Priority Findings and Recommendations

## APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>Fraud &amp; Corruption – Creditors Fraud</b>					
<p>The creation of creditor accounts is currently the responsibility of Strategic Procurement Services and the Master Data Team. The Master Data team have robust controls to mitigate risks in this area, SPS do not.</p>	<p>Without evidence to demonstrate creditor accounts have been verified, there is a risk of payments being sent to fraudulent creditors</p>	<p>I recommend the Strategic Finance Officer raises the concerns raised in this finding with the Head of Business Services and Chief Procurement Officer with a view to ensuring a business process is developed whereby:</p> <ul style="list-style-type: none"> <li>The decisions on best value and whether to raise a new purchase-order related creditor remains with Strategic Procurement Services, however their rights to create the creditor within SAP is removed.</li> <li>Category Managers inform the Master Data Team the creditor has been approved and related paperwork or SAP references are forwarded to them.</li> <li>The process for verifying creditor payment details and creation of both purchase order related and non order related creditor accounts is undertaken by the Master Data Team.</li> </ul>	<p>I will raise the concerns within this report however will not dictate who does what role. All I require is that the controls are in place and the outcome is what I require.</p> <p>Southwest One – As of 18 February 2013 all new vendors are now created by the Master Data Team.</p>	<p>Feb 2013</p>	<p>Strategic Finance Officer</p>

## High Priority Findings and Recommendations

## APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>Data Security Breaches</b>					
Personal information stored and processed by Southwest One on behalf of TDBC is not governed by a specific information sharing agreement	Without information sharing agreements there is a risk that the Council will be unable to demonstrate that it has considered and recorded the relevant compliance issues. In addition the parties in a service that needs to share information may lack clarity as to the information that should be shared and the information governance arrangements that should apply. Information sharing agreements do not provide legal indemnity however the ICO will take them into account in the event of a disclosure or complaint about information sharing.	I recommend that the Monitoring Officer works with SWOne to create a formal Information Sharing Agreement that extends the information in the Model Service Delivery Contract and ISeC to that outlined in the ICO guidance on data sharing agreements.	Recommendation understood however it is our view that the Southwest One Model Service Delivery Contract (MSDC) already covers data protection and processing responsibilities in sufficient detail.	N/A	Monitoring Officer
Central record of information security incidents	There is a risk that TDBC could be unaware of incidents that occur or the data lost or disclosed in an incident. This could mean that data security breaches involving personal data go unreported to the ICO (Information Commissioner's Office) and the ICO may be more likely to take enforcement action as the lack of a record could be seen as a deficiency in the Council's DPA compliance arrangements.	I recommend that the Monitoring Officer works with Southwest One to create a central record of information security incidents. The log should record details of the incident, any data lost and any subsequent investigations into the breach.  The log should also record whether the breach has required reporting to external bodies such as the Information Commissioner's Office (ICO) or SWWARP.	Agreed.  Legal & Democratic Services Manager will set up and maintain a central electronic database of security incidents.	30 Apr 2013	Monitoring Officer

## High Priority Findings and Recommendations

## APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
<b>Creditors</b>					
Ten out of twenty purchase orders had been raised retrospectively. This is consistent with Southwest One's analysis of Retrospective purchase orders up to the end of August 2012 which showed almost 35% of purchase orders were retrospective.	If purchase orders are not raised in advance there will be reduced assurance that best value has been achieved and that the supplier is aware of the Council's payment terms and conditions.	I recommend the Shared Accounting Manager continues to monitor the frequency and users who raise retrospective purchase orders with the aim of bringing about a change of culture in the procure-to-pay process.	Agreed – we will continue to monitor retrospective purchase orders and will through the P2P innovation sessions consider ways to reduce the instances of retrospective orders occurring.	31 Mar 2013	Shared Accounting Manager
Retrospective purchase orders are not in accordance with financial regulations.		I recommend the Strategic Finance Officer takes appropriate steps to encourage a change in culture within the organisation around the procure-to-pay method.	Agreed	Already started and ongoing.	Strategic Finance Officer
To date the cleansing of the master data file is not complete.	If duplicate vendors remain on the system there is an increased risk of duplicate payments going undetected and vendor details becoming out of date where one record is updated over time.	I recommend the Chief Procurement Officer ensures the cleansing of the master data file is completed as expediently as possible.	SW1 Finance comment: the agreed specific project for vendor cleansing ceased with effect from 1 January 2013. A degree of vendor cleansing will take place within the master data	Ongoing	Financial & Management accounting Operations Manager

## High Priority Findings and Recommendations

## APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
			team as part of BAU operations as resources and team demands allow.		
<b>Acolaid System (Data for Building Control, Planning &amp; Enforcement and Land Charges)</b>					
There are currently 12 users with system administrator rights and it is not clear as to which should take overall control of system administration.	There is a risk that if more Officers than necessary have System Administrator access inappropriate changes may be made to the system by Officers who have the wrong level of access. This could result in a loss of data or inaccurate data.	I recommend that the Strategic Director reviews the current arrangements for system administration and assigns a global System Administrator. Where global high level access is no longer required administrator rights should be removed and/ or replaced with administration access for the module relevant to their service.	Two System Administrators will be assigned.  Agree to reduce the global high level access to four – two System Administrators and two ICT software Senior Analyst Programmers.	April 2013	Strategic Director/ Planning and Development Business Support Lead
There has been no review of user access during the previous two years.	Without a process for reviewing access permissions there is increased risk that access is set higher than the level required to complete the job role.	I recommend that the Strategic Director ensures that the assigned System Administrator performs a full system user access review in liaison with the relevant Service Managers to ensure that current job responsibility is reflected in permissions granted. This exercise should be completed periodically to ensure access is kept up to date and relevant.	System Administrator to perform a full system user access review in liaison with IDOX and yearly thereafter.	August 2013	Planning and Development Business Support Lead



## High Priority Findings and Recommendations

## APPENDIX B

Weakness Found	Risk Identified	Recommended Action	Management's Agreed Action	Agreed Date of Action	Responsible Officer
The system audit trail is not user assigned.	Without a system audit trail there is increased risk that fraudulent activity is not detected or identified.	I recommend that the Strategic Director ensures that the assigned System Administrator in liaison with IDOX and South West One ICT, enables the full system audit trail.	RFS in place and will be actioned on completion of Acolaid update (due by the end of March 2013).	Reliant on when SWOne ICT can implement full of Audit trail	Planning and Development Business Support Lead
Users are able to delete actions and effectively remove any audit trail.	There is a risk that key documents can be produced and deleted without an adequate audit trail. There is also a risk that key documents can be altered outside of the system increasing the possibility of fraudulent documents being produced.	I recommend that the Strategic Director ensures that the assigned System Administrator in liaison with IDOX and South West One ICT, amends user access to prevent actions being deleted.	System Administrator to perform a full system user access review in liaison with IDOX and yearly thereafter.	August 2013	Planning and Development Business Support Lead


## Audit Plan Progress 2013-14

## APPENDIX C

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
ICT Audits	Data Centre Facilities Management	1	Draft							
Non-Opinion	Contract Benefits - Van Hire	1	Final	Non-Opinion						
ICT Audits	System Development Life Cycle	1	In Progress							
Operational Audit	Car Park Contract Management	1	In Progress							
Operational Audit	Taunton Deane Partnership's 'Priority Areas Strategy' (PAS) programme	1	In Progress							
Operational Audit	Contract Audit - Spend Analysis	1	Drafting							
Operational Audit	Affordable Housing	1	Scoping							
Follow-up	Project Taunton	1								
Follow-up	ICT Strategy	1								
Follow-up	Business Continuity Arrangements	1	Draft							
Operational Audit	Contract Audit – Pre & Current	2								
Governance, Fraud & Corruption	Council Tax Reduction Scheme	2								
Governance, Fraud & Corruption	Fighting Fraud Locally	2								
ICT Audits	Non-SAP business critical applications	2								
Operational Audit	Procurement Cards	2	In Progress							
Operational Audit	Revs and Bens brought in house	2								
Operational Audit	Community Infrastructure Levy (CIL)	2								
Follow-up	Equality Impacts on Decisions	2								
Follow-up	Data Security Breaches	2								
Follow-up	IS Regulatory Compliance	2								
Key Control	Creditors	3								
Key Control	Council Tax & NNDR	3								

## Audit Plan Progress 2013-14

## APPENDIX C

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 =  5 = Major				
						Recommendation				
						1	2	3	4	5
Key Control	Debtors	3								
Key Control	Housing Benefits	3								
Key Control	Main Accounting	3								
Key Control	Payroll	3								
Key Control	Capital Accounting	3								
Key Control	Housing Rents	3								
Key Control	Treasury Management	3								
Governance, Fraud & Corruption	Debt Management	3								
ICT Audits	IT Financial Controls, Inc Access (Key Financial System Audit)	3								
Governance, Fraud & Corruption	Home working Arrangements	4								
ICT Audits	Disaster Recovery Arrangements	4								
Operational Audit	Imprest Analysis/Cash Handling	4								
Operational Audit	Health & Safety	4								
Operational Audit	Partnership Arrangements	4								
	Somerset Waste Partnership Plan Contribution	4								
Non-Opinion	West Somerset Council	All								

## Control Assurance Definitions

## Appendix D

<b>Substantial</b>	▲★★★★	I am able to offer substantial 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

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 – 24 June 2013

### Internal Audit - Review of Internal Audit Charter

#### Report of the Group Audit Manager – Ian Baker (South West Audit Partnership)

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

#### 1. Executive Summary

<p>This report sets out to seek member approval for the existing terms of reference in the shape of the Internal Audit Charter governing the work of the South West Audit Partnership at Taunton Deane Borough Council.</p>
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#### 2. Background

The Charter was last reviewed by the Corporate Governance Committee at their meeting on the 12 March 2012. Ordinarily, an update would have gone to the March 2013 Corporate Governance Committee, but it was agreed to defer the review until after:-

- 1) The South West Audit Partnership became a Local Authority Controlled Company Limited by Guarantee.
- 2) The Public Sector Internal Audit Standards (PSIAS) became mandatory from 1<sup>st</sup> April 2013.

Officers of both the District Council and SWAP wished to have the opportunity to consider the impact of both the above changes before presenting a Charter to the Corporate Governance Committee, to ensure that the new Charter would be compliant with both changes.

Having a Charter to set out responsibilities between the Council's officers and senior management and the responsibilities of SWAP is not a new arrangement, and the first Charter was agreed in 2006.

It was therefore unsurprising to find that many of the expectations of the Public Sector Internal Audit Standards were already in place.

The Charter has been updated to reflect the changes in roles and responsibilities, mainly job titles, and to address some of the minor requirements of the Public Sector Internal Audit Standards.

**3. Finance Comments**

There are no specific finance issues relating to this report.

**4. Legal Comments**

There are no specific legal issues relating to this report.

**5. Links to Corporate Aims**

There are no specific legal issues relating to this report.

**6. Environmental Implications**

There are no direct implications from this report.

**7. Community Safety Implications**

There are no direct implications from this report.

**8. Equalities Impact**

There are no direct implications from this report.

**9. Risk Management**

There are no direct implications from this report.

**10. Partnership Implications**

There are no direct implications from this report.

**13. Recommendations**

Members are asked to review and formally approve the Internal Audit Charter as attached at appendix A.

**Contact:**

Ian Baker 01823 355299 Ian.Baker@southwestaudit.co.uk	Alastair Woodland 01823 356160 Alastair.woodland@southwestaudit.co.uk
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## Internal Audit Charter

### Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Taunton Deane Borough Council, and to outline the scope of internal audit work.

### Approval

This Charter was approved by the Corporate Governance Committee on 25<sup>th</sup> September 2006 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Corporate Governance Committee<sup>1</sup> on 12<sup>th</sup> March 2012.

### Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Strategic Director (Section 151 Officer) in consultation with the Chief Executive of SWAP.

### Role of Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

### Responsibilities of Management and of Internal Audit

#### *Management<sup>2</sup>*

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Corporate Governance Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

#### *Internal Audit*

Internal audit is responsible for operating under the policies established by management in line with best practice.

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<sup>1</sup> The Standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Corporate Governance Committee in this instance represents the Board.

<sup>2</sup> In this instance Management refers to the Corporate Management Team.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for Taunton Deane Borough Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

### **Relationship with the External Auditors/Other Regulatory Bodies**

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

### **Status of Internal Audit in the Organisation**

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive for SWAP and the Group Audit Manager also report to the Strategic Director, as Section 151 Officer, and reports to the Corporate Governance Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

### **Scope and authority of Internal Audit work**

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Taunton Deane Borough Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Taunton Deane Borough Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.



- at the specific request of management, internal audit may provide consultancy services provided:
  - the internal auditors independence is not compromised
  - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
  - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
  - management understand that the work being undertaken is not internal audit work.

### **Planning and Reporting**

SWAP will submit to the Corporate Governance Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least two times a year to the Corporate Governance Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Corporate Governance Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Strategic Director (Section 151 Officer) and to other relevant line management.

The Chief Executive of SWAP will submit an annual report to the Corporate Governance Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and the Group Audit Manager have the unreserved right to report directly to the Leader of the Council, the Chairman of the Corporate Governance Committee, the Council's Chief Executive Officer or the External Audit Manager.

Revised June 2013

# Taunton Deane Borough Council

## Corporate Governance Committee - 24 June 2013

### Review of effectiveness of Internal Audit

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

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

#### Executive Summary

This report shares the findings of the recent review of the effectiveness of internal audit carried out by Shirlene Adam, Strategic Director. The review found the service to be operating at a “satisfactory” level.

#### 1. Background

- 1.1 The South West Audit Partnership (SWAP) is a partnership that provides the Internal Audit service to all of the six Somerset authorities, Dorset County Council, Weymouth and Portland Borough Council, West Dorset District Council, Forest of Dean District Council, East Devon District Council, and Wiltshire Council as well as a number of related bodies such as the Somerset Waste Partnership.
- 1.2 SWAP has recently moved from being governed via a Joint committee format to a Company structure.
- 1.3 Internal audit forms a part of the corporate governance and internal control framework that provides accountability to stakeholders on all areas of the Council Plan. Their opinion on the adequacy and effectiveness of the Council’s internal control framework forms a part of the evidence used in preparing the corporate Annual Governance Statement (AGS) for 2012-13, which will be published as part of the Council’s Statement of Accounts in September 2013.
- 1.3 There are several statutory requirements regarding Internal Audit:
  - The Accounts and Audit (England) Regulations 2011 require authorities to review the effectiveness of the system of Internal Audit. They also state “A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.”
  - Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should “make arrangements for the

proper administration of their financial affairs and shall secure that one of their officers has responsibility for the proper administration of those affairs.” CIPFA has defined “proper administration” in that it should include “compliance with the statutory requirements for accounting and internal audit”

- The CIPFA Statement on the Role of the Chief Finance Officer in Local Government states that the Chief Finance Officer (CFO) must:
  - Ensure an effective internal audit function is resourced and maintained;
  - Ensure that the authority has put in place effective arrangements for internal audit of the control environment;
  - Support the authority’s internal audit arrangements: and;
  - Ensure that the Audit Committee receives the necessary advice and information, so that both functions can operate effectively.

1.4 Therefore it is important for the findings of the review of the effectiveness of the system of Internal Audit are considered by a committee such as the Corporate Governance Committee as a part of the consideration of the system of internal control. This review has to be carried out by someone independent of SWAP.

## **2. Compliance With PSIAS and Local Government Application Note**

2.1 The 2006 CIPFA Code of Practice for Internal Audit has been superseded by the Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note on the 1<sup>st</sup> April 2013 that sets out how an internal audit function should be fulfilled. The main focus is the internal audit service itself, but the Standards also refer to the wider elements of the “system of internal audit”, including the importance of the direct relationship between Internal Audit and the Audit Committee. The Standards cover:

- Purpose, authority, and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality Assurance and Improvement Programme;
- Managing the Internal Audit Activity;
- Nature of Work;
- Engagement Planning;
- Performing the Engagement;
- Communicating Results;
- Monitoring Progress.

2.2 The Audit Charter for 2012-13 was approved by the Corporate Governance Committee in March 2012 under the previous Code of Practice. All aspects of the Standards will be covered by SWAP through the Audit Charter and reviewed and approved by the Audit Committee on an annual basis.

## **3. The Review of SWAP**

3.1 Taunton Deane Borough Councils' review of Internal Audit has been carried out by the Strategic Director (the Council's S151 Officer). The findings have been reported to the Corporate Governance Group as part of the overall evaluation and supporting evidence for the Annual Governance Statement. The following criteria were used in the evaluation:

- Annual report and opinion of the Head of Internal Audit;
- Audit plan and monitoring reports;
- Reports on significant findings;
- Key performance measures and service standards;
- Reports by the Council's External Auditor covering the extent of reliance placed on internal audit work on key financial systems.

3.2 It was found that overall the team performed well and that this view was supported by the comments of external auditors and client satisfaction. The table below shows some of the overall performance of the service during the year compared to the previous three years:

<b>Performance Measure</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Levels of satisfaction from feedback questionnaires	77% (4 Received)	75% (18 Received)	79% (9 Received)	80% (16 Received)
Audits and reviews completed in year compared to the plan (all at least at final draft stage)	92%	90%	95%	87%
Managed audits completed in year compared to plan	100%	100%	100%	100%
Total completed audits and reviews	30	32	38	39 (4 draft & 3 in progress)
Cost of audit service to TDBC	£131,600	£131,600	£131,600	£117,600
Number of actions for improvements agreed by managers.	233	189	180	131*
No of audit recommendations considered High Risk (Priority 5)	8	4	6	4*
Value for Money – average cost of audit day compared to private sector (benchmarking)	SWAP = £280 Private Sector =	SWAP = £280 Private Sector =	SWAP = £280 Private Sector =	SWAP = £280 Private Sector =

	£320	£320	£320	£299
SWAP A/Cs outturn on spend compared to budget – (brackets indicate net income)	Budget £0 Actual £(76,117)	Budget £(48,943) Actual £(142,928)	Budget £(26,830) Actual £(99,256)	Budget £(x) Actual £(x)

(X Final Accounts not ready until June 2013; outturn figure currently unavailable)

\* Only in relation to assignments at final report stage.

- 3.3 The table shows that the satisfaction with the audits carried out at TDBC is 80%. This is a slight improvement on the previous year.
- 3.4 The number of audit projects undertaken within the days available has increased slightly from the previous year to 39 from 38. Given the 50 day reduction (£14,000 saving) in the plan this suggests less days per audit assignment.
- 3.5 The average number of high priority recommendations is showing a slight reduction, although there are 3 additional priority 5 recommendations currently at draft.
- 3.6 The outturn position shows that each year the partnership continues to make a net profit from operations. The net income is returned to a reserve specifically set up for SWAP. It was agreed in setting up SWAP as a company limited by guarantee that 200,000 euros would be transferred to the new company with the remaining reserve distributed back to the local authority partners.
- 3.7 As SWAP is now a company limited by guarantee the Directors of the company will be required to act in the interests of the company. The SWAP “customers” have therefore agreed to meet twice per year to discuss performance, risk, the review of internal audit, and audit plans separately to the business of managing the company.

#### 4. Service Standards

- 4.1 In assessing SWAP’s performance it is important to review the standards of service and that each authority is afforded the same standards and also senior officer time. The following table outlines the minimum standards to be introduced and whether they would have been delivered for Taunton Deane Borough Council had they been in place:

Service Standard	Expected Standard	Delivery of Standard
<b>Attendance by Head of SWAP/ Group Audit Manager at Audit Committee.</b>	At least 1 times per annum	1 time in 2012/13
<b>Attendance by Audit Manager at Audit Committee</b>	At least 4 times per annum	4 time in 2012/13
<b>Attendance by Head of SWAP at Corporate</b>	4 times per annum	1 time (Note only 2 meetings held) – Group Audit Manager Substitute

<b>Governance Officer Group</b>		for the other.
<b>Liaison meetings with S151 Officer and Audit Manager</b>	6 times per annum	7 times in 2012/13
<b>Agreement of Audit Plan:</b>		
Prepared for Management Board/S151	By mid January each year	Delivered
Prepared for Audit Committee	By end January each year	Prepared by end January and presented to March 2012 meeting
Audit Plan monitoring reports	4 times per annum including Annual Report	4 times (quarterly report) per annum
<b>Agreement of Audit Charter:</b>		
Prepared for Management Board/S151	By mid January each year	Delayed due to change in governance.
Prepared for Audit Committee	By end January each year	Delayed due to change in governance agreed by Audit Committee in March 2013.
<b>To assist with member/officer training in audit and governance</b>	Once per annum	Not required in 2012/13

## 5. 2012/2013 Action Plan

The following shows progress *in italics* against the actions to be completed in 2011/12:

- To work with the Council in using the MKI system for monitoring progress against audit recommendations.

*Complete*

- To ensure “Managed Audits” reach final report stage by the end of January 2013 (to support external audit work).

*Incomplete*

- To engage Devon Audit Partnership to complete a quality review of the work of SWAP, and to provide assurance on the SWAP annual return and control environment.

### *Complete*

- To improve the turnaround time between draft and final audit reports being produced.

### *Incomplete*

## **6. Actions to be Completed in 2013/2014**

- SSDC has requested that the Devon Audit Partnership review the annual return and control environment as part of the assurance framework for the statement of accounts. This will be completed over the next few weeks.
- Update the Audit Charter to reflect the new Public Sector Internal Audit Standards (PSIAS) to be approved by the Corporate Governance Committee in June 2013.
- To update and maintain the Quality Assurance and Improvement Programme (update attached) and report conformance with the PSIAS in October 2013.

## **7. Opinion**

- 7.1 It is the opinion of the Strategic Director and the Corporate Governance Group that the system of internal audit is effective. However, the action plan above reflects a need to implement and monitor the new Public Sector Internal Audit Standards that were introduced on the 1<sup>st</sup> April 2013:

## **8. Financial Issues / Comments**

- 8.1 The financial implications can be found from existing budgets.

## **9. Legal Comments**

- 9.1 There are no legal implications from this report.

## **10. Links to Corporate Aims**

- 10.1 No direct implications.

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

- 11.1 No direct implications.

## **12. Equalities Impact**

- 12.1 The approval of the internal audit plan does not require an equalities impact assessment to be prepared.

## **13. Risk Management**

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

**14. Partnership Implications**

14.1 Outlined in the report.

**15. Recommendation**

15.1 The Corporate Governance Committee is requested to note the findings of the review of the effectiveness of internal audit for 2012/13.

**Contact Officers:**

Shirlene Adam Strategic Director 01823 356310 <a href="mailto:s.adam@tauntondeane.gov.uk">s.adam@tauntondeane.gov.uk</a>	Maggie Hammond Strategic Finance Officer 01823 358698 <a href="mailto:m.hammond@tauntondeane.gov.uk">m.hammond@tauntondeane.gov.uk</a>
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**24/06/2013, Report:Update on Objection to Accounts re Taxi Fee's**  
Reporting Officers:Scott Weetch

**09/12/2013, Report:Health and Safety Update Report**  
Reporting Officers:Catrin Brown

**09/12/2013, Report:Grant Thornton - Annual Audit Letter 2012/13**  
Reporting Officers:Peter Lappin

**09/12/2013, Report:Grant Thornton - External Audit Update**  
Reporting Officers:Peter Lappin

**09/12/2013, Report:Internal Audit Plan - Progress Report**  
Reporting Officers:Alastair Woodland

**09/12/2013, Report:Corporate Governance Action Plan Update**  
Reporting Officers:Dan Webb

**09/12/2013, Report:Discussion Paper - Corporate Approach to Fraud**  
Reporting Officers:Stephen Edmonds

**10/03/2014, Report:Health and Safety Update Report**  
Reporting Officers:Catrin Brown

**10/03/2014, Report:Grant Thornton - Cerification of Grant Claims**  
Reporting Officers:Dan Webb

**10/03/2014, Report:Grant Thornton - External Audit Update**  
Reporting Officers:Peter Lappin

**10/03/2014, Report:Anti-Fraud and Error Policy**  
Reporting Officers:Heather Tiso

**10/03/2014, Report:Risk Management Update**  
Reporting Officers:Dan Webb

**10/03/2014, Report:Internal Audit Plan 2013/14 - Progress Report**  
Reporting Officers:Alastair Woodland

**10/03/2014, Report:Internal Audit Plan 2014/15**  
Reporting Officers:Alastair Woodland

**10/03/2014, Report:SAP Access Audit Report**  
Reporting Officers:Maggie Hammond

**10/03/2014, Report:Directors Appointment - (SWAP)**  
Reporting Officers:Shirlene Adam

**19/05/2014, Report:Whistleblowing Policy Refresh**  
Reporting Officers:Maggie Hammond

**19/05/2014, Report:Money Laundering Policy Refresh**

Reporting Officers:Maggie Hammond

**19/05/2014, Report:HRA Self-Financing Code Self Assessment Outcome**

Reporting Officers:James Barrah

**19/05/2014, Report:Pensions Deficit Presentation**

Reporting Officers:Anton Sweet

**19/05/2014, Report:Regulation of Investigatory Powers Act (RIPA) - Policy and Porcedures Update**

Reporting Officers:Richard Bryant

**23/06/2014, Report:Health and Safety Update Report**

Reporting Officers:Catrin Brown

**23/06/2014, Report:External Audit - Fees Report 14/15**

Reporting Officers:Peter Lappin

**23/06/2014, Report:External Audit Plan 2013/14**

Reporting Officers:Peter Lappin

**23/06/2014, Report:Draft Annual Governance Statement 2012/13**

Reporting Officers:Maggie Hammond

**23/06/2014, Report:Risk Management Update**

Reporting Officers:Dan Webb

**23/06/2014, Report:Annual Report of SWAP**

Reporting Officers:Alastair Woodland

**23/06/2014, Report:Internal Audit - Review of Charter**

Reporting Officers:Alastair Woodland

**23/06/2014, Report:Internal Audit - Review of Effectiveness**

Reporting Officers:Shirlene Adam

**23/06/2014, Report:Training/Overview of Technical Changes to Statement of Accounts 13/14**

Reporting Officers:Peter Lappin,Paul Fitzgerald

**23/06/2014, Report:Update on Approach to Corporate Fraud**

Reporting Officers:Paul Fitzgerald

**22/09/2014, Report:Health and Safety Update Report**

Reporting Officers:Catrin Brown

**22/09/2014, Report:Grant Thornton - Financial Resilience**

Reporting Officers:Peter Lappin

**22/09/2014, Report:Grant Thornton - Audit Findings**

Reporting Officers:Peter Lappin

**22/09/2014, Report:Grant Thornton - Certification Plan**

Reporting Officers:Peter Lappin

**22/09/2014, Report:Approval of Statement of Accounts 2013/14**

Reporting Officers:Paul Fitzgerald

**22/09/2014, Report:Internal Audit Plan 14/15 - Progress Report**

Reporting Officers:Alastair Woodland

**08/12/2014, Report:Health and Safety Update Report**

Reporting Officers:Catrin Brown

**08/12/2014, Report:Grant Thornton - Annual Audit Letter 2012/13**

Reporting Officers:Peter Lappin

**08/12/2014, Report:Grant Thornton - External Audit Update**

Reporting Officers:Peter Lappin

**08/12/2014, Report:Internal Audit Plan - Progress Report**

Reporting Officers:Alastair Woodland

**08/12/2014, Report:Corporate Governance Action Plan Update**

Reporting Officers:Dan Webb