

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 21 June 2016 at 18:15.

Agenda

- 1 Appointment of Chairman
- 2 Appointment of Vice-Chairman
- 3 Apologies.
- 4 Minutes of the meeting of the Corporate Governance Committee held on 21 March 2016 (attached).
- 5 Public Question Time.
- 6 Declaration of Interests
To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct.
- 7 Grant Thornton External Audit - Audit Fees Report. Report of the Audit Manager and Appointed Auditor (attached).
Reporting Officers: Peter Barber
Kevin Henderson
- 8 Grant Thornton External Audit - Audit Update. Report of the Audit Manager and Appointed Auditor (attached).
Reporting Officers: Peter Barber
Kevin Henderson
- 9 SWAP Internal Audit - Annual Opinion. Report of the Audit Manager (attached).
Reporting Officer: Alastair Woodland
- 10 SWAP Internal Audit - Audit Plan 2015/16 Outturn. Report of the Audit Manager (attached)
Reporting Officer: Alastair Woodland
- 11 Review of Effectiveness of Internal Audit. Report of the Senior Accountant and Deputy s151 Officer (attached).
Reporting Officer: Jo Nacey

12 Draft Annual Governance Statement. Report of the Corporate Strategy and Performance Manager (attached).

Reporting Officer: Paul Harding

13 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

12 September 2016

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.

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



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For further information about the meeting, please contact the Corporate Support Unit on 01823 356414 or email r.bryant@tauntondeane.gov.uk

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Corporate Governance Committee Members:-

Councillor A Sully	(Chairman)
Councillor J Blatchford	(Vice-Chairman)
Councillor J Adkins	
Councillor C Booth	
Councillor N Cavill	
Councillor D Cossey	
Councillor A Govier	
Councillor T Hall	
Councillor J Horsley	
Councillor J Hunt	
Councillor S Nicholls	
Councillor R Ryan	
Councillor Miss F Smith	
Councillor C Tucker	
Councillor D Webber	

Corporate Governance Committee – 21 March 2016

Present: Councillor Mrs Stock-Williams (Chairman)
Councillors Mrs Blatchford, Coles, Hall, R Lees, Sully, Mrs Tucker and Ms Webber.

Officers: Bruce Lang (Assistant Chief Executive and Monitoring Officer), Shirlene Adam (Director – Operations, Deputy CEO and s151 Officer), Heather Tiso (Revenues and Benefits Manager) and Emma Hill (Democratic Services Officer)

Also Present: Councillor Berry
Peter Barber - Associate Director, Grant Thornton
Kevin Henderson – Audit Manager, Grant Thornton
Ian Baker - Director, South West Audit Partnership (SWAP)
Nick Hammacott – Investigation Manager, South West Counter Fraud Partnership (SWCFP)

(The meeting commenced at 6.15 pm)

1. Apologies/Substitutions

Apologies: Councillors Govier, Hunt, Ryan and Miss Smith.
Substitution: Councillor Gage for Councillor Ryan.

2. Minutes

The Minutes of the Meeting of the Corporate Governance Committee held on 7 December 2016 were taken as read and were signed.

3. Declaration of Interests

Councillor Coles declared a personal interest as a Member of Somerset County Council. Councillor Hall declared a personal interest as a Director of Southwest One.

4. The Proposed Changes to TDBC Constitution

Members considered the report previously circulated, concerning changes which were being proposed by the Constitutional Sub-committee to the Council's Constitution. The proposed changes would provide greater clarity to timescales by which certain motions/amendments/questions were to be submitted in advance of Council meetings and provide sufficient time for any relevant research/analysis to be undertaken prior to the meeting in question.

The present clauses were somewhat ambiguous and did not always allow sufficient time for the necessary preparation work to be undertaken by Officers.

The Constitutional Sub-Committee had a standing item on its agenda to consider any potential suggested changes to items in the Constitution that could improve/facilitate efficient and effective governance of the Council.

At a meeting held on 27 November 2015 the Constitutional Sub-Committee considered three detailed proposals. These proposed changes affected the following areas of the constitution:-

- Notices of Motion Clause 4 (2) – detailed the notice period required in order to have a Notice of Motion. This included in the summons to a Council meeting.
- Amendments, Clause 6 (6) – detailed the deadline for any proposed amendments to the proposed budget.
- Questions from Councillors Clause 14 (2) – detailed the deadline for Councillors to submit written notice of any questions they wish to ask at Full Council

The Members of the Sub-Committee took the view that, by agreeing to these changes, it would both provide greater clarity for those Members who wish to submit motions/amendments/questions and provided sufficient time for answers to be prepared, which should be of benefit to all parties concerned.

Members were provided with a table detailing the current wording with the Constitution and proposed changes to those sections as appendix with the covering report.

During the discussion of this item the following points were made:-

- Concerns were expressed over the short length of time taken to research and propose the changes to the sections of the constitution.

Resolved:-

1. The officer's report be noted.
2. The proposed amendments to the Constitution be recommended for approval by Full Council.

5. Electoral Review of TDBC

Members considered the report previously circulated, concerning the context for the process and timetable associated with the Electoral Review (ER) of the Taunton Deane Borough Council (TDBC) area, which was to be undertaken by the Local Government Boundary Commission for England (LGBCE).

The LGBCE agreed in 2013 that there should be an electoral review of TDBC. The review was triggered as 42% of wards, currently had 10% more or fewer electors in them than the average for the authority.

The last review of TDBC's electoral arrangements was undertaken in 2006 when it was agreed to increase the council size from 54 to 56 members and to make some adjustment to the warding patterns.

The first task for the Council in this process was to consider authorising an agreed submission to the LGBCE on the size of the Council.

Following an introductory meeting with LGBCE, they commenced their work with briefings for TDBC Members, officers and parish councils in February 2016.

The first formal stage of the process was for the LGBCE to make a proposal regarding the size of wards and number of Elected Members. This included an opportunity for TDBC to submit its own proposal for consideration. The deadline to do this was by 6 May 2016 and so the intention was for any recommendation to go from this Committee to full Council on 12 April 2016.

The LGBCE would consider all submissions on Council size and then issue their recommended option after 21 June 2016. Following this there would be a period of consultation from 28 June 2016 until 5 September 2016. There would be a further opportunity to submit proposals and it might be necessary to schedule a special meeting of council to meet this deadline.

The LGBCE would issue their draft recommendations on 8 November 2016 and allow a period for consultation until 9 January 2017. The final recommendations would be made on 14 March 2017 with an order then being laid in Parliament with any new electoral arrangements coming into force for the May 2019 local elections.

It had been agreed that the sub-committee should lead on co-ordinating the work in TDBC to support this process and had already had progress reports at its November 2015 and February 2016 meetings. Officers had commenced work on providing the latest electoral data and developing electoral forecasts for the middle of 2022 as requested by the LGBCE.

There were two distinct parts to an ER:-

1. The consideration by the Council of its future size, which refers to the number of elected members required for effective conduct of council business corporately and by individual Members.
2. The consideration of new polling districts and, in turn, new ward boundaries.

All Group leaders were contacted and requested to submit any proposals or views in regard to the size of the council and a representation was received from the Conservative Group, which suggested that consideration be made to aiming for a figure in the early 40s, which would represent a reduction from the current figure.

This representation was generally considered to be in the right area and that there was merit in exploring an option in this quantum. This was then circulated to all political groups for comment and officers had continued to work on documenting current and proposed governance arrangements and fine tuning the electorate forecasts.

This work resulted in the draft submission, which was considered at the meeting of the sub-committee held on 4 March 2016 and following further refinement a draft submission was recommended for consideration by this Committee.

During the discussion of this item the following points were made:-

- Concerns were expressed about the percentage of the public and voters who did not have access to or wished to use a computer or the internet. Had this been taken into account? There would always be the need for the Council to take into account that a percentage of people would need help with or were

without computers. This would mean a minimum requirement for non-internet based Council Services to be available.

- Discussion took place relating to the percentage of contact Elected Members received from the residents within their Wards. It was felt by some Members with high levels of deprivation in their wards, that the contact from the public was more face to face rather than via email.
- Looking at Appendix Five, Corporate Scrutiny Committee was missing from the list.
- Discussion took place relating to what was included in the Electoral Review, the current proposed revised Elected Members numbers and what would happen if TDBC and WSC were to merge as Local Authorities. Members were given reassurance that they would be kept up to date with any progress made with Electoral Review and that the review was looking at TDBC current boundaries and did not include any possible merge with WSC.

Resolved that:-

1. The officer's report be noted.
2. Full Council be recommended to approve the draft submission with amendments be submitted to the LGBCE in respect of Council size.

6. Grant Thornton External Audit – Grant Claim Certification Report

Members discussed the letter previously circulated by email on 13 January 2016, which informed Members of the Corporate Governance Committee of the Council's Annual Audit Letter, which summarised the key findings arising from the work that had been carried out for the year ended 31 March 2015.

The key messages were:-

- The Housing Benefit claim for the financial year 2014/15 relating to subsidy of £32.3 million had been certified
- One other claim outside of the PSAA arrangements relating to the Pooling of Housing Capital Receipts return was certified. This claim was not referred to in this letter as it falls outside of the PSAA arrangements.
- A small number of issues arose from our certification work that resulted in an amendment to the claim and the issuing of a qualification letter.
- The External Auditors were satisfied that the Council had appropriate arrangements in place to compile a complete, accurate and timely claim for audit certification.
- The indicative Housing Benefit certification fee for 2014/15 for the Council was based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer required certification had been removed.
- The final fee for 2014/15 of £10,390 was the same as the indicative scale fee set by the Audit Commission.
- The fee for the Pooling of Housing Capital Receipt was separately agreed with the management of the Council.

A copy of the letter sent to Member of the Committee was attached as part of the agenda.

During the discussion of this item the following points were made:-

- In response to a question on the length of time taken to complete this sort of Audit, the Committee was informed that Auditors were not able to give any detail of the precise length of time for this particular but it could take up to 40 days to complete.
- Auditors had very complex and detailed testing that must be completed during an audit. There were five modules to be worked through and the size of an audit might be affected by what had been found during the audit from the previous year.
- Discussion took place regarding the External Auditor's fixed fees, how these were set and that they were not affected by the amount of work or how long the work took to complete.

Resolved that the Auditor's Letter be noted.

7. Grant Thornton External Audit – Audit Update

Members considered the report previously circulated, concerning a regular update report for Members by our external auditors, Grant Thornton. Specifically the report provided an update in relation to their work for the 2015/16 financial year and also provided an update in relation to emerging national issues.

The report updated Members on the status, progress and completed work in relation to the auditor's planned schedule of work, year ending 31 March 2016. The Auditors completed risk assessments in the prescribed audit work areas. If any risks came out of the assessment process, the Auditor's would look into those risks and the area in further detail.

In addition, this report updated Members on any national headlines and issues that might have an impact upon the Council.

During the discussion of this item the following points were made:-

- In response to a question regarding when the Actuary's next review of the Council's Pension contributions and how the Council would deal with the any short would fall highlighted during that review, the Committee was informed that this was due to be complete by the Actuary this summer.

Resolved that the update provided be noted.

8. Grant Thornton External Audit – Audit Plan 2015/16

Members considered the report previously circulated, concerning the External Audit Plan for 2015/16. This was prepared by our external auditors, Grant Thornton.

The Auditor's report summarised their approach to the 2015/16 audit programme, provided information on the work already undertaken, the tasks yet to be completed, the timescales and the auditors view on risk.

The audit work required related to the preceding financial year (2015/16). Specifically this audit work focused on the provision of an audit opinion in relation to the accounts, value for money (VFM) and associated key risks.

A copy of the plan for 2015/16 was attached with the covering report.

During the discussion of this item the following points were made:-

- Concerns were expressed over what the auditors considered to be trivial amount when deciding not to report errors and the set amount of £80,000 would not be considered by the residents of Taunton Deane.
- Members were reassured that the Auditors understood that no amount of money was trivial but a level must be set for reporting errors concerning money.

Resolved that the External Audit Plan for 2015/16 received from Grant Thornton be noted.

9. SWAP Internal Audit – Internal Audit Plan 2015/16

Members considered the report previously circulated, concerning the 2015-16 Annual Audit Plan. This provided independent and objective assurance on TDBC's Internal Control Environment. This work would support the Annual Governance Statement.

This report summarised the work of the Council's Internal Audit Service and provided details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in December 2015 as well as 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.

A copy of the Internal Auditor's Progress Report for 2015/16 was attached as an appendix with the covering report.

During the discussion of this item the following points were made:-

- Concerns were expressed over those audits with a partial assurance at the end of Quarter four 2015/16 and that Member would be monitoring the updates going into 2016/17 to monitor their outcome. Members were reassured that those audits with a partial assurance would be included in next year's planned works and Members would be kept up to date on their progress.

Resolved to note the progress made in delivery of the 2015/16 internal audit plan and significant findings since the previous update in December 2015.

10. SWAP Internal Audit – Internal Audit Plan 2016/17 and Audit Charter

Members considered the report previously concerning the introduction of the Internal Audit Plan for 2016/17 and the incorporated Internal Audit Charter, which set out the operational relationship between TDBC and the South West Audit Partnership (SWAP).

The internal audit plan for 2016/17 was set out as an attached appendix with the covering and the Auditors confirmed that the plan focussed on key risks areas. This was a flexible plan that could be amended during the year to deal with shifts in priorities.

The Internal Audit Plans for TDBC had been discussed and supported by the Councils Joint Management Team.

SWAP, the Council's Internal Audit Service worked to a Charter, which defined its roles and responsibilities and the roles and responsibilities of the Borough's managers as they relate to internal audit. Best practice in corporate governance required that the Charter be reviewed and approved annually by the Committee. The Charter had been amended and approved by the Committee in March 2015.

A copy of the amended Internal Audit Charter was attached as an appendix with the covering report.

During the discussion of this item the following points were made:-

- In response to a question relating to when the listed follow up audits would be completed, the Committee was informed that these would be completed six months after the initial audit actions were raised with the service.

Resolved that:-

1. The Officer's report be noted
2. The Internal Audit Plan for 2016/17 be approved
3. The Internal Audit Charter be approved.

11. Update on Corporate Counter Fraud

The Committee considered presentation previously circulated, concerning an update on Corporate Counter Fraud by the South West Counter Fraud Partnership (SWCFP). The partnership provided an investigation service for South Somerset District Council (SSDC), Taunton Deane Borough Council (TDBC) and West Somerset Council (WSC).

The Investigation Manager from SWCFP gave an information presentation to Members detailing the work and progress of the partnership. Below was a summary of the information presented to the Committee:

- Service Level Arrangement with all partners
- Ongoing work in relation to Data Protection protocol and Investigation Work Plan.
- The partnership had two staff going through specific training for this position.
- Targeted financial savings across all partners at end of the year was £88.7k.
- The Council contribution was £20k and the financial based on the contribution were £44.3k
- There had been no financial savings achieved to date.
- There had been 20 allegations of fraud as well as six active investigations.

- SWCFP had created a proactive work plan, which was for resourcing purposes but would remain flexible throughout the year responding to service demand and need.
- The officers collected data sets from a variety of sources such as creditors, council tax, electoral roll and licensing.
- Analysis of the data allowed officers to identify peaks, troughs, anomalies and trends to investigate cases of fraud.
- SWCFP had completed Fraud Awareness sessions with Elected Members and staff.
- Council Tax Single Person Discount (CTAX SPD) - Currently the partnership is actively comparing data sets such as licensing, housing and electoral roll with those receiving CTAX SPD to investigate fraud in this area. This was currently done at SSDC but we were looking to introduce into TDBC.

During the discussion of this item the following points were made:-

- Discussion relating the specified partnership and individual authority financial savings as well as the partnership funding sources. The overall cost of the partnership was £112k with the majority funded by Department for Communities and Local Government (DCLG)
- In response to a question regarding the cost to the Council for this service, the Committee was informed that TDBC's contribution to the partnership was £20k per year and the Council financial savings target was £44.3k for the first year.
- Discussion relating to the cross referencing of data sets used at SSDC in the investigation of fraud within Council Tax Single Person Discount.
- In response to a question regarding whether or not the partnership investigate fraudulent sub-letting, the Committee was informed that they did investigate this.
- Discussion regarding other external sources for evidence gathering including credit history.
- In response to a question relating to the inclusion of a naming and shaming policy for those who commit fraud, the Committee was informed that it was included but the Council had to be mindful to pick the right cases to do this with.

Resolved that the SWCFP Information Update be noted.

12. Anti-Fraud and Corruption Policy and Strategy – Council Tax Penalties

Members considered the report previously circulated, concerning the refresh of the Anti-Fraud and Corruption Policy and Strategy to recognise South West Counter Fraud Partnership (SWCFP's) anti-fraud activities, as well as updating for procedural changes.

The policy now provided guidance on the available options to deal with those committing Council Tax or Council Tax Support fraud or those who negligently make incorrect statements, or fail to notify a change affecting their entitlement to a Council Tax discount, exemption or reduction.

Responsibility for benefit fraud passed to the Department for Work and Pensions through the formation of the Single Fraud Investigation Service, in June 2015. From August 2015, the South West Counter Fraud Partnership (SWCFP) had delivered a Corporate Anti-Fraud service, providing a full counter fraud function for

the Council.

Attached to the covering report for the Committee's attention were copies of the Revised Anti-Fraud and Corruption Policy and Strategy, Whistle-blowing Policy, Anti-Bribery Policy and Anti-Money Laundering Policy.

The revision and update of the Anti-Fraud and Corruption Policy and Strategy was in recognition of changes since its introduction in 2014 and to reflect current best practice and guidance. This was key in assisting in the on-going improvement of fraud prevention controls and in detecting and investigating fraud committed against the Council. The Whistle-blowing, Anti- Bribery and Anti-Money Laundering Policies had been updated where necessary.

This guidance would provide information to residents on when penalties would be imposed as well as ensuring consistency for officers imposing the penalties. It was therefore proposed to implement the power to impose penalties upon the approval of the policy.

During the discussion of this item the following points were made:-

- Members commented that the Council should consider mass prosecution of fraud cases similar to those prosecuted for a lack of TV Licence. Grouping together prosecution of those cases, I could save money .In response to a question relating to the inclusion of advertising the Council's new approach to dealing with those who commit fraud and including the penalties, the Committee was informed that the Council had issued information with the 2016/17 Council Tax bill to the residents of Taunton Deane concerning the new approach.

Resolved that:-

1. The Officer's report be noted.
2. The Executive Committee be recommended to approve the draft revised Anti-Fraud and Corruption Policy and Strategy.
3. The Executive Committee recommended to approve the introduction of penalty charges to assist in the prompt and accurate assessment of Council Tax liability.

13. Verbal Update on Corporate Risk Management

The Director for Operations updated the Committee stating that a full update report on Corporate Risk Management would be presented to Members at the Committee Meeting in May 2016.

Resolved that the change to the agenda and the forward plan be noted.

14. Corporate Governance Committee Forward Plan

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

The Director of Operations informed the Committee that the Report on the Review of the Financial Regulations would not be ready would need to be moved to the September 2016 meeting.

Resolved that the changes to the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 8.00pm).

Usual Declarations of Interest by Councillors

Corporate Governance Committee

- Members of Somerset County Council – Councillors Coles, Govier, Hunt and Wedderkopp.
- Councillor Hall – Director of Southwest One

Taunton Deane Borough Council

Corporate Governance Committee 21 June 2016

External Audit Fees 2016/17

Leader of the Council: Councillor John Williams

Report Author: Jo Nacey Senior Accountant and Deputy S151 Officer

1 Purpose of the Report

1.1 This report details the fee forecast for external audit services in 2016/17.

2 Recommendations

2.1 Members are requested to note the Report.

3 Background and Full details of the Report

3.1 Each year our external auditors, Grant Thornton, provide details of the forecast fees to be charged for the main audit and the grant certification work relating to the current year.

3.2 The attached letter provides details of the fees and the schedule of payments. Grant Thornton have also provided an outline audit timetable to show the phasing of their work.

3.3 Any additional audit work, outside of the planned audit and grant certification work will be billed separately and will be an addition to the fee quoted.

4 Links to Corporate Aims / Priorities

4.1 There are no direct implications.

5 Finance / Resource Implications

5.1 The total indicative audit fee is £58,422. This amount is split between the fee for the main audit of £50,629 (which is the same as last year) and the grant certification work of £7,793 (which represents a reduction of £3,172 from the previous year).

6 Legal Implications

6.1 There are no legal implications from this report.

7 Environmental Impact Implications

7.1 There are no direct implications.

8 Community Safety Implications

8.1 There are no direct implications.

9 Equality and Diversity Implications

9.1 There are no direct implications.

10 Social Value Implications

10.1 There are no direct implications.

11 Partnership Implications

11.1 There are no direct implications.

12 Health and Wellbeing Implications

12.1 There are no direct implications.

13 Asset Management Implications

13.1 There are no direct implications.

14 Consultation Implications

14.1 There are no direct implications.

List of Appendices

Appendix A	Grant Thornton – Audit Fee Letter for 2016/17 dated 6 April 2016
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Contact Officers

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6 April 2016

Dear Shirlene

Planned audit fee for 2016/17 – Taunton Deane Borough Council

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset. As Taunton Deane Borough Council do not have a Highways Network Asset, this does not apply.

PSAA have proposed that 2016/17 scale audit fees are set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set by PSAA at £50,629.

The audit planning process for 2016/17, 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

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider 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.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by PSAA at £7,793. This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	12,657.25
December 2016	12,657.25
March 2017	12,657.25
June 2017	12,657.25
Total	50,629.00

Grant Certification	
December 2017	7,793.00

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2016 to March 2017. 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 June – August 2017.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2016 – March 2017	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 – August 2017	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	January – August 2017	Audit Findings (Report to those charged with governance)	As above
Annual audit letter	October 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June – October 2017	Grant certification letter	A letter summarising the findings of our grant certification work

Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Peter Barber	0117 305 7897 07880 456122	peter.a.barber@uk.gt.com
Audit Manager	Kevin Henderson	0117 305 7873 07880 456132	kevin.j.henderson@uk.gt.com
In Charge Auditor	Stephen Clarke	0117 305 7884	stephen.t.clarke@uk.gt.com

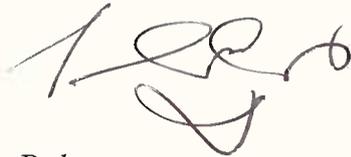
Additional work

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 Jon Roberts, our Public Sector Assurance regional lead partner, via jon.roberts@uk.gt.com.

Yours sincerely



Peter Barber
Engagement Lead

For Grant Thornton UK LLP

Taunton Deane Borough Council

Corporate Governance Committee 21 June 2016

External Audit (Grant Thornton) Update Report

This is the responsibility of Executive Councillor Richard Parrish

Report Author: Jo Nacey Senior Accountant and Deputy S151 Officer

1 Purpose of the Report

- 1.1 This is a regular update report for Members by our external auditors, Grant Thornton. Specifically the report provides an update in relation to their work for the 2015/16 financial year and also provides an update in relation to emerging national issues.

2 Recommendations

- 2.1 Members are requested to note the update report.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The details of any specific risks identified will be contained in the attached report			

4 Background and Full details of the Report

- 4.1 Each year our external auditors, Grant Thornton, are required to carry out prescribed audit work and this report provides a useful progress update on the work undertaken to date.
- 4.2 Additionally, the report shares headlines on some national issues that may have an impact upon the Council.

5 Links to Corporate Aims / Priorities

- 5.1 There are no direct implications.

6 Finance / Resource Implications

- 6.1 There are no direct implications.

7 Legal Implications

7.1 There are no legal implications from this report.

8 Environmental Impact Implications

8.1 There are no direct implications.

9 Community Safety Implications

9.1 There are no direct implications.

10 Equality and Diversity Implications

10.1 There are no direct implications.

11 Social Value Implications

11.1 There are no direct implications.

12 Partnership Implications

12.1 There are no direct implications.

13 Health and Wellbeing Implications

13.1 There are no direct implications.

14 Asset Management Implications

14.1 There are no direct implications.

15 Consultation Implications

15.1 There are no direct implications.

List of Appendices

Appendix A	Grant Thornton – Audit Update
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Corporate Governance Committee Taunton Deane Borough Council Progress Report and Update Year ended 31 March 2016

June 2016

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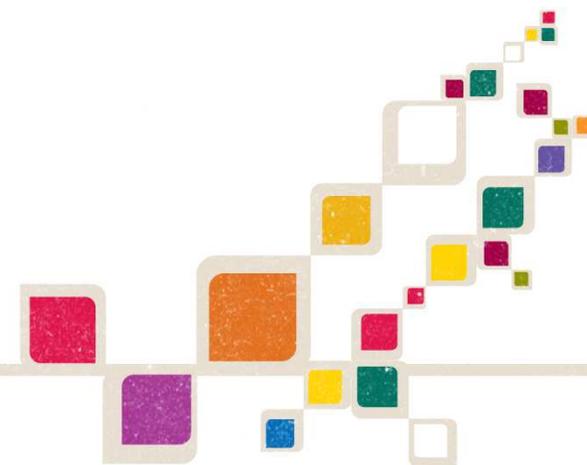
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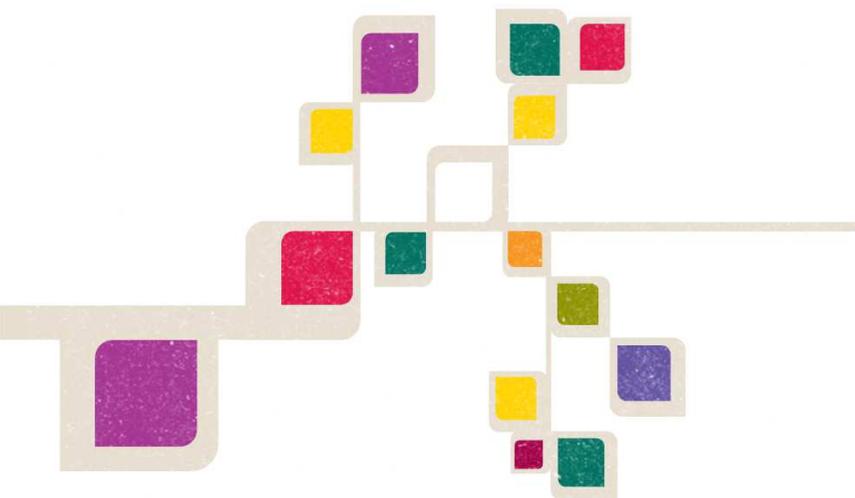
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business 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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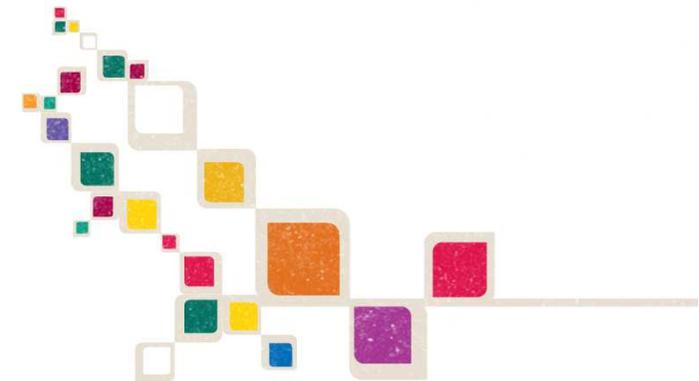
Introduction

This paper provides the Corporate Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Corporate Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Building a successful joint venture company (April 2016) <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



Progress at 13 June 2016



Progress against plan

On track



Opinion and VfM conclusion

Plan to give before deadline of 30 September 2016

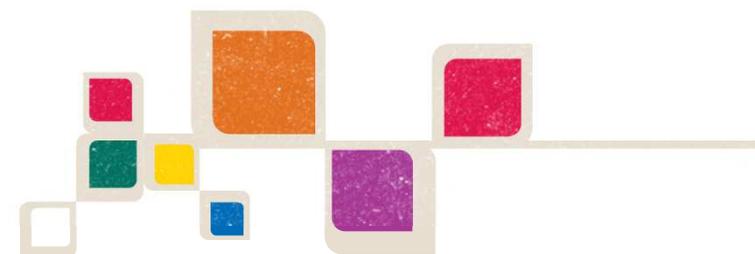


Outputs delivered

Fee letter, Progress Reports, delivered to plan

2015/16 work	Planned Date	Complete?	Comments
Fee letter	April 2015	Yes	The fee letter was presented at the June 2015 meeting
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.	January – February 2016	Yes	The Audit Plan was presented at the March meeting.
Interim accounts audit Our interim fieldwork visit plan included: <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January- February 2016	Yes	As reported at the March meeting, there are no issues to bring to the Committee's attention.
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	July - August	Not started	We will complete the accounts audit in line with the statutory deadline, but it is our intention to complete our audit by 31 August. as part of the transition to the earlier closedown and audit cycle from 2018. Our audit will start on 4 July 2016.

Progress at 13 June 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	March - July	In progress	<p>An initial risk assessment has been undertaken, the results of which are reflected in the Audit Plan.</p> <p>The results of our detailed work will be reported in the Audit Findings Report presented to the September meeting of the Corporate Governance Committee.</p>
<p>Other areas of work</p> <p>Housing benefit certification</p>	September – October 2016	Not yet due	<p>The deadline for certification of the housing benefit return is 30 November 2016. We have undertaken some early work, but we will not conclude our work until September/October 2016.</p>

Local Government accounting and other issues



Fighting Fraud and Corruption Locally

CIPFA publication

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>



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CIPFA COUNTER
FRAUD CENTRE

Grant Thornton Publications



Better together

Building a successful joint venture company

Grant Thornton market insight

Local government is continuing to innovate as it looks for ways to protect front line services. The changes are picking up pace as more local government bodies introduce alternative delivery models to generate additional income and savings. While these new models are not a solution by themselves, they do add to the wider solutions being explored by local government such as devolution, collaboration and integration.

Joint Ventures (JVs) have been in use for many years in local government and remain a common means of delivering services differently. This report, *Better Together: Building a successful joint venture company*, draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges. The report also provides advice and information about the key areas to consider when deciding to set up a JV, setting it up and making it successful.

Key findings from the report:

- **JVs continue to be a viable option** – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- **There is reason to be cautious** – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- **There is a new breed of JVs between public sector bodies** – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture





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GRT102468

Taunton Deane Borough Council

Corporate Governance Committee – 21 June 2016

SWAP Internal Audit – Internal Annual Opinion Report 2015/16

This matter is the responsibility of Executive Councillor Richard Parrish

Report Author: Alastair Woodland, Assistant Director, SWAP

1 Executive Summary

- 1.1 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.
- 2 Internal Audit is required to provide an Annual Opinion on the state of the Internal Control Environment. This report provides that Opinion based on the work undertaken during 2014-15. This work will support the Annual Governance Statement.

3 Recommendations

- 3.1 Members are asked to note the Annual Opinion on the effectiveness of the internal control environment in the delivery of TDBC objectives.

4 Risk Assessment

- 4.1 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.

Risk Matrix

Description	Likelihood	Impact	Overall
	?	?	?
<i>The mitigations for this are the proposed changes as set out in the report</i>	?	?	?

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

5 Background

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

- Details a summary of the key risks that were identified during the 2015-16 financial year.
- 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.

5.2 The Internal Audit Opinion for 2015/16 is contained within the attached SWAP Report - Appendix A.

6 Links to Corporate Aims

6.1 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 Finance

7.1 There are no specific finance issues relating to this report.

8 Legal Implications

8.1 There are no specific legal issues relating to this report.

9 Environmental Impact Implications

9.1 There are no direct implications from this report.

10 Safeguarding and/or Community Safety Implications

10.1 There are no direct implications from this report.

11 Equality and Diversity Implications

11.1 There are no direct implications from this report.

12 Social Value Implications

12.1 There are no direct implications from this report.

13 Partnership Implications

13.1 There are no direct implications from this report.

14 Health and Wellbeing Implications

14.1 There are no direct implications from this report.

15 Asset Management Implications

15.1 There are no direct implications from this report.

16 Consultation Implications

16.1 There are no direct implications from this report.

Democratic Path:

- **Corporate Governance Committees – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

Reporting Frequency: **Once only** **Ad-hoc** **Quarterly**
 Twice-yearly **Annually**

List of Appendices (delete if not applicable)

Appendix A	SWAP Annual Opinion Report 2015/16
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Taunton Deane Borough Council

Report of Internal Audit Activity

Annual Opinion Report 2015/16

Contents

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Appendix B – Summary of Work Plan

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Summary

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Purpose

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.



Summary

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



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). 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 through the work based on the Annual Plan agreed by Senior Management and this Committee.

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

Members through the various committees are ultimately responsible for ensuring 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 takes valuable resources and can create inefficiency. Therefore the Internal Control Environment needs the right balance to help Taunton Deane Borough Council to deliver its services with ever decreasing resources.

Internal Audit has not reviewed all risks and assurances relating to Taunton Deane Borough Council 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.

For the 2015-16 audit plan for Taunton Deane Borough Council there will be a total of 29 reviews delivered. In agreement with management, and previously reported to this Committee, some reviews were 'exchanged' or 'removed' as the need to respond to new and emerging risks was identified.

Most audits have been completed to report stage. There remain six reviews currently being drafted; these reviews will remain a priority for completion.

Of the 29 2015-16 reviews, 16 have returned opinions with five (31%) having received Partial Assurance. I am encouraged by the management response and readiness to accept and address the matters raised in audit reports. There have been six (38%) reviews that have received a Substantial Assurance and this is highly commendable with, five (31%) reviews also receiving Reasonable Assurance.

Internal Audit Annual Opinion 2015/16

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.

There were also six reviews from 2014-15 that were reported during 2015-16, these being Software Asset Management, Hardware Asset Management, ICT Financial Key Controls, Choice Based Lettings, Asset Management, Commercial Rents. Five of these audits returned a Partial Assurance Opinion and have been taken into consideration when forming my opinion on the internal control environment for 2015-16.

I have considered the balance of audit work in 2015-16 and the six 2014-15 reviews, the assurance levels provided, profile of each audit and outcomes together with the response from Senior Management and offer '**Reasonable Assurance**' in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. As a note I would say looking back over the last four years, the percentage of reviews that have returned a Partial Assurance Opinion within the annual plan has slowly been increasing.

I believe that the Senior Management of Taunton Deane Borough Council has worked hard to cooperate with the audit process and while there have been difficulties in progressing some audits expediently, I recognise the pressures they face through managing the changing environment. However, we will be looking to introduce a new protocol on 'Delivering Effective Internal Audit' that places obligations on both SWAP and management at TDBC to ensure audits are progressed as expediently as possible.

Summary of Audit Work 2015/16

Our audit activity is split between:

- Operational Audits
- Key Control Audits
- Governance, Fraud & Corruption Audits
- IT Audits
- Special Reviews
- Follow-up



Internal Audit Work Programme

The schedule provided at **Appendix B** contains a list of all audits agreed for inclusion in the Annual Audit Plan 2015-16 and the final outturn for the financial year. In total, 29 will be delivered. 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 29 reviews in the revised 2015-16 audit plan, they are broken down as follows:

Type of audit	2015-16 original plan	2015-16 revised plan
• Operational Audits	9	9
• Information Systems	4	3
• Key Control	8	8
• Governance, Fraud & Corruption	5	4
• Grants	0	1
• Special Reviews	0	0
• Follow-up	2	4
• TOTAL	28	29

Summary of Audit Work 2015/16

Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.



Significant Corporate Risks

We provide a definition of the 4 Risk Levels applied within audit reports. For those audits which have reached report stage through the year, we have assessed the following risks as 'High' or 'Very High'.

Review/Risks	Auditors Assessment
ICT Disaster Recovery (2015-16) 'Key business operations cannot be recovered on a timely basis when a disaster occurs'.	High
Housing Voids (2015-16) 'The quality of any maintenance/repairs carried out to a void property does not meet, or exceeds, the required Lettable Standard.'	High
Housing Voids (2016-16) 'Poor budgetary control within the voids process resulting in excessive costs.'	High

Members should note that maintaining continuity of disaster recovery arrangements will be a key risk if and when changes are made with the SWO Contract. We are currently following up on the Disaster Recovery weaknesses.

The two Housing Voids risks are due to be followed up in quarter 2 of the 2016-17 plan.

Summary of Audit Work 2015/16

SWAP Performance - Summary of Audit Opinions

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

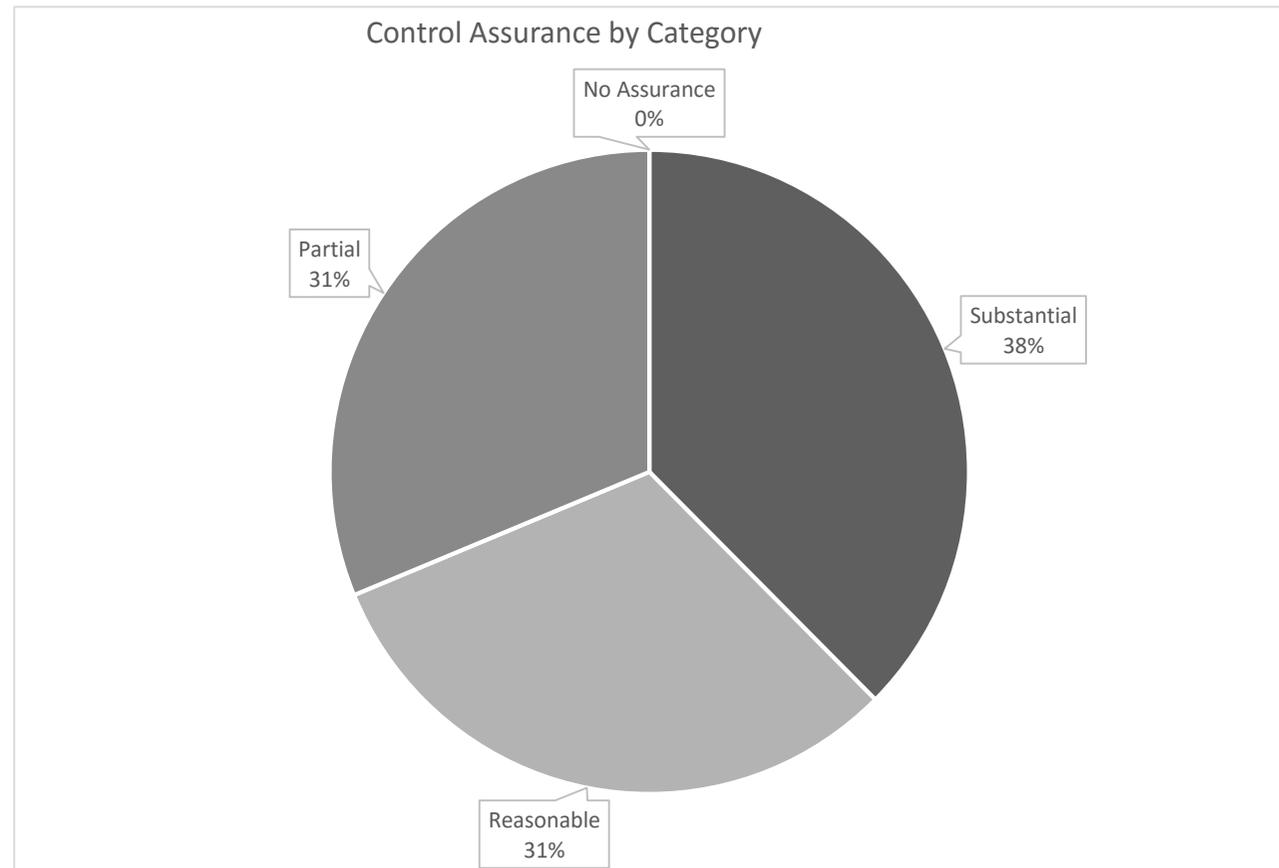
- Substantial
- Reasonable
- Partial
- No Assurance

We also undertake 'non-opinion' work on a consultancy basis where we have been asked to look at a specific area of potential concern.



Summary of Audit Opinion

Taking out the 6 incomplete 2015-16 reviews, the Non-Opinion and follow up reviews, leaves 16 reviews where an opinion was given. The breakdown is summarised as follows:



Summary of Audit Work 2015/16

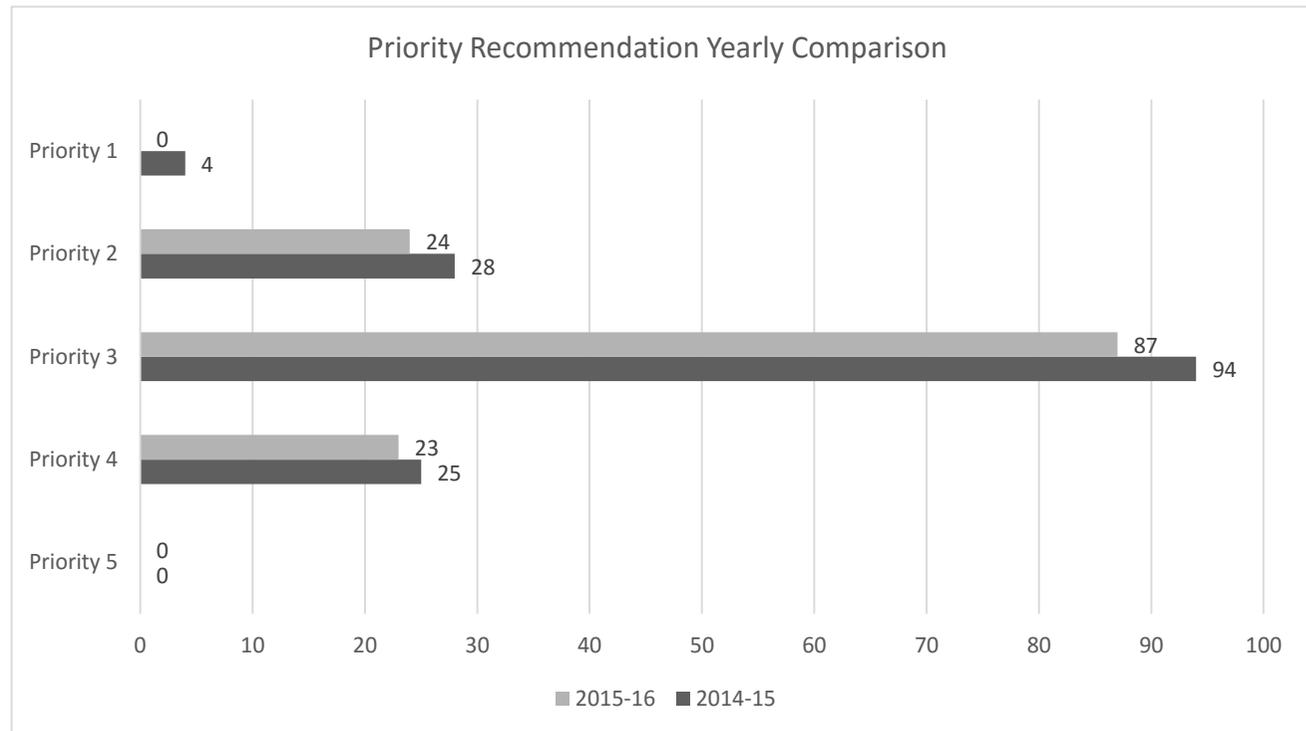
SWAP Performance - Summary of Audit Recommendations by Priority



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

Priority Actions

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. Therefore recommendations are assessed as to how important they are to the scope of the area audited. Priority 5 recommendations being more important than priority 1. All recommendations as currently contained in **Appendix B** are summarised below and compared to the previous year. Note there are six review not complete that will increase the figures for 2015-16.



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of “added value” is; “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

The following have provided added value for the Council.

- Regular fraud bulletins highlighting where there are attempted frauds and what officers need to be on the lookout for.
- Planning Guarantee - Highlighting the risks of not meeting the timeframes of the Planning Guarantee and comparison of procedures with other Councils
- Performance Management – At Mendip District Council a Performance Management benchmarking exercise was carried out that included information from TDBC. A summary report was produced and circulated to all authorities that submitted information.
- Business Continuity - This audit has been performed at five authorities and an overarching report was issued which summarised and compared findings; gives examples of good practice; and includes a section on Landlord responsibilities.



Plan Performance 2015/16

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 14 Councils and also many subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for Taunton Deane Borough Council for the 2015-16 year (as at 9/6/16) are as follows;

Performance Target	Average Performance
<p><u>Audit Plan – Percentage Progress</u></p> <p>Final, Draft and Discussion 83%</p> <p>Fieldwork Completed awaiting report 17%</p> <p>In progress 0%</p>	
<p><u>Draft Reports</u></p> <p>Issued within 5 working days of fieldwork completion 73%</p>	
<p><u>Final Reports</u></p> <p>Issued within 10 working days of draft report 69%</p>	
<p><u>Quality of Audit Work</u></p> <p>*Customer Satisfaction Questionnaire 83%</p>	

*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. A score of 80% would reflect the fact that the client agreed that the review was delivered to a good standard of quality.

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

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). SWAP has been independently assessed and found to be in Conformance with the Standards.

SWAP carried out such an assessment in 2012 and at that time agreed that it would be best practice to complete such a review every three years and therefore we commissioned our next review to take place in September 2015. This review has now been completed and again confirmed SWAP to be in full conformance to the International Professional Practices Framework and the PSIAS. As a result of the quality review, a Quality Assessment Improvement Plan (QAIP) is produced. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.

And finally, just like any other Company and Taunton Deane Borough Council itself, our accounts are subject to both Internal and External Audit Review. The auditor confirmed that the audit did not find any areas of concern and the auditor was confident that the processes in place are adequate to support SWAP's annual report and financial statements.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- No Assurance



Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	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.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
No Assurance	▲ ★ ★ ★	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.

Recommendations are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Audit Framework Definitions

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.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

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.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← 5 = Major				
						Recommendation				
						1	2	3	4	5
Follow Up	Parks & Open Spaces	Q1	Final	Follow Up	3	0	0	2	1	0
Follow Up	Data Transparency	Q1	Final	Follow Up	3	0	2	0	1	0
Governance, Fraud & Corruption, Cross Cutting	Business Continuity	Q1	Final	Reasonable	4	0	0	4	0	0
Governance, Fraud & Corruption, Cross Cutting	Business Incentive Grants	Q1	Final	Partial	11	0	3	7	1	0
ICT Audits	Disaster Recovery Audit	Q1	Final	Partial	5	0	0	1	4	0
Operational Audit	Crematorium	Q1	Final	Non-Opinion	3	0	0	2	1	0
Operational Audit	Housing Voids	Q1	Final	Partial	17	0	2	9	6	0
Governance, Fraud & Corruption, Cross Cutting	Declaration of Interests, Gifts and Hospitality & Ethical Standards	Q2	Final	Reasonable	5	0	1	4	0	0
Governance, Fraud & Corruption, Cross Cutting	Cash & Banking	Q2	Final	Reasonable	22	0	6	16	0	0
Operational Audit	Food Safety	Q2	Final	Substantial	9	0	2	7	0	0
ICT Audits	Information Systems - Property Management	Q2	Final	Non-Opinion	0	0	0	0	0	0
Grant	Repair & Renewal Grant (New)	Q3	Final	Non-Opinion	0	0	0	0	0	0
Key Control	Main Accounting	Q3	Final	Substantial	3	0	2	1	0	0
Key Control	Council Tax & NNDR	Q3	Final	Substantial	2	0	2	0	0	0

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← 5 = Major				
						Recommendation				
						1	2	3	4	5
Key Control	Debtors	Q3	Final	Reasonable	4	0	0	4	0	0
Key Control	Payroll	Q3	Final	Substantial	1	0	0	1	0	0
Key Control	Treasury Management	Q3	Final	Substantial	2	0	1	1	0	0
Follow Up	Business Grants Follow Up (from follow up contingency)	Q4	Final	Follow-up	0	0	0	0	0	0
Operational Audit	DLO Stores	Q2	Draft	Partial	11	0	0	4	7	0
Operational Audit	Gas Servicing	Q2	Final	Reasonable	8	0	3	5	0	0
Key Control	Creditors	Q3	Review	-	-	-	-	-	-	-
Operational Audit	DLO Operations (NEW)	Q3	Draft	Non-Opinion	14	0	0	14	0	0
Key Control	Housing Benefits & Council Tax Support	Q4	Final	Substantial	0	0	0	0	0	0
Operational Audit	Deane Help Line	Q4	Review	-	-	-	-	-	-	-
Operational Audit	Land Charges	Q4	Discussion Document	Partial	7	0	0	5	2	0
ICT Audits	Physical and Environmental Controls/Data Centre	Q4	Review	-	-	-	-	-	-	-
Follow Up	Disaster Recovery Audit (from follow up contingency)	Q4	Review	-	-	-	-	-	-	-
Key Control	Housing Rents	Q2	Review	-	-	-	-	-	-	-

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ←→ 5 = Major				
						Recommendation				
						1	2	3	4	5
Operational Audit	Homelessness	Q4	Review	-	-	-	-	-	-	-
ICT Audits	Information Systems – Finance (Time carried over to 2016-17 Plan for additional IT Audit Work).	Q2	Dropped	-	-	-	-	-	-	-
Governance, Fraud & Corruption, Cross Cutting	Transformation Programme (5 days to DLO Audit to cover additional work).	Q3	Dropped	-	-	-	-	-	-	-
Operational Audit	Housing - Responsive Maintenance (Dropped due to 4 additional work areas requested by Terry May. For inclusion in 2016-17 Audit Plan evaluation).	Q4	Dropped	-	-	-	-	-	-	-

Taunton Deane Borough Council

Corporate Governance Committee – 21 June 2016

SWAP Internal Audit – Internal Audit Plan 2015/16 Outturn

This matter is the responsibility of Executive Councillor Richard Parrish

Report Author: Alastair Woodland, Assistant Director, SWAP

1 Executive Summary

- 1.1 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.
- 1.2 The 2015-16 Annual Audit Plan is to provide independent and objective assurance on TDBC's Internal Control Environment. This work will support the Annual Governance Statement.

2 Recommendations

- 2.1 Members are asked to note progress made in delivery of the 2015/16 internal audit plan and significant findings since the previous update in March 2016.

3 Risk Assessment

- 3.1 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.

Risk Matrix

Description	Likelihood	Impact	Overall
Without the delivery of the approved audit plan there is the risk of insufficient audit work being completed to provide a reasonable assurance to stakeholders that there is an effective control framework in place, adequately mitigating risks to the authority's risk appetite.	3	3	9

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background

4.1 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 2016.
- 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.

4.2 For Internal Audit Progress Report for 2015/16 is contained within Appendix A.

5 Links to Corporate Aims

5.1 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.

6 Finance

6.1 There are no specific finance issues relating to this report.

7 Legal Implications

7.1 There are no specific legal issues relating to this report.

8 Environmental Impact Implications

8.1 There are no direct implications from this report.

9 Safeguarding and/or Community Safety Implications

9.1 There are no direct implications from this report.

10 Equality and Diversity Implications

10.1 There are no direct implications from this report.

11 Social Value Implications

11.1 There are no direct implications from this report.

12 Partnership Implications

12.1 There are no direct implications from this report.

13 Health and Wellbeing Implications

13.1 There are no direct implications from this report.

14 Asset Management Implications

14.1 There are no direct implications from this report.

15 Consultation Implications

15.1 There are no direct implications from this report.

Democratic Path:

- **Corporate Governance Committees – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

Reporting Frequency : **Once only** **Ad-hoc** **Quarterly**

Twice-yearly **Annually**

List of Appendices (delete if not applicable)

Appendix A	SWAP Internal Audit Outturn Report 2015/16
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Taunton Deane Borough Council

Report of Internal Audit Activity

Plan Progress 2015/16 Outturn

Contents

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Internal Audit Plan Progress 2015/2016 Outturn

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for the Taunton Deane Borough Council is provided by 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 approved by the Audit and Governance Committee at its meeting on March 2015.

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

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to this Committee and approved by this Committee at its meeting in March 2015.

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

Internal Audit Plan Progress 2015/2016 Outturn

Outturn to Date:

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



Internal Audit Work

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2015/16. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in **Appendix A** of this document.

As agreed with this Committee where a review has a status of ‘Final’ and has been assessed as ‘Partial’ or ‘No Assurance’, I will provide further detail to inform Members of the key issues identified. Since the last update in March 2016, nine reviews have been finalised. I am pleased to report that none of these reviews returned an adverse opinion. Therefore there are no significant weaknesses that I need to bring to your attention at this time within **Appendix C**.

Of the work completed I would draw your attention to the follow up work on Business Grants. All recommendations have been implemented to address the weaknesses identified in our quarter one audit. I must stress that as the awarding of business grants was put on hold after our review, whilst we could see the new measures in place and discussed how they would work, we obviously could not assess that these were being undertaken in practice.

As is show in **Appendix B** there are eight reviews not finalised with three at report stage and six being reviewed before the draft report is released. Our priority will be to ensure these are finalised as soon as possible. Any Partial Assurance opinions arising from these outstanding reviews will be shared with members at the next quarterly update meeting.

Internal Audit Plan Progress 2015/2016 Outturn

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



Approved Changes to the Audit Plan

The audit plan for 2015/16 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to Taunton Deane Borough Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Audit Client Officer.

Since the March 2016 committee report update there is one agreed change to the audit plan. The SAP ICT Key Control review has been dropped and the time carried into the 2016-17 plan. This has been dropped as the previous review in this area was finalised in November 2015 and uncertainty around the future use of SAP over the short term.

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";



Audit Framework Definitions

- Substantial
- Reasonable
- Partial
- No Assurance

Control Assurance Definitions

Substantial	▲ ★ ★ ★	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.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
No Assurance	▲ ★ ★ ★	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.

Recommendation are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Audit Framework Definitions

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.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

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.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor \longleftrightarrow 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
FINAL											
Follow Up	Parks & Open Spaces	Q1	Final	Follow up	3	0	0	2	1	0	
Follow Up	Data Transparency	Q1	Final	Follow up	3	0	2	0	1	0	
Governance, Fraud & Corruption, Cross Cutting	Business Continuity	Q1	Final	Reasonable	4	0	0	4	0	0	
Governance, Fraud & Corruption, Cross Cutting	Business Incentive Grants	Q1	Final	Partial	11	0	3	7	1	0	
ICT Audits	Disaster Recovery Audit	Q1	Final	Partial	5	0	0	1	4	0	
Operational Audit	Crematorium	Q1	Final	Non - Opinion	3	0	0	2	1	0	
Operational Audit	Housing Voids	Q1	Final	Partial	17	0	2	9	6	0	
Governance, Fraud & Corruption, Cross Cutting	Declaration of Interests, Gifts and Hospitality & Ethical Standards	Q2	Final	Reasonable	5	0	1	4	0	0	
Governance, Fraud & Corruption, Cross Cutting	Cash & Banking	Q2	Final	Reasonable	22	0	6	16	0	0	
ICT Audits	Information Systems - Property Management	Q2	Final	Non - Opinion	0	0	0	0	0	0	
Operational Audit	Food safety	Q2	Final	Substantial	9	0	2	7	0	0	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Operational Audit	Repair & Renewal Grant (New)	Q3	Final	Non - Opinion	0	0	0	0	0	0	
Key Control	Main Accounting	Q3	Final	Substantial	3	0	2	1	0	0	
Key Control	Council Tax & NNDR	Q3	Final	Substantial	2	0	2	0	0	0	
Key Control	Debtors	Q3	Final	Reasonable	4	0	0	4	0	0	
Key Control	Payroll	Q3	Final	Substantial	1	0	0	1	0	0	
Key Control	Treasury Management	Q3	Final	Substantial	2	0	1	1	0	0	
Follow Up	Business Grants (from follow up contingency)	Q4	Final	Non - Opinion	0	0	0	0	0	0	
Operational Audit	Gas Servicing	Q2	Final	Reasonable	8	0	3	5	0	0	
Key Control	Housing Benefits	Q4	Final	Substantial	0	0	0	0	0	0	
DRAFT											
Operational Audit	DLO Stores	Q2	Draft	Partial	11	0	0	4	7	0	
Key Control	Creditors	Q3	Review	-	-	-	-	-	-	-	
Operational Audit	DLO Operations (NEW)	Q3	Draft	Non - Opinion	14	0	0	14	0	0	
Follow Up (ICT)	Physical and Environmental Controls / Data Centre	Q4	Review	-	-	-	-	-	-	-	
Operational Audit	Deane Help Line	Q4	Review	-	-	-	-	-	-	-	

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Operational Audit	Land Charges	Q4	Discussion Document	Partial	7	0	0	5	2	0	
Follow Up (ICT)	Disaster Recovery Follow Up	Q4	Review	-	-	-	-	-	-	-	
Operational Audit	Homelessness	Q4	Review	-	-	-	-	-	-	-	
Key Control	Housing Rents	Q2	Review	-	-	-	-	-	-	-	
DROPPED											
Governance, Fraud & Corruption, Cross Cutting	Transformation Programme	Q3	Dropped - Additional 5 days to DLO Audit to cover additional work - Disposal of redundant material.								
ICT Audits	Information Systems - Finance	Q2	Time carried over to 2016-17 Plan as not now required. 15 days of additional IT audit for TDBC providing a total of 50 IT audit days in 2016-17.								
Operational Audit	Housing - Responsive Maintenance	Q4	Dropped due to 4 additional work areas requested by Terry May. Included in the 2016-17 Audit Plan.								

Schedule of potential significant risks identified from Internal Audit work in the period March to June 2016

Ref	No	Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action	Manager's Update (Date)
There are no significant findings to bring to the attention of the Audit Committee in this period.								

Taunton Deane Borough Council

Corporate Governance Committee – 21 June 2016

Review of Effectiveness of Internal Audit

Report Author: Jo Nacey, Deputy Section 151 Officer

1 Purpose of the Report

- 1.1 To inform the Audit Committee of the recent review of the effectiveness of the delivery of Internal Audit through SWAP (South West Audit Partnership) during 2015/16.

2 Recommendations

- 2.1 The Corporate Governance Committee is requested to note the findings of the review of the effectiveness of internal audit for 2015/16.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The Authority fails to maintain an adequate system of internal control; monitored and controlled by internal audit leading to financial exposure and reputational and operational risk	3	4	12
The Authority has put in place suitable internal audit arrangements.	1	4	4

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)	High
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)	High
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)	
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)	
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)	
			1	2	3	4	5	
			Negligible	Minor	Moderate	Major	Catastrophic	
			Impact					

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background and Full details of the Report

- 4.1 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, Wiltshire Council and Herefordshire Council as well as a number of related bodies such as the Somerset Waste Partnership.
- 4.2 The Partnership undertook a significant staff restructure over the last year and have been settling into the new structure with new staff to train. It is fair to say that this has taken a while and we have seen a few new starters leave after a short time and this has led to some disruption of continuity in the service we have received.
- 4.3 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 2015/16, which will be published alongside the Council's Statement of Accounts in September 2016.

4.4 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 administration of those affairs.” CIPFA has defined “proper administration” as including “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.

4.5 Therefore it is important that 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.

5. **Compliance with PSIAS and Local Government Application Note**

5.1 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 1st 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.
- Communicating the acceptance of risks

6. The Review of Internal Audit (SWAP)

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

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

6.2 The table below shows some of the overall performance of the service during the year compared to the previous three years:

Performance Measure	2012/13	2013/14	2014/15	2015/16
Levels of satisfaction from feedback questionnaires	80% (16 Received)	80% (17 Received)	82% (15 Received)	85% (13 Received)
Audits and reviews completed in year compared to the plan (all at least at final draft stage)	87%	89%	75%	62% (End of March)
Key Controls audits completed in year compared to plan	100%	100%	100%	66% by end of March
Total completed audits and reviews	39	37	28 (Additional 3 in draft & 7 In progress)	29 (9 in draft & 2 In progress)
Cost of audit service to TDBC	£117,600	£117,600	£97,300	£97,300
Number of actions for improvements agreed by managers.	151	153	99	94*
No of audit recommendations considered High Risk (Priority 5)	4	4	0	0*

Value for Money – average cost of audit day compared to private sector (benchmarking)	SWAP = £280 Private Sector = £299	SWAP = £280 Private Sector = £299	SWAP = £280 Private Sector = Not benchmarked	SWAP = £280 Private Sector = Not benchmarked
SWAP A/Cs outturn on spend compared to budget – (brackets indicate net income)	Budget (£4,540) Actual (£58,584)	Budget (£0) Actual (£97,840)	Budget (£73,890) Actual (projected) (£120,900)	Budget (£85,812) Surplus Actual (£44,600) Surplus

* Only in relation to assignments at final report stage.

- 6.3 The table shows that the satisfaction from client feedback questionnaires for the audits carried out at TDBC is broadly consistent with previous years.
- 6.4 The average cost of an ‘audit day’ for SWAP remains unchanged at £280.
- 6.5 In total 62% of the audit plan for 2015/16 has been delivered by 31 March 2016. SWAP are committed to completing the plan but there have been several delays which are concerning. We have sought and received assurances from SWAP that this reduction in completion rates is a temporary issue and that they intend to return to 100% delivery of the plan in year from 2016/17 onwards. This is an unfortunate situation as we had received assurance that the 2015/2016 Audit Plan would be 95% completed by year end but the new structure has taken longer than anticipated to stabilise and the completion rate has again slipped.
- 6.6 There were no new high priority recommendations (service level priority 5) in 2015/16.
- 6.7 The outturn position for SWAP is likely to show that, as in previous years, the partnership makes a surplus from operations. Resources have already been assigned to increase capacity at TDBC and WSC.
- 6.8 As SWAP is a company limited by guarantee the Directors of the company will be required to act in the interests of the company. As Section 151 Officer, I have access to the SWAP Management Team to influence service delivery and priorities from a customer’s perspective. Additionally, the ‘Members Board’, which is comprised of Elected Member representatives from each partner authority, meets quarterly to review the performance of the company.

7. Service Standards

- 7.1 In assessing SWAP’s performance it is important to review the standards of service to ensure 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
Attendance by SWAP Chief Executive / Director of Quality at Corporate Governance Committee	At least 1 times per annum	1 time in 2015/16
Attendance by Audit Assistant Director at Corporate Governance Committee	At least 4 times per annum	3 times in 2015/16 (Director of Quality attended the other)
Attendance by SWAP Chief Executive at Corporate Governance Officer Group	4 times per annum	0 times (Was Attended by Assistant Director SWAP)
Liaison meetings with S151 Officer and Audit Assistant Director	6 times per annum	Monthly meetings were held with the Audit Manager during 2015/16, which were attended by the AD Corp Services and Corp Strategy & Performance Manager. The S151 Officer attended quarterly.
Agreement of Audit Plan: Prepared for Management Board/S151 Prepared for Audit Committee Audit Plan monitoring reports	By mid-January each year By end January each year 4 times per annum including Annual Report	Delivered Prepared by end February and presented to March 2015 meeting 4 times (quarterly report) per annum
Agreement of Audit Charter: Prepared for Management Board/S151	By mid-January each year	Delivered. Presented to Corporate Governance Committee in March 2015.

Prepared for Corporate Governance Committee	By end January each year	
To assist with member/officer training in audit and governance	Once per annum	Two half day sessions were held for Members in the autumn of 2015

8. Review of SWAP

- 8.1 In February of this year we took part in a survey undertaken on behalf of SWAP to collect feedback on SWAP's performance. This was a useful exercise and we received a follow-up call to discuss our responses. We gave a fair assessment of some of the issues we had experienced and also fed back on the areas e.g. communication that SWAP do well.

9. 2015/16 Action Plan

- 9.1 The following shows progress against the actions to be completed in 2015/16:

- SWAP to work with TDBC to ensure that the percentage of audits completed in year for 2015/16 increases to 95% of the audit plan delivered (with the remaining 5% delivered in the first 2 months of the following year).

CURRENT STATUS: At the time of writing this report this has not been achieved. SWAP have given a commitment to work towards this in 16/17.

- Improving engagement with TDBC as a customer of SWAP so as to ensure TDBC are aware at an early point of known changes to service delivery, changes to key personnel or other relevant matters affecting the delivery of audit services to the Council.

CURRENT STATUS: In progress. We have regular meetings with the Assistant Director SWAP to discuss the status of the Audit Plan and any new developments re new staff, findings, etc. We have also met with the Chief Executive and Executive Director SWAP this year to discuss our concerns regarding the progress against the plan and to hear their assurances about the structure and the year to come.

The Executive Director SWAP also gives a very useful quarterly update to the Senior Finance Officers Group which brings together the s151s across the county.

- SWAP to undertake a review of the current report template structure in order to identify improvements in clarity and content, in consultation with client officers.

CURRENT STATUS: This has been completed and we now have consistent reports across the two councils in a useful and easy to read format

- Current Key Performance Indicators (KPIs) will be reviewed and where necessary new ones will be introduced in consultation with client officers.

CURRENT STATUS: Ongoing

10. Actions to be Completed in 2016/17

10.1 The following new actions are to be progressed during 2016/17:-

- SWAP to work with TDBC to ensure that the percentage of audits completed **in year** for 2016/17 increases to 95% of the audit plan delivered (with the remaining 5% delivered in the first 2 months of the following year).
- Improving engagement with TDBC as a customer of SWAP so as to ensure TDBC are aware at an early point of known changes to service delivery, changes to key personnel or other relevant matters affecting the delivery of audit services to the Council.
- Current Key Performance Indicators (KPIs) will be reviewed and where necessary new ones will be introduced in consultation with client officers.

11 Looking Forward: The South West Counter Fraud Partnership

11.1 During 2015/16 the South West Counter Fraud Partnership was established, with a new team set up within SWAP providing fraud and corruption prevention and investigation services to Taunton Deane plus West Somerset and South Somerset district councils. The Partnership is funded through to March 2017 by a combination of a successful bid to Government for grant funding, plus contributions from the three councils.

11.2 The services provided by the partnership are separate to the Internal Audit Plan and therefore enhance the control environment rather than replace or duplicate the work of the internal audit function. A specific set of priorities is agreed for the SWCFP, focussing on: awareness raising/training, using data analytics to identify possible fraud cases, targeted reviews in specific areas such as right to buy, council house tenancy, council tax discount claims etc.

11.3 The aim of the partnership is to prevent and recover losses to fraud, corruption and bribery, thus deliver savings to the Councils initially to fund the service and moreover to better protect to the 'public purse'

12 Links to Corporate Aims / Priorities

12.1 It is the responsibility of the S151 Officer to ensure the Authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.

13 Finance / Resource Implications

13.1 There are no financial implications arising from this report.

14 Legal Implications

14.1 There are no direct legal implications within this report although poor governance arrangements, leading to unmitigated risks could expose the Council to unanticipated claims / litigation. An effective internal audit function helps mitigate these risks.

15 Environmental Impact Implications

15.1 There are no implications in respect of this report.

16 Safeguarding and/or Community Safety Implications

16.1 There are no implications in respect of this report.

17 Equality and Diversity Implications

17.1 There are no implications in respect of this report.

18 Social Value Implications

18.1 There are no implications in respect of this report.

19 Partnership Implications

19.1 There are no implications in respect of this report.

20 Health and Wellbeing Implications

20.1 There are no implications in respect of this report.

21 Asset Management Implications

21.1 There are no implications in respect of this report.

22 Consultation Implications

22.1 There are no implications in respect of this report.

Democratic Path:

- **Corporate Governance Committee – Yes**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: Annually

Contact Officers

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Taunton Deane Borough Council

Corporate Governance Committee – 21 June 2016

Draft Annual Governance Statement 2015/16

Report Author: Paul Harding, Corporate Strategy & Performance Manager

1 Purpose of the Report

- 1.1 The Council is required to conduct, at least once a year, a review of the effectiveness of its systems of internal control and governance arrangements and to produce an Annual Governance Statement (AGS) on behalf of the Leader of the Council and the Chief Executive, providing an assessment of these arrangements.

2 Recommendations

- 2.1 It is recommended that:-

Members of the Corporate Governance Committee are asked to review the draft Annual Governance Statement attached to this report and to recommend its adoption by the Leader of the Council and the Chief Executive.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
None in respect of this report			

4 Background and full details of the report

- 4.1 Taunton Deane Borough Council 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.
- 4.2 Taunton Deane Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework “*Delivering Good Governance in Local Government*”.

- 4.3 The Annual Governance 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 2011 in relation to the requirement to prepare an annual governance statement which must accompany the Statement of Accounts.
- 4.4 The Corporate Governance Officers Group has led the 2015/16 review of the governance framework. The group includes the Monitoring Officer (Assistant Chief Executive), the deputy s151 Officer the internal Audit Manager, the Assistant Director Corporate Services and the Corporate Strategy & Performance Manager
- 4.5 The conclusions from this review is that overall, the council's governance framework is reasonable and fit for purpose. This is further endorsed by the Group Auditor's annual opinion report 2015/16, which offers 'reasonable assurance' in respect of the areas reviewed during the year.
- 4.6 The AGS describes how the council complies with each of the six core principles of the Code of Corporate Governance, and additionally identifies governance issues identified and the steps to be taken during to address these matters
- 4.7 The draft Annual Governance Statement is appended to this report.

5 Links to Corporate Aims / Priorities

- 5.1 None in respect of this report.

6 Finance / Resource Implications

- 6.1 None in respect of this report.

7 Legal Implications

- 7.1 Regulation 4 of The Accounts and Audit (England) Regulations 2011 requires that the Council must conduct a review at least once a year of the effectiveness of its systems of internal control and committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

8 Environmental Impact Implications

- 8.1 None in respect of this report.

9 Safeguarding and/or Community Safety Implications

- 9.1 None in respect of this report.

10 Equality and Diversity Implications

10.1 There are no equality and diversity implications associated with this report.

11 Social Value Implications

11.1 There are no Social Value implications associated with this report.

12 Partnership Implications

12.1 None associated with this report.

13 Health and Wellbeing Implications

13.1 None associated with this report.

14 Asset Management Implications

14.1 None associated with this report.

15 Consultation Implications

15.1 The Annual Governance Statement has been developed by the Corporate Governance Officers Group which includes the deputy S151 officer. The draft AGS has been shared with the Joint Management Team and the

Democratic Path:

- **Corporate Governance Committee - Yes**
- **Corporate Scrutiny – No**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	Draft Annual Governance Statement 2015/16
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Annual Governance Statement

2015/16 v1.2

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Introduction

This document relates to the 2015/16 financial year which started on 1st April 2015 and ended 31st March 2016.

This was a period of consolidation after the significant challenge and change for the Council following the introduction of a joint management and officer structure between Taunton Deane Borough Council and West Somerset Council during the previous financial year.

Despite the scale and pace of the changes from the earlier financial year no new corporate risks, associated with this undertaking, have been identified by the Council's auditors (South West Audit Partnership) during 2015/16.

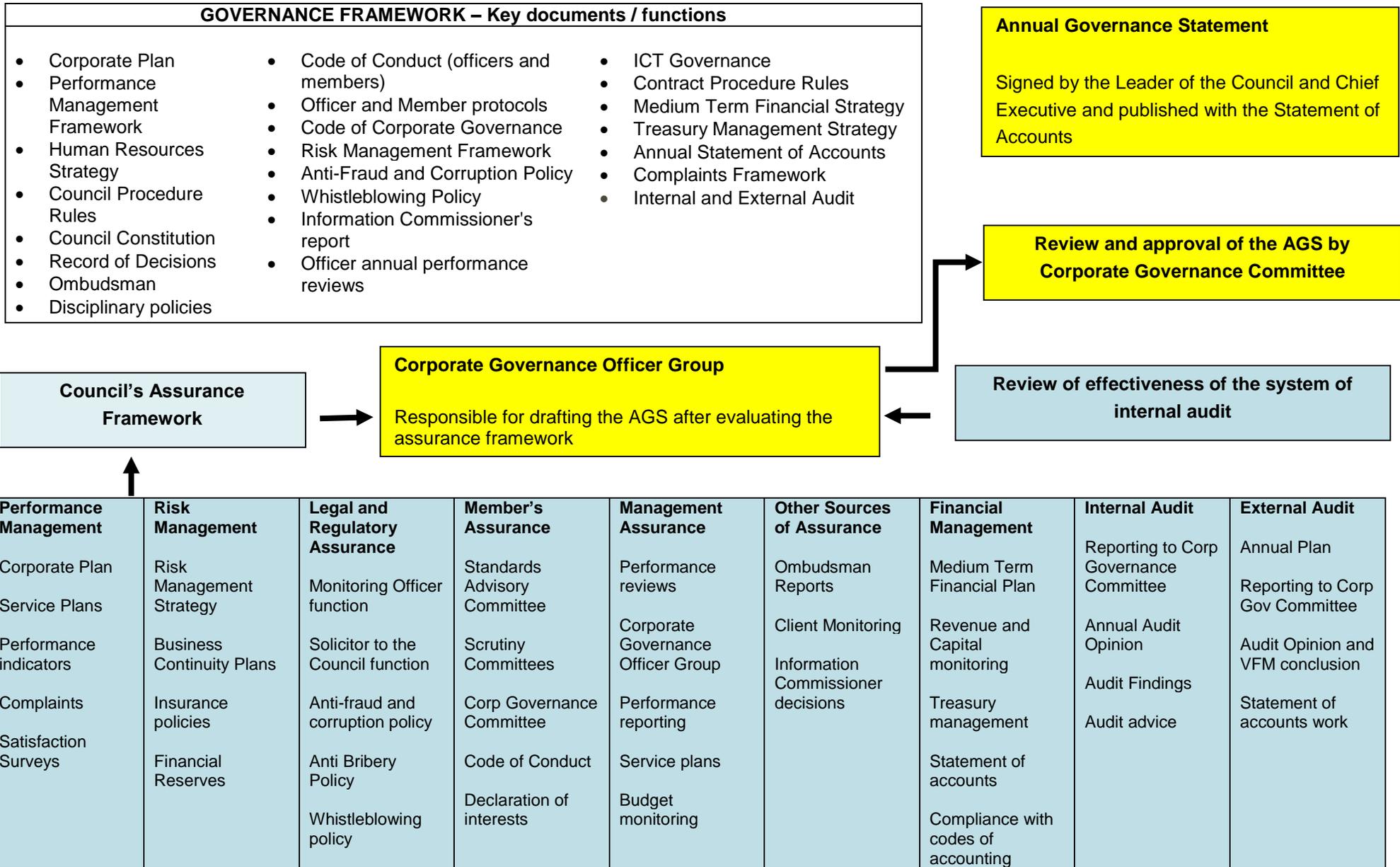
The various sources of assurance and the process leading to the creation of the Annual Governance Statement are illustrated on page 3 of this document.

This Annual Governance Statement provides an account of the processes, systems and records in place during 2015/16 which demonstrate assurance for the effectiveness of the framework of governance of the Borough Council to discharge its responsibilities.

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

There are SIX core principles of governance adopted by the Council's Corporate Governance Committee which are used as reference points for the assurance about the effectiveness of the Council's governance arrangements. For each principle a table is provided within this document setting out what arrangements are in place and what assurance each provides.

AGS Process and Sources of Assurance Overview



Scope of Responsibility

Taunton Deane Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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

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

Taunton Deane Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework “Delivering Good Governance in Local Government”. A copy of the code can be obtained from The Monitoring Officer, Taunton Deane Borough Council, The Deane House, Belvedere Road, Taunton, TA1 1HE on request.

This statement explains how Taunton Deane Borough Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

The Governance Framework

In March 2008 the Council adopted a formal code of corporate governance in line with guidance provide by CIPFA/SOLACE.

These principles of good governance are:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behavior;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks;
5. Developing the capacity and capability of Members and Officers to be effective;
6. Engaging with local people and other stakeholders to ensure robust public accountability.



The Purpose of the Governance Framework

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

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

The governance framework has been in place at Taunton Deane Borough Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

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

How we have set out our vision and the outcomes we wish to achieve	Assurances Received
<ul style="list-style-type: none"> • Members, working with officers, have developed a <u>four year Corporate Strategy (2016-20)</u> which describes the Council's priorities, key activities and intended outcomes for citizens and service users, our vision and our core values. This feeds into a corporate plan, Service plans, team plans and personal plans. • Members and officers have created the <u>Taunton Growth Prospectus</u> which sets out a clear economic vision for Taunton over the period until 2028. • The Council has developed <u>The Core Strategy</u> which sets out a vision for Taunton Deane including strategic objectives, spatial strategy and policies for meeting that vision. • The Council has worked in partnership with key agencies and the local community to prepare the <u>Priority Areas Strategy (2012-17)</u>. The PAS sets out a number of projects that seek to tackle disadvantage and deprivation in the following localities:- <ul style="list-style-type: none"> - North Taunton (Priorswood, Lyngford and Wellsprings) - Taunton East (Halcon, Lane and Lambrook) - Rural Areas - Wellington <p>The Council has approved a Housing Revenue Account Business Plan which sets out new strategic objectives and outcomes for the service for the period 2012-2042.</p>	<ul style="list-style-type: none"> • Performance Management Framework – the Council uses different performance measures (quality, outputs, value for money, customer satisfaction) to give an overview of Council performance and stimulate improvement. Information is published quarterly on our website in the form of reports and minutes against the corporate priorities and targets and reported to the Council's leadership team, Scrutiny Committee and Executive Committees for review and challenge; • Additional performance monitoring reports are also reviewed by the management team and Scrutiny committees (e.g. Somerset Waste Partnership, Tone Leisure). • Externally reported data: Government Single Data List; • Internal Audit reports; • External Audit reports; • Employee annual review process linked to the Council's objectives. • Progress against the Growth programme is regularly reviewed by Taunton Economic Advisory Board and the Project Taunton Steering Group. • Progress updates against the HRA business plan is considered regularly by the Tenant Services Management Board. • Updates on progress against the Joint Management and Shared Service Business Plan provided to the project board and the Joint Partnership Advisory Panel (JPAG).

Joint Management and Shared Service Business Plan created jointly between West Somerset Council and Taunton Deane Borough Council setting out how one team of officers would be created to support the two sovereign Councils and deliver significant savings to each.

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

Source of assurance

The Council's Constitution defines and documents the roles and responsibilities of member and officer functions, with clear published delegation arrangements and protocols for decision making and communication.

The constitution is kept under review by the Constitutional Sub-Committee. During 2015/16 the Monitoring Officer, working with the Constitutional Sub-Committee updated the Constitution, mostly in regard to inserting new officer designations and have also taken the opportunity to 'tidy up' in other ways by, for example, including new elements such as the social media guidelines that have been recently approved by full council.

All officers have defined role descriptions which set out their personal roles and responsibilities.

There is a member/officer protocol that sets out the standards of behaviour expected to ensure an appropriate working relationship between members and officers.

Members work with officers to develop and approve the Corporate Plan, setting out the Council's priorities. Officers use the Corporate Plan to align service delivery with the Council's priorities and regularly report progress to the Executive.

Portfolio holders and the shadow portfolio holders meet key officers on a regular basis to discuss relevant issues within their portfolio.

The Group Leaders, Chief Executive and other relevant key officers meet regularly to share information and discuss any issues for the Authority.

The Leader and Chief Executive meet regularly in order to maintain a shared understanding of roles and objectives.

A 'One Team' newsletter is produced monthly and is issued to all officers and Members highlighting successes, emerging issues, corporate messages in order that both Members and officers share a common understanding of key issues affecting the organisation.

Members and officers work jointly on advisory and steering groups in respect of key corporate projects (e.g. growth, Transformation).

Member induction programme in place for new members.

Officer induction programme in place for new employees to ensure they have knowledge of the organisation, its values and priorities.

The Chief Executive's annual appraisal is undertaken as per the agreed process.

Service plans are clearly linked to the Corporate Plan and the Medium Term Financial Plan (MTFP), both of which are developed between Members and officers. They provide detail about the key actions to be undertaken to deliver on the corporate priorities. They also identify the performance measures and targets to ensure services achieve their objectives and to the required standard.

3. Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behavior.

Source of assurance	Where found
External Audit of Accounts	<u>Website</u>
Members and staff Codes of Conduct	<u>Constitution</u>
Scheme of Delegation	<u>Constitution</u>

Anti-fraud and Corruption Policy	Website
Anti-bribery policy	<u>Website</u>
Financial Regulations	<u>Constitution</u>
Standing Orders on Procurement and Contracts	<u>Constitution</u>
Register of Member Interests	<u>Website</u> – included as part of the personal details for each Member
Register of Officer Interests	Refreshed annually -held by Democratic Services in paper format
Corporate Complaints Policy	<u>Website</u>
Investigation and disciplinary procedures – During 2015/16 there were 8 disciplinary cases which resulted in: 2 written warnings, 1 final written warnings, 1 dismissal, 1 no further action, 2 resignations during disciplinary investigation and 1 disciplinary investigation ongoing.	Disciplinary policy held on TDBC Intranet – HR pages
Local Government Ombudsman Annual Review Letter 2015	Available from the <u>Make a compliment, complaint or suggestion</u> page of our website
Whistleblowing Policy - The Council has in place arrangements for individuals to raise concerns where they believe that staff do not demonstrate the expected core values and behaviours.	<u>Website</u>
The Council set values for the organisation and publish these within our Corporate Strategy.	<u>Corporate Strategy</u> on our website
The Standards Advisory Committee exists to promote and maintain high standards on Councillors and co-opted members through assisting Councillors to observe the member's Code of Conduct and monitoring the	<u>Constitution</u> & Our <u>Website</u>

operation of the Code – During 2015/16 there was one complaint about members which related to a parish councillor; there were no formal complaints received in respect of TDBC councillors

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

Source of assurance	Where found
<p>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. The Monitoring Officer is responsible for the Constitution.</p>	<p><u>Constitution</u></p>
<p>Corporate Scrutiny and Community Scrutiny Committees were set up in 2009 and can scrutinise matters to be considered by committees or the Council in order to provide challenge to decisions to be made or policies to be adopted.</p>	<p><u>Constitution</u></p>
<p>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 and includes a column to indicate 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.</p>	<p>Our <u>Website</u></p>
<p>Protocol on decision making - The Council issues and keeps an up to date a record of what part of the Council or individual has responsibility for particular types of decisions or decisions relating to particular areas or functions</p>	<p><u>Constitution</u></p>
<p>The Council maintains an internal audit service through the South West Audit Partnership (SWAP) that operates to standards specified by the Institute of Internal Auditors (IIA) and the Chartered Institute of Public Finance Accountants (CIPFA). Auditors test compliance with good practice and internal policies</p>	<p><u>Southwest Audit Partnership</u></p>

and procedures, reporting their findings to officers and to the Councils Corporate Governance Committee.	
All reports to Council or committee contain a section relating to risk which ensures known risks are considered as part of the decision making process.	Our website
All reports to Council or committee contain a section relating to legal implications which ensures legal opinion is considered as part of the decision making process.	Our website
All reports to Council or committee contain a section relating to finance implications which ensures financial implications are considered as part of the decision making process.	Our website
Monitoring Officer and the Solicitor to the Council – responsible for ensuring the legality of the actions of the Council and promoting good standards of ethical and corporate governance.	Roles defined in the Constitution
Council meetings are open to the public (with the exception of items that are exempt under the Access to Information Act). The Council advertises meetings, communicate decisions and minutes to ensure they are publicly available in a timely manner.	Constitution & Our website
A call-in mechanism is in place in relation to challenging decisions made by the Executive which allows re-consideration and further debate of the issue.	Constitution
TDBC operates a Corporate Governance Committee which is independent of the Executive and Scrutiny functions of the Council. Corporate Governance covers 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.	Constitution & Our website
Monthly Budget monitoring by budget holders and quarterly finance reporting to Members helps ensure an accurate position of the Council's finances is available when financial decisions are made.	Internal via the Council's shared 'W' drive and Our website
Open data information required under the Transparency Code, as well as some voluntary proactively published data, is available on the Council's website to aid transparency of the operation and conduct of the Council.	Our website

Freedom of Information / Environmental Information Regulations permitting scrutiny of information held by the Council of any matter (subject to exceptions and exemptions)	Our website
A Tenants Services Management Board has been set up, whose members include tenants and Councillors. This board holds the Housing Service to account including performance and expenditure and helps shape the direction of the service.	Agendas and minutes available on our website
Progress of the growth programme is regularly reviewed by the Taunton Economic Advisory Board – which includes various key stakeholders from the local business and public sector, providing independent advice to TDBC, and overseeing the strategic economic development of the Borough. Project Taunton Steering Group - TDBC Members only, with a particular focus on Taunton Town Centre regeneration.	

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

Source of assurance

Staff have an annual appraisal 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, helps to develop their skills and identifies any training needs as well as identifying how their role sits with the delivery of Corporate Priorities.

A corporate training programme is in place covering a variety of skills and knowledge to help officers become more effective.

A corporate e-learning system has been purchased and rolled out to staff during 2015/16 covering a very broad range of topics including governance issues such as Data Protection, Freedom of Information, Appraisals etc.

Taunton Deane Borough Council held extensive Member induction programmes following the May 2015 local elections.

As part of ongoing Member Development the Council has appointed a member champion. The role of the member champion is to encourage and facilitate the participation of members across all political groups to work together for the benefit of the council and the communities they serve. This is based on a recognition that any change in respect of the Council going forward, be it called 'transformation' or whatever, will only be successful with the full engagement and leadership from its elected members.

The member champion is therefore keen to ensure that any events put on are relevant to this process and that members must feel engaged and empowered – hence their banner of 'Making a Difference'. The principles they want to follow are to develop a series of events, to which all members of TDBC and WSC are invited.

Within this context, the first event was held on 27th October 2015 and focussed on a greater understanding of statutory and non-statutory duties that councils undertake to reveal just how complex the picture is.

Members present then held table discussions to reflect on what they had heard and to draw out views how members wanted to be involved going forward and how to progress ideas for future joint member workshops.

The next stage is to work with the member champion to develop the programme of events referred to above.

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

Source of assurance	Where found (if applicable)
Greater corporate use of Social Media – a TDBC Twitter account has been created and has shown a significant increases in 'followers' during the year and an approved Social Media Policy is in place.	Twitter: @ tdbc

The Council produces an Annual Statement of Accounts and publishes these on its website.	Audit of accounts page on Council website
Performance Management Framework – the Council uses different performance measures (quality, outputs, value for money, customer satisfaction) to give an overview of Council performance and stimulate improvement; information is published quarterly on our website in the form of reports and minutes against the corporate priorities and targets and reported to the Council’s leadership team, Scrutiny Committee and Cabinet for review and challenge. Local people can use performance information, to hold the council to account and have a bigger say on what happens in their communities.	Performance reports available on our website
Corporate Strategy (2016-20) which describes the Council’s priorities and intended outcomes for citizens and service users, our vision and our core values.	See Corporate Strategy on our website.
The ‘Your Guide’ Council Tax booklet shares details on the Council’s financial position (i.e. a summary of the Statement of Accounts), priorities, and other useful information and is available on line and also available in paper format on request.	Council Tax booklet available on our website
Groups such as the Tenants Forum and Sheltered Housing Forum allow tenants to have a strong voice in ensuring accountability of the Housing service.	Tenants Forum minutes on Council website
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.	Make a compliment, comment or complaint page of our website
The Weekly Bulletin is published every Thursday and gives details of the latest Council news and decisions. In it are details of future Committee meetings, decisions made by Councillors, the Mayor’s engagements, recent press releases. It is distributed to all Councillors and staff, the local media and some partner organisations including parish Councils.	Available on our website
Articles relating to the Council’s vision and priorities are regularly communicated to the community through the Somerset County Gazette – using the ‘Deane Dispatch’ page.	Somerset County Gazette
Housing performance information is published on our website.	Available on our website

<p>The Local Government Ombudsman produces an Annual Review Letter 2015 setting out the number of complaints against the Council made to the Ombudsman in the previous year together with the outcome of those complaints.</p>	<p>Available from the link published on the Comments and Complaints page of our website</p>
<p>Annual Satisfaction Survey introduced in 2014/15 and continued for 2015/16. For 2015/16 we made paper surveys available as well and sent one out with every Council Tax bill in order to boost response rate. The results were reported to the Council's Executive and all Members.</p>	<p>Available from Corporate Performance Team.</p>
<p>The Council employs Community Development Officers whose roles are to engage with local communities in order to build skills and confidence and support individuals and communities to identify and articulate their needs and then develop their own solutions.</p>	<p>Community Development page of our website</p>
<p>The Council has a consultation policy and throughout the year officers continued to invite input through a wide range of community and business based groups. Public consultations are publicised on our website. Additionally an annual resident's survey was promoted via each of the Council Tax bills we issued.</p>	<p>Current Consultations page of our website.</p>
<p>Regular News articles are placed on the home page of the TDBC Website promoting emerging issues and decisions.</p>	<p>News items on the home page of our website</p>
<p>Revenues and Benefits Customer Forum – made up of the landlords, Council tax payers, business rate payers and Customers receiving Council Tax support and /or Housing benefit. The purpose of the Forum is to develop suggestions on how to address any issues customers have told us about and review and comment on any action plans we come up with to improve our service to customers.</p>	<p>Join the Revenues and Benefits Customer Forum page of our website</p>
<p>Council meetings are open to the public (with the exception of items that are exempt under the Access to Information Act). The Council advertises meetings in advance and publishes minutes of meeting held.</p>	<p>Constitution & Our Website</p>

The Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

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 for the 2015/16 statement was carried out on 26th April 2016 by officers of the Corporate Officers Governance Group, made up of the Internal Audit Manager, Deputy Section 151 Officer, Monitoring Officer and the Corporate Strategy & Performance Manager.

The review of the effectiveness is informed by senior managers within the Council who have responsibility for the development and maintenance of the governance environment, and also by the work of the internal auditors and external auditors

The opinion of the Internal Auditors was that overall the control environment was reasonable in 2015/16 (the opinion was also "reasonable" in 2014/15).

In its review of effectiveness, the Authority has assessed its overall governance arrangements remain adequate and fit for purpose.

Some areas where further improvements could be made have been identified and these have been included within the Action Plan (Appendix A) which we will seek to address during the 2016/17 financial year.

Certification

Over the coming year we will continue to enhance our governance arrangements. We are satisfied that these steps, shown within the Action Plan, 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.

On behalf of Taunton Deane Borough Council:

Signed:
John Williams
Leader of the Council

Signed:
Penny James
Chief Executive

The review of our governance framework identified some areas where further improvements could be made. These are shown below. We will seek to address these during the 2016/17 financial year (April 2016 to March 2017).

Ref	Action
1	Introduce a corporate process for reviewing and documenting decisions regarding the prioritisation of internal audit recommendations.
2	Facilitate a self-assessment of the effectiveness of the Corporate Governance Committee (based upon CIPFA guidance 2013) and identify training needs flowing from this.
3	Undertake a review of the Scrutiny/ Decision-Making Processes within the Council to ensure it is efficient and effective in terms of both officer and Member involvement.

The following actions were identified within the 2014/15 Annual Governance Statement as matters which the Council sought to progress during 2015/16. Below is an update on progress against these matters:

Ref	Action	Progress
1	Refresh the Council’s Corporate Priorities and Corporate Plan, re-focusing on the purpose of the Council and on outcomes for the community. Take through the democratic process and publicise through traditional and social media.	Complete - The Corporate Strategy has been through the Democratic Process and was formally approved at Full Council. The Corporate Strategy has been uploaded onto the Taunton Deane website and publicised via social media.
2	Publish committee minutes within 7 working days of the meeting – introduce an internal performance measure to track progress against this target.	Complete - all committee meetings minutes will be available to be signed off by the committee chair within 7 working days of the meeting. This is to be a Corporate Measure, on the Quarterly Performance Scorecard from 1 April 2016.
3	Add further open data to the Council’s website to meet the requirements of the Transparency Code 2015. To meet the Government’s desire to place more power into citizens’ hands to increase democratic accountability and make it easier for local people to contribute to the local decision, making process and help shape public services	Complete - A significant piece of work has been undertaken to make sure the TDBC website now meets all the requirements of the Transparency Code 2015. To increase the Councils Transparency additional information has been added to our "Open Data" webpages. This information covers: <ul style="list-style-type: none"> • Business Rates Accounts • Business Rates Accounts in Credit • Public Health Funeral's
4	Develop a new staff Intranet, so there is a single repository of up to date policy and procedures which staff can easily access irrespective of their location.	Complete – The new Intranet will go live in early May 2016

5	Develop a robust staff induction process for all staff in the One Team ways of working and behaviour.	Complete.
6	Deploy eLearning solution in order to deliver refresher training in DPA, FOI, Health and safety etc and have a real-time record of who has undertaken the training.	Complete. Following a pilot in October, the One Team Learning Management System was launched to all staff in November 2015. There are currently 43 modules available for staff to access for their personal development with new modules being added on a weekly basis.
7	Initiate a process of assurance that the basics are in place across the One Team– for example regular team meetings, risk registers, appraisals etc	Not Complete. This will carry over to 2016/17. Discussions to be held within the management team of what the 'basics' will consist of and the process for gaining assurance that these are in place.

21/06/2016, Report:Grant Thornton - External Audit Fees

Reporting Officers:Peter Barber,Kevin Henderson

21/06/2016, Report:Grant Thornton - External Audit Update

Reporting Officers:Peter Barber,Kevin Henderson

21/06/2016, Report:SWAP Internal Audit - Annual Opinion

Reporting Officers:Alastair Woodland

21/06/2016, Report:Review of Effectiveness of Internal Audit

Reporting Officers:Jo Nacey

21/06/2016, Report:SWAP Internal Audit - Audit Plan 2015/16 Outturn

Reporting Officers:Alastair Woodland

19/09/2016, Report:Health and Safety Six Monthly Update

Reporting Officers:Catrin Brown

19/09/2016, Report:Grant Thornton - External Audit Findings

Reporting Officers:Peter Barber,Kevin Henderson

19/09/2016, Report:Approval of the Statement of Accounts

Reporting Officers:Jo Nacey

19/09/2016, Report:Corporate Risk Update

Reporting Officers:Paul Harding

19/09/2016, Report:Corporate Governance Action Plan

Reporting Officers:Paul Harding

19/09/2016, Report:SWAP Internal Audit - Progress Report

Reporting Officers:Alastair Woodland

19/09/2016, Report:Summary Report on Overdue Level 4/5

Reporting Officers:Paul Harding

19/09/2016, Report:Review of Financial Regulations

Reporting Officers:Jo Nacey

06/12/2016, Report:Grant Thornton - Annual Audit Letter

Reporting Officers:Peter Barber,Kevin Henderson

06/12/2016, Report:Grant Thornton - External Audit Update

Reporting Officers:Peter Barber,Kevin Henderson

06/12/2016, Report:SWAP Internal Audit - Progress Report

Reporting Officers:Alastair Woodland

20/03/2017, Report:Health and Safety Six Monthly Update

Reporting Officers:Catrin Brown

Report:Draft Annual Governance Statement

Reporting Officers:Paul Harding