

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 19 September 2016 at 18:15.

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### Agenda

- 1 Apologies.
- 2 Minutes of the meeting of the Corporate Governance Committee held on 21 June 2016 (attached).
- 3 Public Question Time.
- 4 Declaration of Interests  
To receive declarations of Disposable Pecuniary Interest and personal or prejudicial interests, in accordance with the Code of Conduct. The usual declarations made at meetings of the Corporate Governance Committee are set out in the attachment.
- 5 SWAP Internal Audit - Progress Report. Report of the Audit Manager (attached).  
Reporting Officer: Alastair Woodland
- 6 Summary of Overdue Level 4/5 Actions. Report of the Corporate Strategy and Performance Manager (attached).  
Reporting Officer: Paul Harding
- 7 Corporate Risk Update. Report of the Corporate Strategy and Performance Manager (attached).  
Reporting Officer: Paul Harding
- 8 Corporate Governance Action Plan. Report of the Corporate Strategy and Performance Manager (attached).  
Reporting Officer: Paul Harding
- 9 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

13 October 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.

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



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



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

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

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**Corporate Governance Committee Members:-**

Councillor A Sully	(Chairman)
Councillor J Blatchford	(Vice-Chairman)
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 June 2016**

Present: Councillor Mrs Adkins, Mrs Blatchford, Coles, Hall, Horsley, Hunt, Ryan, Miss Smith, Mrs Tucker and Ms Webber.

Officers: Jo Nacey (Senior Accountant and Deputy s151 Officer), Paul Harding (Corporate Strategy and Performance Manager) and Emma Hill (Democratic Services Officer)

Also Present: Kevin Henderson – Audit Manager, Grant Thornton  
Alastair Woodland – Audit Manager, South West Audit Partnership (SWAP)

(The meeting commenced at 6.15 pm)

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

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

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

**Resolved** that Councillor Mrs Blatchford be appointed Vice-Chairman of the Community Scrutiny Committee for the remainder of the Municipal Year.

### **17. Apologies/Substitution**

Apologies: Councillors Booth, Cavill, Govier, and Sully.  
Substitution: Councillor Coles for Councillor Booth.

### **18. Minutes**

The Minutes of the Meeting of the Corporate Governance Committee held on 21 March 2016 were taken as read and were signed.

### **19. 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.

### **20. Grant Thornton External Audit – Audit Fees**

Members considered the letter previously circulated, concerning the details of the fee forecast for external audit services in 2016/17.

Each year the 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.

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

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

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

- Members asked if there were any potential reserve days for Officers to request Auditors to review anything that the Council felt needed or required auditing, and were informed that the External Auditors had a prescribed number of reviews and areas to look at and any additional reviews requested would attract an additional fee.
- In response to a question asking how the reduction in fees came about, the Committee were informed that the fee level was set by Public Sector Audit Appointments (PSAA) and they were based on work completed two years previously. For example, the fees for 2017-18 were based on the work completed in 2015-16. This was due to the auditing process and reporting requirements. So this meant that the fees altered year on year depending on the work completed in that year.
- In response to a question regarding how often the tendering process was completed, the Committee were informed that the Council had not taken part in the tendering process as yet. The Audit Commission had completed a tendering process four years ago, which resulted subsequently in the reduction in fees. There would be a new tendering process sometime during 2017.

**Resolved** that the report be noted.

## **21. Grant Thornton External Audit – Audit Update**

Members considered the report previously circulated, providing 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 had 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:-

- The Committee asked if the Auditors would be reporting back to the Committee concerning the Councils' transformation process in September, and were

informed that they would be reporting on the updated Value for Money positions for both Councils following the transformation project.

- Members suggested that Grant Thornton may wish to provide an External Audit perspective on the Councils' Transformation Business Case.
- Members were informed that the External Auditors' role for the Council was to complete audit reviews on the Accounts at the end of the financial year and give a Value for Money position for the Council.

**Resolved** that the update provided be noted.

## **22. SWAP Internal Audit – Internal Audit Plan 2015/16 Outturn**

Members considered the report previously circulated, concerning 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 March 2016 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.

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

The 2015-16 Annual Audit Plan was intended to provide independent and objective assurance on TDBC's Internal Control Environment and this work would support the Annual Governance Statement.

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

- In response to a question requesting an explanation of the term 'Non-Opinion' and why the Auditors would not have an opinion, the Committee were informed that this status was given to non-planned audits. This meant Service Managers had requested audits to be completed by SWAP auditors, which had been requested in addition to the planned schedule of audit.
- Concerns were raised about the large number of recommendations connected to the audit on Housing Service voids and the Committee were informed that this had been a planned audit and service review, which would be subject to a follow up review during 2016/17.
- In response to a question enquiring if the Internal Audit service would be able to complete an audit review of the Councils' Transformation Business Case and provide an opinion on the proposals, the Committee were informed that the Auditors had scheduled an audit of the transformation project and business case and also that Members could request this audit be brought forward in the schedule of planned works to meet the July timescale to provide Members with an opinion.
- Members were informed by Officers that the Transformation Business Case would be subjected to an independent review and assurance review completed by the Local Government Association (LGA) next week and Members would be provided with the outcome report of the LGA's review.
- In response to a question asking why the audit of the responsive maintenance been dropped from the planned audits, the Committee were informed that this had moved to the planned audit for 2016/17 as SWAP needed to prioritise the remaining audits for 2015/16.

**Resolved** to note the progress made in delivery of the 2015/16 internal audit plan and significant findings since the previous update in March 2016.

### **23. SWAP Internal Audit – Internal Audit Annual Opinion**

Members considered the report previously concerning the Internal Audit Opinion for 2015/16. The key messages were:-

- For the 2015-16 audit plan for the Council contained a total of 29 reviews to be delivered.
- Some reviews from planned audit were 'exchanged' or 'removed' as the need to respond to new and emerging risks were identified.
- The majority audits had been completed to report stage. There were remaining six reviews currently being drafted and these reviews would remain a priority for completion.
- 16 of 29 reviews in 2015-16 returned opinions with five (31%) received Partial Assurance, six (38%) reviews received a Substantial Assurance and five (31%) reviews received Reasonable Assurance.
- Generally the Council risks were well managed but some areas required the introduction or improvement of internal controls to ensure the achievement of objectives.
- The Auditors' reviewed the last four years and the percentage of reviews that had returned a Partial Assurance Opinion within the annual plan had slowly been increasing.
- SWAP were looking to introduce a new protocol on 'Delivering Effective Internal Audit' that placed obligations on both SWAP and management at the Council to ensure audits were progressed as expediently as possible.
- The auditor confirmed that they had not found any areas of concern and that they were confident that the processes in place were adequate to support SWAP's annual report and financial statements.

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

**Resolved** that the Annual Opinion on the effectiveness of the internal control environment in the delivery of TDBC objectives be noted.

### **24. Review of Effectiveness of Internal Audit**

Members considered the report previously circulated, which set out to inform the Corporate Governance Committee of the recent review of the effectiveness of the delivery of Internal Audit through SWAP (South West Audit Partnership) during 2015/16.

The Councils' review of Internal Audit had been carried out by the Director of Operations (the Council's S151 Officer) and the findings had been reported as part of the overall evaluation and would also provide supporting evidence for the Annual Governance Statement.

Included within the report was a table of information detailing some of the overall performance of the service during the year compared to the previous three years.

For example the percentage of Audits and Reviews completed within a year compared to the plan in 2012/13 – 87%, 2013/14 – 89%, 2014/15 – 75% and 2015/16 – 62% (end of March).

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

Contained within the officers' report were the details of agreed Action Plan for the remaining planned Audits and the status of those audits as well as an update against them, which have yet to be completed from 2015/16 and progress from the planned audits from 2016/17.

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

- Members asked how many planned audits had been scheduled and how many had been completed within the year, and informed that the auditors had completed 29 of the 40 scheduled audits.
- Concerns were raised that there always appeared to be a number of planned audits rolling over to the next year.
- Members suggested that the Council and Auditors needed to create a proper action plan to address the backlog of audits to prevent the need to roll over scheduled audits to following year. In response to this Officers provided their opinion to the Committee that SWAP could look at buying or employing temporary auditors to complete the backlog, while continuing to complete planned audits for 2016/17.
- Members discussed the resilience of the Internal Auditors to enable them to keep to the planned audits each year.
- In response to a question as to how was the audit completion of TDBC and WSC when compared to other districts, the Committee were informed that the performance of Auditors for TDBC and WSC was poor in comparison to other district authorities and other local authorities were getting 95% completion of audits.
- In response to a question asking if there was any financial penalties that could be imposed on the Internal Auditors for failure to complete planned audits within the year, the Committee were informed that the Council could indeed impose financial penalties but Senior Management wanted them to keep to yearly agreed and planned audits as well as improving of their completion rate of audits within in year.
- Concerns were raised that in comparison with previous years' performance figures the performance appeared to be getting worse and not improving.
- In response to a question asking what was being done by the SWAP Board about the drop in performance in terms of audit completion targets and who was holding SWAP to account for their actions, the Committee were informed that the Board had acknowledged the issues and had not made any excuses to the Council and as resolution to the issues, they had promised extra resources to clear the backlog of audits from the previous year.
- Members were informed that Officers had regular review meetings with SWAP Audit Manager to highlight any issues. The Council needed to reinforce to

SWAP that the Council had paid for a service and they needed to employ additional support to complete this within the allotted timescale.

- In response to a question asking how SWAP were going to clear the backlog from 2015/16 and keep on schedule with the planned audits for 2016/17, the Committee were informed that the Council had highlighted to SWAP that not only did they to clear the backlog but keep on schedule with the Audit Plan for 2016/17. SWAP had informed the Council that the scheduled audits work was currently split between clearing the backlog and scheduled audits for 2016/17. Officers had highlighted and prioritised the high risk areas were the audits needed to be completed as priority.
- In response to a question about what was the alternative for the Council instead of SWAP for Internal Audit services, the Committee were informed that the Council were on a rolling contract with SWAP, which we were signed into until 2017/18. If the Council went out to tender for new Internal Audit Services and the Council might be able to contract a company who would achieve a higher percentage of completion but the cost difference might result in a reduced service (meaning less audits per quarter due to cost) in comparison.
- Members raised their concerns to Officers about further expansion for SWAP if they were unable to meet the agreed terms of the contract with the Council.
- Members asked the Democratic Services Officer and Senior Accountant to enquire if Cllr Stock-Williams had stood down as representative for the Council on the SWAP Board during her mayoral year.
- Members requested that Officers send a letter to Chief Executive Gerry Cox from Deputy S151 Officer and Chairman of Corporate Governance requesting his presence at the Committee's next meeting in September.
- Officers informed Members that other Local Authorities were currently getting what they had agreed contractually with SWAP but TDBC and WSC were not. SWAP had also recently taken on work for two Local Police Authorities.
- Discussion took place about the Committee's concerns over the clearing of the backlog of audits as well as SWAP keeping of track with the planned audits for 2016/17 and what the Council would do if they continued to roll over audits into the next year.

**Resolved that:-**

1. The findings of the review of the effectiveness of internal audit for 2015/16 be noted.
2. The Deputy S151 Officer to contact the Chief Executive Gerry Cox of SWAP via letter and voice their concerns and request his presence to the Committee's next meeting on 19 September 2016.

## **25. Draft Annual Governance Statement**

Members considered the report previously circulated, concerning the Councils' review of 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.

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

discharging this overall responsibility, the Council was 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.

The Council had approved and adopted a Code of Corporate Governance, which was 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".

The Annual Governance Statement explained how the Council had complied with the code and also meet 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.

The Corporate Governance Officers Group had led the 2015/16 review of the governance framework. The group included 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

The conclusion from this review was that overall, the council's governance framework is reasonable and fit for purpose. This was further endorsed by the Group Auditor's annual opinion report 2015/16, which offered 'reasonable assurance' in respect of the areas reviewed during the year.

The AGS described how the council complied 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

A copy of the draft Annual Governance Statement was attached as an appendix with the covering report.

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

- Members were informed that the issues with Internal Audit Service were not about the quality of their work but about the quantity of the audits completed within the planned audit year.
- Members raised concerns about the public using the website to locate information as well as Members using it. Members were informed that these concerns had been raised by others and this had been take on board and the updating of the Council's website was an essential part of the next phase of the Council's transformation project.
- In response to a question asking what was the 'W Drive' and could Members have access to this, the Committee were informed that this network drive that been set up in the early stages of the transformation to allow TDBC and WSC staff to share and have access to information. Things had progressed on from this and now staff had access to the joint 'One Team' intranet to share information and policies.

**Resolved that:-**

1. The Officer's report be noted.
2. The Leader of the Council and the Chief Executive be recommended to adopt the draft Annual Governance Statement.

## 26. Corporate Governance Committee Forward Plan

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

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

(The meeting ended at 7.53pm).

## **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 – 19 September 2016

### SWAP Internal Audit – Internal Audit Plan 2016/2017 Progress Report

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 2016-17 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 2016/17 internal audit plan and significant findings since the previous update in June 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

<b>Likelihood</b>	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
<b>Impact</b>							

<b>Likelihood of risk occurring</b>	<b>Indicator</b>	<b>Description (chance of occurrence)</b>
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 June 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 2016/17 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 Progress Report 2016/17
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**Contact Officers**

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# Taunton Deane Borough Council

Report of Internal Audit Activity

Plan Progress 2016/17 September

# Contents

The contacts at SWAP in connection with this report are:

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➡	Role of Internal Audit	Page 1
➡	Internal Audit Work	Page 2
➡	Approved Changes to the Audit Plan	Page 3
➡	Appendices:	
	Appendix A – Internal Audit Definitions	Page 4 - 5
	Appendix B – Internal Audit Work Plan	Page 6 – 8
	Appendix C – Summary of Partial Opinion Audit Assignments undertaken since June 2016.	Page 9 - 22

## Internal Audit Plan Progress 2016/2017

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 Corporate Governance Committee at its meeting on March 2016.

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 Joint Management Team. The 2016-17 Audit Plan was reported to this Committee and approved by this Committee at its meeting in March 2016.

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

## Internal Audit Plan Progress 2016/2017

### 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 2016/17. 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 is shown in **Appendix B** there is one 2015-16 review still at draft report due to the key officer being absent. We understand this will be responded to on their return to work on the 21 September.

As agreed with this Committee where a review has a status of ‘Final’ and has returned a ‘Partial’ or ‘No Assurance’ rating I will provide a summary of the work and further details to inform Members of the key issues identified. Since the last update in June 2016, 14 reviews have been finalised. Of these, four have returned a ‘Partial Assurance’ Opinion. The following risks were rated as ‘High’ following our work:

DLO Stores - *Inadequate or incomplete record of stock movements, resulting in low, high or unknown levels of stock and its value.*

Crematorium - *Loss of Income - there is no accountability or sufficient income controls in place;*  
- *Loss of key staff will impact on service delivery and continuity.*

Further details of the completed reviews since the last update can be found within **Appendix C**.

## Internal Audit Plan Progress 2016/2017

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 2016/17 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 last update there have been two plan changes. At the request of the relevant service manager we were asked to defer the quarter 2 Housing Responsive maintenance review until quarter 4. To compensate this move we have brought forward from quarter 4 the licensing review.

Due to West Somerset Council delaying their decision on whether to merge with Taunton Deane Borough Council it was agreed with the Section 151 Officer that the Transformation Programme audit scheduled for quarter 2 should be deferred.

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



Audit Framework Definitions

Control Assurance Definitions

- Substantial
- Reasonable
- Partial
- No Assurance

<b>Substantial</b>	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>No Assurance</b>	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

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 ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
<b>FINAL</b>											
Follow up	IT Hardware Asset Management	Q1	Final	Follow up	0	0	0	0	0	0	
Follow up	Software Asset Management	Q1	Final	Follow up	4	0	0	3	1	0	
Operational Audit	Crematorium	Q1	Final	Partial	12	0	0	5	7	0	
Follow Up	Commercial Rents	Q1	Final	Follow up	3	0	0	2	1	0	
Governance, Fraud and Corruption	Absence Management	Q1	Final	Reasonable	5	0	0	5	0	0	
Follow up	Housing Voids	Q2	Final	Follow up							
<b>DRAFT</b>											
Governance, Fraud and Corruption	Imprest/Cash Spot Checks	Q1	Discussion Document								
Governance, Fraud and Corruption	Members Expenses	Q1	Discussion Document								
<b>IN PROGRESS</b>											
Operational Audit	Licensing	Q2	In Progress								
Follow up	Asset Management	Q2	In Progress								
ICT	User Management (Starters and Leavers - HR, Facilities, ICT)	Q2	In Progress								

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
ICT	New Financial System	Q2, Q3, Q4	In Progress								
Operational Audit	Capital Programme Approval & Monitoring / linked with Contract monitoring	Q2	In Progress								
ICT	SWOne Exit Support/ Advice Days (Quarter 2,3,4)	Q2, Q3, Q4	In Progress								
Governance, Fraud and Corruption	SWO Succession planning	Q2	In Progress								
<b>NOT STARTED</b>											
Key Control	Housing Rents	Q3									
Key Control	Main Accounting	Q3									
Key Control	Creditors	Q3									
Key Control	Council Tax & NNDR	Q3									
Key Control	Debtors	Q3									
Key Control	Housing Benefits	Q3									
Key Control	Payroll	Q3									
Key Control	Treasury Management	Q3									
ICT	Mobile Working (Mobile Devices - end to end)	Q3									
Governance, Fraud and Corruption	Transformational Programme	Q4									

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Governance, Fraud and Corruption	DLO Transformation / Relocation Programme	Q4									
Governance, Fraud and Corruption	Information/Data Security/Data Protection	Q4									
Operational Audit	Housing - Responsive Maintenance	Q4									
Operational Audit	Supported Housing (both Extra Care and Sheltered)	Q4									

**2015-16 Audits**

Operational Audit	DLO Stores	Q2	Final	Partial	9	0	0	4	5	0	
Key Control	Creditors	Q3	Final	Partial	5	0	0	4	1	0	
Operational Audit	DLO Operations (NEW)	Q3	Final	Non - Opinion	12	0	0	12	0	0	
ICT Audits	Physical and Environmental Controls / Data Centre	Q4	Final	Follow Up	5	0	0	4	1	0	
Operational Audit	Deane Help Line	Q4	Final	Reasonable	6	0	0	5	1	0	
Operational Audit	Land Charges	Q4	Final	Partial	7	0	0	5	2	0	
Operational Audit	Homelessness	Q4	Draft	Reasonable	8	0	1	7	0	0	
Key Control	Housing Rents	Q2	Final	Reasonable	9	0	3	6	0	0	
Follow Up	Disaster Recovery Audit (from follow-up contingency)	Q4	Final	Follow Up	3	0	0	1	2	0	

Summary of Audit Assignments Undertaken since the June 2016 Update

**Audit Assignments completed since the June 2016 update:**

**These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee**



Summary of Audit Findings and High Priority Service Findings

The following information provides a brief summary of each audit review finalised since the last Committee update in June. Each audit review is displayed under the relevant audit type, i.e. Operational; Key Control; Governance; Fraud & Corruption; ICT and Special Review.

Operational Audits

Operational audits are a detailed evaluation of a Service’s control environment. A risk matrix is devised and controls are tested that mitigate those risks. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

DLO Stores – Partial Assurance

The DLO Stores has experienced significant change over the last few years; in particular changes in Stores personnel and the introduction of a new software system OPENContractor in November 2014. Problems with the initial set up of the system by the supplier (Capita) led to several anomalies with the records held within it. A resolution to each error as it arose was sought with the supplier and with their support, or through the Council finding the answers itself, these anomalies have essentially been rectified.

In addition to the above, some good practice has been observed and evidenced in relation to the receipting of goods into Stores. In addition, access to Stores and the Stores Management module within OPENContractor is restricted and this is well controlled.

**Audit Assignments completed since the June 2016 update:**

**These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee**

Operational Audits Continued

There have, however, been a number of weaknesses in control identified from this audit review. Essentially, the stock records within OPENContractor cannot be relied upon for their accuracy. The reasons for this are:

- Invoices have been incorrectly processed resulting in items being issued on jobs at the incorrect price.
- Stock items have been recorded and issued on jobs at the incorrect price.
- Stock-taking is not being undertaken in line with the Authority's Financial Regulations, resulting in inaccurate stock records.
- Lack of attention to detail with manual input of data, resulting in inaccurate stock records.
- Authorisation not received in advance of obsolete items being sold on eBay.

Due to the nature of these weaknesses the following risk returned a 'High' risk assessment after the controls had been tested: *Inadequate or incomplete record of stock movements, resulting in low, high or unknown levels of stock and its value.*

An agreed action plan is in place for management to address the weaknesses identified.

Below are the priority 4 recommendations from this review.

## DLO Stores Priority 4 Recommendations

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
Invoices have been incorrectly processed resulting in items being issued on jobs at the incorrect price.	Costing information is not based on the actual price of the goods.	I recommend that the Business & Finance Manager ensures that all business support staff are made aware of the new procedure to prevent these errors from occurring in future.	As the DLO highlighted this issue and discussed during the Audit, a process has now been identified that addresses this issue. Training has been given to all staff who process Stores invoices. Refresher training is continuing.	5/5/16	Business and Finance Manager
Stock items have been recorded and issued on jobs at the incorrect price.	Subsequent stock issues have been recharged at the incorrect price.	I recommend that the Assistant Director - Operational Delivery ensures that consideration is given to reviewing all stock lines and related stock prices to verify that the correct stock price has been recorded and the correct price (plus mark-up) will be recharged.	As discussed, this issue was raised by the DLO and as above has been rectified by a new process.	Completed	Business and Finance Manager
Stock-taking is not being undertaken in line with the Authority's Financial Regulations.	Inaccurate stock records impacts on the accuracy of the financial accounts and the ability to ensure stock maintained/held is sufficient.	I recommend that the Assistant Director - Operational Delivery ensures that continuous stock-takes are undertaken throughout the year, with an independent check carried out at least quarterly.	Stock taking is completed by stores staff continuously throughout the year and the Business and Finance Manager completes management check monthly. An independent quarterly management check is also taking place. This will be reflected in the updated Financial Regulations.	TBC	Business and Finance Manager

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
Lack of attention to detail with manual input of data, resulting in inaccurate stock records.	Inaccurate stock records impacts on the accuracy of the financial accounts. Without an accurate or complete record of stock movements, the actual stock value and levels will be unknown and this could result in difficulty meeting service delivery.	I also recommend that the Assistant Director - Operational Delivery ensures that refresher training is given to all stores staff in relation to the movement of stock items and the recording of this in OPENContractor.	It has been emphasised to all staff as to the importance of accurate input of data and the impact of errors.	Complete	Business and Finance Manager
Authorisation not received in advance of items being sold on eBay.	There is a risk that wanted items are sold on eBay and the Authority makes a financial loss on items of high value and desirability.	I recommend that the Assistant Director - Operational Delivery ensures that specific written procedures are put in place for the sale of obsolete stock items using eBay.  These procedures should set out the requirement for the authorisation of sale to be given in advance and that this authorisation should include the verification of the suitability of the item to be sold.	The Asset Disposal Policy has been updated to include the disposal of obsolete Stores stock and emphasizes that no item may be advertised or sold without prior signatory approval by 2 service managers.	6/6/2016	Business and Finance Manager

**Audit Assignments completed since the June 2016 update:**

**These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.**

Operational Audits Continued

Land Charges – Partial Assurance

There is uncertainty over the service long term with due to the Infrastructure Act 2015 which provides for the transfer of responsibility for local land charges in England and Wales from local authorities to the Land Registry. Under these provisions, initially Land Registry will provide a single, digital local land charges register for the 326 English local authorities. Actual implementation requires a range of secondary legislation and rules to support these changes; this will include public consultation with the relevant stakeholders prior to any changes being made.

Some good practice has been identified from this audit review, particularly that:

- prompt updates are made to the register;
- prompt responses are given to search requests;
- regular reconciliation of income collected against the searches undertaken; and
- regular reconciliation of income collected against that recorded in the general ledger.

However, the main reason partial assurance has been awarded is the non-compliance with the Local Authorities (Charges for Property Searches) Regulations 2008. Compliance to these regulations is fundamental to the service. Failure to comply with these regulations will leave the Authority open to legal challenge.

Below are the priority 4 recommendations from this review.

## Land Charges Priority 4 Recommendations

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
The Authority is not able to demonstrate compliance with Regulation 6 and 7 of the Local Authorities (England) (Charges for Property Searches) Regulations 2008.	Failure to comply with these regulations will leave the Authority open to legal challenge.	I recommend that the Community & Client Services Manager liaises with the Service Accountant to undertake a full review of the Land Charges budget and fee setting process in line with Regulations 6 (2) and 7. This should be demonstrated annually through the revision and approval of Fees and Charges.	Agree that this is an area of weakness previously identified by management. Full review is intended to take place for fee setting 2017/18.	April 2017	Community & Client Services Manager -
The Authority is not able to demonstrate compliance with Regulation 9 of the Local Authorities (England) (Charges for Property Searches) Regulations 2008.	Failure to comply with these regulations will leave the Authority open to legal challenge.	I recommend that the Community & Client Services Manager ensures the S151 Officer approves and then publishes the necessary information in line with Regulation 9.	A three year rolling average will be used to predict future levels.	December 2016.	Land Charges Officer

**Audit Assignments completed since the June 2016 update:**

**These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee**

## Operational Audits Continued

### Crematorium – Partial Assurance

This audit focused on the following risk areas:

- Reputational risk that the crematorium does not deliver in accordance with requirements and customer expectations
- The grounds and premises are not sufficiently maintained leading to injury or reputational loss.
- Loss of Income - there is no accountability or sufficient income controls in place
- Loss of key staff will impact on service delivery and continuity

Weaknesses were identified with the Crematorium/Cemetery Administration Software (CAS) which was first installed in 1994/5. Weaknesses were identified in the financial recording on the system and there is a risk that not all potential income is being invoiced or received. A previous audit relating to burial records was carried out last year which also identified areas of weakness within this system which have not yet been addressed.

The other major weakness identified was around the continuity arrangements for the service. There is insufficient cover for the managers' roles and, through their own assessment, their work often builds up during periods of absence as it is not covered by another officer. The processes reviewed throughout this audit were not documented which prevents staff covering other roles during absences. The lack of procedures and the inability for other staff to cover all key tasks indicates that the service does not have sufficient continuity arrangements in place.

Due to our findings the following risks were assessed as 'High' risk at a corporate level after the controls had been tested; *Loss of Income - there is no accountability or sufficient income controls in place;* and *Loss of key staff will impact on service delivery and continuity.*

Below are the priority 4 recommendations from this review.

## Crematorium Priority 4 Recommendations

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
<p>It was identified during testing that there are no documented procedures in place for any tasks that the officers perform. For example:</p> <ul style="list-style-type: none"> <li>• Income collection</li> <li>• Invoice raising</li> <li>• Booking cremations</li> <li>• Banking</li> <li>• Aged Debts</li> </ul>	<p>This increases the risk of tasks not being performed or being incorrectly completed. Without procedures tasks cannot be easily passed to other staff members when officers are absent and long term sickness could cause increased difficulties if the tasks they complete cannot be easily picked up by another officer.</p>	<p>I recommend that the current Cemeteries &amp; Crematorium Manager all procedures are documented for the main tasks completed by the officers.</p>	<p>This financial year the IT system is due to be replaced and shortly a new Manager and Registrar will be appointed, this will be the ideal opportunity to provide such written procedures.</p>	<p>Dependent on recruitment timetable.</p>	<p>New Cemeteries &amp; Crematorium Manager</p>
<p>None of the recommendations from the 2015-16 review have been implemented. This review focused on the risk that Plots are inaccurately allocated resulting in double bookings / plots sold twice. There were two priority three recommendations and one priority four recommendation regarding replacing the CAS software.</p>	<p>Plots are inaccurately allocated resulting in double bookings / plots sold twice.</p>	<p>I recommend that the Assistant Director – Operational Delivery ensures that audit recommendations are completed by the responsible officers.</p>	<p>During the current financial year the system is due for replacement. There has been a demonstration on site of the ClearSkies software and the service is waiting for a demonstration of the Gower software.  The new manager will have the opportunity to obtain a new software package appropriate to Taunton Deane requirements and compatibility.</p>	<p>31 December 2016</p>	<p>Assistant Director Operational Delivery</p>

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
<p>System weaknesses were noted for the charge setting that could impact on accuracy of income. For example:</p> <ul style="list-style-type: none"> <li>• additional charges can be entered as miscellaneous and deleted from the CAS system and no record of the entry will be recorded in the system.</li> <li>• All staff with access to the CAS system currently have the ability to delete items. The system records if a record has been deleted but this information can be removed completely by a clean-up process.</li> </ul>	<p>As items can be deleted from the system, there is a risk that entries are deleted fraudulently and invoices are not raised.</p>	<p>I recommend that the Cemetery and Crematorium Manager implements a new procedure to use the Council's Financial Management System (SAP) to record and produce itemised invoices detailing all charges to debtors.</p>	<p>This is noted and CAS will be replaced during the current financial year and this will be the responsibility of the new Cemeteries and crematorium manager.</p>	<p>31 December 2016</p>	<p>Assistant Director Operational Delivery</p>
<p>A number of system weaknesses were noted through the invoice and case receipting process:</p> <ul style="list-style-type: none"> <li>• Changes can be made to records on the CAS system after invoices have been generated.</li> <li>• Invoice numbers are generated through the CAS system, but this is a 'running count' and therefore you cannot search/look up individual invoice details via the invoice number on the system. You</li> </ul>	<p>There is a risk that not all income is being collected</p>	<p>I recommend that the Cemetery and Crematorium Manager ensures a new system is procured and controls are implemented either through this system or the Council's financial management system that allow the following:</p> <ul style="list-style-type: none"> <li>• Interface with the TDBC finance system so that manual input is minimise or no longer required</li> </ul>	<p>The CAS System will be replaced during the current financial year and this will be the responsibility of the new Cemeteries and crematorium manager.</p>	<p>31 December 2016</p>	<p>Assistant Director Operational Delivery</p>

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
<p>cannot re-print or produce a 'copy invoice' if required as the system will generate a new invoice number.</p> <ul style="list-style-type: none"> <li>the cash receipting process in CAS is insufficient. The system does not allow records of over or under payments to be recorded. The process just records a receipt number against a record.</li> </ul>		<ul style="list-style-type: none"> <li>Record all invoice numbers and dates</li> <li>Provide clear audit trails allowing simple searches to find required information</li> <li>Allow cash receipting against the relevant invoice numbers so over and under payments can clearly be seen.</li> <li>Allow reports to be run from the system showing various financial information. This should include aged debt reports.</li> <li>Produce clear invoices which include VAT breakdowns, VAT registration number, business address, and payment terms.</li> <li>Ensure no changes can be made to records after an invoice has been raised.</li> </ul>			

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
There are no payment terms shown on invoices raised. There is no information provided to the debtor on how soon invoices must be paid or how they should be paid. We were also informed there are no payment terms in place with any customers.	This increases the risk of overdue debt increasing as the customer can claim that they are not overdue with their payment as no terms are in place.	See recommendation above.	The CAS System will be replaced during the current financial year and this will be the responsibility of the new Cemeteries and crematorium manager.	31 December 2016	Assistant Director Operational Delivery
It was identified during testing that invoices generated from the system are not clear and do not contain all the legislatively required information. The invoices are missing the following information: <ul style="list-style-type: none"> <li>• The crematorium business name and address</li> <li>• The VAT number</li> <li>• A clear description of what you are charging for</li> <li>• Total amount excluding VAT</li> <li>• Price per item excluding VAT</li> <li>• Rate of VAT charged</li> </ul>	VAT invoice regulations are not currently being met. We are aware that the Control Officer at TDBC does split VAT out to ensure VAT is paid where appropriate. However, Funeral Directors would not be able to reclaim VAT where they are paying it.	See recommendation above.	The CAS System will be replaced during the current financial year and this will be the responsibility of the new Cemeteries and crematorium manager.	31 December 2016	Assistant Director Operational Delivery

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
<p>At point of testing there was £121,413.40 on unpaid invoices prior to April 16. Of these £87,677.90 is owed by one company. Although the overdue debts are followed up, three main issues were identified which could be contributing to the amount of overdue income:</p> <ol style="list-style-type: none"> <li>1. There are no payment terms in place which makes chasing payments difficult if you cannot prove that they are overdue. (see above)</li> <li>2. There are no overdue letter templates in place to be sent out as part of the debt recovery process. As invoices are not raised through SAP the usual TDBC debt recovery process is not followed.</li> <li>3. There is a reluctance to chase funeral directors for payments as they are dealing with bereaved families and certainly a reluctance to put any form of penalty against the company for fear of loss of business and reputational damage.</li> </ol>	<p>There is a risk that these debts will not be recovered and will eventually be written off and income to the Council will be lost.</p>	<p>I recommend that invoices should be raised through SAP and subject to the TDBC debt recovery procedures. For existing debt still on the CAS system it is recommended that the standard TDBC Debt Management policy is implemented to ensure satisfactory recovery.</p>	<p>I must apologise for the outstanding invoices; I had not been made aware of the situation at that time. I do believe that the introduction of procedures mentioned in this report will remedy the situation.</p>	<p>31 December 2016</p>	<p>Assistant Director Operational Delivery</p>

**Audit Assignments completed since the June 2016 update:**

**These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.**

Key Control

Key Control Audits are completed to review the Council's financial control environment. It is essential that all financial key controls are operating effectively to provide management with the necessary assurance that there is a satisfactory framework on internal control and that the Financial Accounts will be correctly stated.

**Creditors – Partial Assurance**

As has been the case in previous audits the numbers of retrospective purchase orders being raised remains relatively high and averages around 15% across the year. It is noted that retrospective purchase orders have decreased in percentage terms in each of the four quarters and a recommendation is made to assist in sustaining these improvements.

A performance dashboard is produced by South West One and provided to TDBC monthly. This can be seen as a control in its own right but performance against stated measures is significantly below current targets in two areas. A recommendation to review the appropriateness of the performance dashboard and to then address performance against stated targets is included in this report.

Of particular concern to management is the continued and potentially inappropriate use of 45000 codes which bypass controls. In a limited amount of sampling (twenty transactions) two instances of the use of this code were identified with a total value of £520,000. Whilst the expenditure was reasonable, the 45000 code should not have been used.

See below for the relevant priority 4 recommendation.

**Creditors priority 4 recommendation.**

Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Date of Action	Resp. Officer
<p>Procurement Controls: Normal controls were bypassed in two transactions with a high value.</p>	<p>If purchase orders are not raised through SAP no commitment will be raised on the finance system and authorisation processes are bypassed.</p>	<p>I recommend that the Finance Manager (TDBC and WSC) takes steps to ensure that normal control procedures are not bypassed inappropriately including considering whether this facility should be restricted both in terms of the supplier for which this is used and the value of the procurement.</p>	<p>Agreed.</p> <ul style="list-style-type: none"> <li>- Officers will be reminded of appropriate usage of 45000 code.</li> <li>- Finance Manager will liaise with relevant staff to understand why this method continues to be used.</li> </ul> <p>Restrictions on usage will then be explored.</p>	<p>Aug 30th 2016</p>	<p>Finance Manager</p>

# Taunton Deane Borough Council

## Corporate Governance Committee – 19 September 2016

### Overdue high priority SWAP Audit Recommendations

This matter is the responsibility of Cllr Richard Parrish, Lead Member for Corporate Resources

Report Author: Paul Harding, Corporate Strategy & Performance Manager

#### 1 Purpose of the Report

- 1.1 This report provides Members with a position statement on the SWAP audit recommendations for Taunton Deane Borough Council, which were assessed as high and very high priority, where the agreed remedial action is overdue.

#### 2 Recommendations

- 2.1 It is recommended that:-
- The committee review the overdue actions.

#### 3 Risk Assessment

##### Risk Matrix

Description	Likelihood	Impact	Overall
The Council is exposed to risk through inadequate systems and processes identified through SWAP audits.	Likely (4)	Major (4)	High (16)
The mitigation for this is the timely completion of agreed remedial actions,	Unlikely (2)	Major (4)	Medium (8)

#### 4 Background and Full details of the Report

- 4.1 Taunton Deane BC engage the South West Audit Partnership (SWAP) to carry out internal audit functions; checking the adequacy of controls and procedures across the whole range of Council services.
- 4.2 At the start of each financial year an audit plan is agreed between SWAP and the Council which identifies the areas of highest potential organisational and operational risk within the Council.

- 4.3 When an audit takes place a report is provided to the service manager concerned which gives an audit conclusion and opinion.
- 4.4 Any control or procedural weaknesses are identified within an action plan appended to the audit report.
- 4.5 All findings will be allocated one of 5 priority ratings. With priority 5 carrying the most significant risk to the service (not necessarily to the wider Council) and priority 1 the least significant risk.

The definitions used are provided below:

**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.

- 4.6 Each finding within the action plan contains a target implementation date which has been agreed between SWAP and the service manager concerned.
- 4.7 All priority 4 and 5 recommendations are captured in a register to ensure progress against the recommendations can be tracked and progress reported to JMT and the Audit/Corporate Governance Committees at Taunton Deane and West Somerset Councils.
- 4.8 This report highlights the Priority 4 and 5 audit actions affecting West Somerset Council, where the agreed remedial action is overdue. On this occasion there are **13 priority 4** priority actions which are overdue but **zero overdue priority 5** recommendations for Taunton Deane Borough Council.
- 4.9 A summary of the overdue actions is provided in Appendix A.

## **5 Links to Corporate Aims / Priorities**

- 5.1 There are no direct links to corporate aims/priorities although good governance and robust controls and processes underpin good performance.

## **6 Finance / Resource Implications**

- 6.1 Unmitigated risks identified by SWAP could expose the Council to unanticipated claims, expenditure or exposure to fraud.

## **7 Legal Implications**

- 7.1 There are no direct legal implications within this report although unmitigated risks could expose the Council to unanticipated claims.

## **8 Environmental Impact Implications**

- 8.1 There are no direct environmental impact implications associated with this report.

## **9 Safeguarding and/or Community Safety Implications**

- 9.1 There are no safeguarding implications associated with this report. There are Community safety implications in relation to public safety risks associated with tree surveys.

## **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 The majority of Council services are delivered through shared services arrangements with West Somerset District Council.

## **13 Health and Wellbeing Implications**

- 13.1 There are no direct health and wellbeing implications associated with this report.

## **14 Asset Management Implications**

- 14.1 There are no direct asset management implications associated with this report.

## **15 Consultation Implications**

- 15.1 There are no Consultation implications associated with this report.

**Democratic Path:**

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

**Reporting Frequency: Twice yearly**

**List of Appendices (delete if not applicable)**

Appendix A	Summary of overdue priority 4 and 5 SWAP audit recommendations
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APPENDIX A

Audit Report	Finding	Priority	Recommendation	Management Response	Original Implementation Date	Progress Update	AD Responsible	Org
TDBC - Housing Voids - 12.11.2015	2.2a No performance monitoring is undertaken on the work undertaken by the DLO.	4 - High	I recommend that the Assistant Director – Property & Development introduces some performance measures to monitor the outputs and the quality of work carried out by the DLO.	Line management for DLO and Property Services will report to AD Property and Development from 1 Dec 2015 which will allow closer and more joined up working.	March 2016	Aug 2016 - Update from Interim Assistant Director of Property & Development: Restructure is currently being implemented and we are now in the recruitment stage.  Auditor Update: Once the restructure and the relevant personnel are in place, performance measures will be created to monitor the work carried out by the DLO. <b>Revised Implementation Date : SEPT 2016.</b>	May, Terry;	TDBC
TDBC - Housing Voids - 12.11.2015	3.3a The estimated cost of the works per property is not captured at the initial inspection within the Schedule of Works.	4 - High	I recommend that the Assistant Director – Property & Development ensures that, as part of the pre-void inspection, an estimated cost of the works is included within the Schedule of Works. This could be done by re-introducing a Schedule of Rates for the materials and labour used.	Property Services can prepare an estimated cost of works for certain void items.	April 2016	Aug 2016 - In Progress. Update from Interim Assistant Director of Property & Development: Review and options being investigated but dependant on the implementation of IT systems. <b>Revised implementation date: December 2016</b>	May, Terry;	TDBC
TDBC - Housing Voids - 12.11.2015	3.3b Monitoring is not undertaken between estimated cost and actual cost of works per property.	4 - High	I also recommend that the Assistant Director – Property & Development ensures that, as part of the weekly void meetings, the estimated and actual costs per property are reviewed with justified reasons for any significant overspends. Alternatively, the surveyor carries out a review of the estimated and actual costs on a sample of properties to justify any overspends.	Actions to be designed by TM once joint DLO and property services structure is in place.	April 2016	Update Aug 2016 - Update from Interim Assistant Director of Property & Development: Recharging the HRA directly for labour is being considered alongside different costing and charging arrangements to compliment changes in processes.  <b>Revised implementation Date : December 2016</b>	May, Terry	TDBC
TDBC - Asset Management - Final Report - 09.12.2015	1.1a Asset Management Plan does not reflect the current role and responsibilities of the new integrated Property and Development function.	4 - High	I recommend that the Asset Manager refreshes the current Asset Management Plan to embrace the current role and responsibilities of the new integrated Property and Development function and reviews proposed actions for individual property to ensure they are still appropriate drivers of asset management.	The current Asset Management Plan, whilst needs refreshing, is still live until end of 15/16. In line with work plan, this is to be refreshed during early 2016 and will reflect subsequent Asset Strategy and new structure and responsibilities.	June 2016	Update Aug 2016 - Update from Asset Manager - Full Stock Condition Survey commissioned and results will be incorporated into a new Asset Portfolio Performance Model which will inform decision making and direction of travel. New Asset Management Plan will then follow incorporating current strategy and steps arising from the Performance Model. <b>Revised Implementation Date: February 2017.</b>	May, Terry;	TDBC
TDBC - Asset Management - Final Report - 09.12.2015	2.1a The make-up of asset records for property has a number of components, none of which are integrated. Those that are computer based have some 'searchability'.	4 - High	I recommend that the Asset Manager in his review of property records ensures that property data is rationalised and collated into a readily accessible and searchable form and one which provides for appropriate document attachment.	Already committed to delivering as part of Commercial Rents SWAP Audit Management Action. Permanent solution will be the implementation and subsequent use of a new Asset Management System. As interim measure (if required) will collate core data currently from multiple sources into one spreadsheet but this will not enable document attachment.	December 2016 (for interim measure if becomes necessary)	Update Aug 2016 - Update from Asset Manager - Interim Measure on target for December 2016. The widened role of Asset Management and the increase in data available means 1 spreadsheet no longer viable but position will be greatly improved from previous position and there will be greater ability to cross reference between spreadsheets.	May, Terry	TDBC
TDBC - Asset Management - Final Report - 09.12.2015	4.2a No formal structured building condition survey.	4 - High	I recommend that the Asset Manager seeks to establish a formal structured building condition approach across the council which can then inform the longer term maintenance programme and costs for inclusion within appropriate annual revenue and capital budgets.	Agreed. Will be introduced as part of a rolling programme based on perceived risk / cost and on existing data.	June 2016 (for rolling programme to be in place)	Update Aug 2016 - Update from Asset Manager - Programme commenced in July 2016.	May, Terry;	TDBC
TDBC - Asset Management - Final Report - 09.12.2015	4.3a Traditionally data is not broken down sufficiently to allow individual ownership costs to be identified.	4 - High	I recommend that the Asset Manager progresses asset cost determination so that reliable cost data can be used for both internal and external comparisons which can then appropriately inform management decision making on the future suitability of such assets in service delivery.	Agreed. Processes and communication/ awareness to be in place to enable greater accuracy of data for 16/17 financial year.	March 2016	Update Aug 2016 - Update from Asset Manager - Improvements made where possible but requires dedicated asset management system to bring data together in consolidated manner. Improved data now available in 16/17.	May, Terry;	TDBC
TDBC - Creditors - 06.07.16	1.4a Procurement Controls: Normal controls were bypassed in two transactions with a high value.	4 - High	I recommend that the Finance Manager (TDBC and WSC) takes steps to ensure that normal control procedures are not bypassed inappropriately including considering whether this facility should be restricted both in terms of the supplier for which this is used and the value of the procurement.	Agreed. Officers will be reminded of appropriate usage of 45000 code.Finance Manager will liaise with relevant staff to understand why this method continues to be used. Restrictions on usage will then be explored.	30/8/16	Sept Update - Not complete	Fitzgerald, Paul;	TDBC
TDBC - Crematorium and Burials - Final Report - 23.10.2015	1.3a CAS Replacement Software.	4 - High	I recommend that the Cemeteries and Crematorium Manager liaises with the procurement team to ensure that when tendering for replacement software the following issues are considered;Validation of plot references; I would recommend that the use of spaces is avoided, and consider populating the system with all available plots prior to roll out so that plot references can be checked and then selected when inputting new ownership details,Exception reporting functionality,Fields required by the LACO are made mandatory,Automatic daily back up to avoid loss of data,Document management and scanning of paperwork,Availability of burial details to be published on the internet to enable interested parties to search themselves.	Currently in process and all issues will be considered and discussed.	Current	An interim manger is in place until the newly appointed post holder arrives (dec '16). The interim manager has been tasked with creating a timeline for specifying, procuring, and implementing a new system and the capital budget required is in place. This IT project has to be considered alongside the replacement of SAP as not only do the systems need to talk to each other but the works demands on the IT service are going to be high in the lead up to go live,	Hall, Chris;	TDBC

TDBC - Disaster Recovery - 28.08.2015	1.2a The scope of the DR test provided proof of concept but did not demonstrate business operations could be recovered.	4 - High	I recommend that the scope of future testing be expanded to ensure the applications and business activities can be recovered and made operational using the Disaster Recovery and planned Business Continuity facilities.	Agreed. We will agree the scope of future testing with the SWO ICT Service by 30 Sep 2015 and undertake a further test by 31 Dec 2015	28.08.2015	<b>08.09.16</b> The SWO Exit activities have prevented this years test from going ahead as we are implementing a new Backup / DR solution. This will be in place in Nov. 2016, and testing of the DR capability will be included as part of the commissioning process. A more formal test will take place in Q2 2017 <b>24.02.16</b> The scope of the future testing has been agreed - the actually testing has been delayed, but is expected to be completed this Qtr (Q4 15/16)	Sealy, Richard;	TDBC
TDBC - Disaster Recovery - 28.08.2015	1.3a The Disaster Recovery Plan is in draft and is incomplete.	4 - High	I recommend that the ICT and Information Manager review and update the Disaster Recovery Plan to include the disc space that will be provided, the expected minimum recovery times, a schedule of critical applications (recommendation 29250) and contact details for ICT. Once the details have been defined the draft DRP document should be formally approved by both TDBC and Southwest One.	Agreed	28.08.15	<b>08.09.16</b> The SWO Exit activities have prevented this years test from going ahead as we are implementing a new Backup / DR solution. This will be in place in Nov. 2016, and testing of the DR capability will be included as part of the commissioning process. A more formal test will take place in Q2 2017 <b>24.02.2016</b> The scope of DR service has been agreed. Formal sign off will follow testing. However the SWO Succession plan may force a changed approach.	Sealy, Richard;	TDBC
TDBC - Software Asset Management - 18.09.2015	1.1a Software asset management strategy: There is no documented plan and defined aims for the management of software assets.	4 - High	I recommend the ICT and Information Manager work with Southwest One and Somerset County Council to establish a timeframe for producing a documented software asset management strategy and once created that this strategy is readily available, and is subject to periodic review.	We will work with SWOne to establish the terms on which such a strategy would be created, and subject to a satisfactory outcome of this process will proceed to develop the strategy. In the meantime other actions in this report provide a sound basis for a more robust approach to software asset management.	April 2016	<b>08.09.2016</b> The SWO exit process is identifying TDBC's software assets and TDBC is designing and implementing it's own asset management process. This activity has superseded this action	Sealy, Richard;	TDBC
TDBC - Software Asset Management - 18.09.2015	2.4a Renewal of the Microsoft ESA: We are unable to confirm that the Council is a named affiliate and can benefit in its own right from the renewal or buy out options.	4 - High	I recommend that the ICT and Information Manager confirm with Southwest One that the Council is a named affiliate to the Microsoft ESA and can maintain its Microsoft licensing beyond the end of the Southwest One contract. If necessary the Council should be added as an affiliate to the ESA.	Agreed. We will work with SWOne to ensure that TDBC is a named affiliate on the Microsoft ESA	October 2015	<b>08.09.2016</b> The SWO exit process is identifying and transferring TDBC's allocation of MS licences to TDBC. This activity has superseded this action <b>24.02.2016</b> SWOne have raised the paperwork to included TDBC on the ESA. This requires a signature from SCC and they have not yet agreed to sign it. In the meantime we have obtained written confirmation that we are legally licenced for the software we are running and we continue to press SWO/SCC to finalise the paperwork for the ESA.	Sealy, Richard;	TDBC

# Taunton Deane Borough Council

## Corporate Governance Committee – 19 September 2016

### Corporate Risk Management Update

This matter is the responsibility of Cllr Richard Parish, Lead Members for Resources

Report Author: Paul Harding, Corporate Strategy & Performance Manager

#### 1 Purpose of the Report

1.1 This report provides an update on the corporate risks which are being managed by the Joint Management Team (JMT).

#### 2 Recommendations

2.1 It is recommended that:-

- The committee note the current position in relation to the identification and tracking of corporate risk and discuss any areas of concern with officers present.

#### 3 Risk Assessment

##### Risk Matrix

Description	Likelihood	Impact	Overall
There is the general risk that if the Council fails to make good use of the management of risk processes it is likely to lead to uncontrolled exposure to many high level strategic and operational risks.	Feasible (3)	Major (4)	Medium (12)
<i>The mitigation for this will be the identification and management of risk at all levels of the organisation and oversight of the key strategic risks facing the Council by Members and JMT.</i>	Unlikely (2)	Significant (3)	Low (6)

#### 4 Background and Full details of the Report

4.1 Taunton Deane Borough Council recognises the importance of effective identification, evaluation and management of all key strategic and operational risks. This is endorsed by the increased focus on the importance of Corporate Governance to public sector bodies. The Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2003:

*“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes the arrangements for the management of risk.”*

- 4.2 Risk management is a key element of the Council’s overarching Governance arrangements.
- 4.3 The Corporate Risk Register is a ‘live’ document which highlights the key corporate risks facing the Council. The register is a joint one between Taunton Deane and West Somerset Council and is formally reviewed by JMT on a quarterly basis as part of the corporate performance review day. The last JMT review took place on **19 May 2016**. The next review is scheduled for **30<sup>th</sup> September 2016**.
- 4.4 These regular reviews ensure that new strategic-level risks can be recognised; continuing risks can be re-assessed in the light of management actions to date; and risks which are no longer considered important can be removed.
- 4.5 Risk registers exist with divisions, teams, projects and programmes.
- 4.6 **Risks which are managed at a corporate level are those which have a significant risk to the delivery of a corporate priority or which are cross-cutting risks that don’t naturally sit with a single department or team.** These risks have been identified and escalated from other risk registers within the Councils, officer concerns or from external sources.
- 4.7 There are currently 17 strategic risks identified and approved by JMT (13 joint risks, 1 WSC risk and 3 TDBC specific risks).
- 4.8 Mitigating actions have continued to be delivered in respect of the various risks. These are set out in the risk register and will continue in order to manage down the risks to an acceptable level.
- 4.9 An extract of the corporate risk register is provided in Appendix A. *(please note - this report was written and risks assessed prior to the WSC Council decision on 7<sup>th</sup> September 2016 regarding merging Councils with Taunton Deane Borough Council).*
- 4.10 The key to the risk scoring used is shown in the following two tables:

<b>Likelihood of risk occurring</b>	<b>Indicator</b>	<b>Description (chance of occurrence)</b>
1. Very Unlikely	Extremely unlikely or virtually impossible	< 10%
2. Slight	Unlikely to occur	10 – 25%
3. Feasible	Fairly likely to occur	25 – 50%
4. Likely	More likely to occur than not	50 – 75%
5. Very Likely	Almost certainly will occur	> 75%

<b>Likelihood</b>	5	V.Likely	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	Feasible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Slight	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	V. Unlikely	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Significant	Major	Critical
			<b>Impact</b>				

4.11 The risk matrix below shows the spread of corporate risks, based on the latest assessment. The numbers shown relate to the Risk Number within Appendix A.

<b>PROBABILITY (A)</b>	<b>Very Likely 5</b>					
	<b>Likely 4</b>					
	<b>Feasible 3</b>			14	7,9,10, 11,18	6
	<b>Slight 2</b>			13	3,4,5,8	1,2,15
	<b>Very Unlikely 1</b>					
		<b>Negligible 1</b>	<b>Minor 2</b>	<b>Significant 3</b>	<b>Major 4</b>	<b>Critical 5</b>
<b>IMPACT (B)</b>						

## **5 Links to Corporate Aims / Priorities**

5.1 There are no direct links to corporate aims/priorities although good governance (of which risk management is a part) underpins good performance.

## **6 Finance / Resource Implications**

6.1 There are financial risks identified within the Corporate Risk register.

## **7 Legal Implications**

7.1 There are no direct legal implications within this report.

## **8 Environmental Impact Implications**

8.1 There are no direct environmental risks within this report.

## **9 Safeguarding and/or Community Safety Implications**

9.1 Safeguarding is part of risk 14

## **10 Equality and Diversity Implications**

10.1 Equalities is part of risk 14

## **11 Social Value Implications**

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

## **12 Partnership Implications**

12.1 The corporate risk register is maintained jointly between Taunton Deane Borough Council and West Somerset Council and reflects the 'One Team' approach to service delivery between the Councils.

## **13 Health and Wellbeing Implications**

13.1 There are no direct health and wellbeing risk associated with this report.

## **14 Asset Management Implications**

14.1 Risk 5 identifies a risk in relation to asset management.

## **15 Consultation Implications**

15.1 There are no Consultation implications associated with this report.

**Democratic Path:**

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

**Reporting Frequency: Twice yearly**

**List of Appendices**

Appendix A	Extract of joint Corporate Risk Register
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**Contact Officers**

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Risk Numbe	Org	Risk Group Heading	Risk Description	Risk Owner	Latest Probability	Latest Impact	Latest Score
1	BOTH	Transformation	<p>JOINT-MANAGEMENT &amp; SHARED SERVICES (JMSS)</p> <p>RISK - of not adequately managing capacity issues now we have ONE team supporting both Councils.</p> <p>KEY EFFECTS - Member's expectations not met / loss of political support, breakdown in relationships between Leaders &amp; CEO, savings projections / timeline not delivered, existing projects , priorities negatively impacted &amp; demotivated workforce.</p>	Adam, Shirlene	2	5	10
2	BOTH	Transformation	<p>THE WIDER TRANSFORMATION PROGRAMME</p> <p>RISK - failure to deliver the Business Case on time and/or to target.</p> <p>KEY EFFECTS - programme benefits not realised- real or opportunity cost, failure to maximise service efficiency.</p>	Adam, Shirlene	2	5	10
3	BOTH	Transformation	<p>SHARED SERVICES ACROSS SOMERSET &amp; WIDER PUBLIC SECTOR</p> <p>Government policy is pushing wider transformation of public sector. No clear ambition has emerged for Somerset.</p> <p>RISK - wider transformation opportunities may be missed - or - if identified could slow down the pace of the TDBC / WSC transformation programme.</p> <p>KEY EFFECTS - Member's expectations not met / loss of political support, breakdown in relationships between Leaders &amp; CEO, savings projections / timeline not delivered, existing projects , priorities negatively impacted &amp; demotivated workforce.</p>	James, Penny;	2	4	8
4	BOTH	Political	<p>NATIONAL LAW &amp; POLICY</p> <p>Changes advocated or made maybe missed or not evaluated in a timely manner.</p> <p>RISK - that the Councils are failing to meet an existing legislative requirement or fail to implement new requirements.</p> <p>KEY EFFECTS - The Councils are non-compliant leading to financial and /or reputational damage.</p>	James, Penny;	2	4	8
5	BOTH	Financial	<p>ASSET MANAGEMENT</p> <p>RISK - failure to manage existing assets appropriately.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> <li>• Legal and reputational - increased risk &amp; liabilities in relation to disrepair (condition) &amp; compliance (Health and Safety ) matters</li> </ul>	May, Terry;	2	4	8
6	BOTH	Financial	<p>MEDIUM TERM FINANCIAL PLANNING (MTFP)</p> <p>The key financial risk factors are: continuing budgetary pressures due to demographic change and the impact of the Gov's austerity measures (such as: Business Rates retention, Revenue Support Grant, Council Tax &amp; Council Tax Support, Income from Fees &amp; Charges, Capital investment), uncertainty as to the long-term sustainability / affordability of the existing contract with Somerset Waste Partnership, the shrinking of the General Fund (impact on the HRA).</p> <p>RISK - failure to agree and deliver a sustainable MTFP for the next 5 years</p> <p>KEY EFFECTS - may include:</p> <ul style="list-style-type: none"> <li>• short-term or 'knee jerk' decisions with detrimental long-term implications</li> <li>• Government intervention</li> <li>• Adverse impact on the council's limited reserves &amp; financial standing</li> <li>• Potential service closure / reduced service quality &amp; therefore inability to deliver customer expectations</li> <li>• Insufficient capital resources to fund Corporate Strategy objectives</li> <li>• Unable to maximise investment returns</li> <li>• For TDBC inability to financially resource its growth ambitions</li> <li>• For West Somerset the risk is of being unable to continue to operate as a viable separate sovereign council, delivering an acceptable level of service to the community.</li> </ul>	Adam, Shirlene;	3	5	15
7	TDBC	Partnerships	<p>SOUTHWEST ONE</p> <p>RISK - Failure to secure the required skills or appropriate levels of resource in place to transition services back from SWO and to deliver the returning services post-return.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> <li>• Deterioration of services, financial impact, reputational damage</li> <li>• Detrimental staff impact</li> <li>• Negative impact on our ability to deliver transformation and the associated ability to deliver the required level of savings.</li> </ul>	Sealy, Richard;	3	4	12
8	BOTH	Leadership & People	<p>POLITICAL LEADERSHIP &amp; MEMBER ENGAGEMENT</p> <p>Both Councils are led by strong Conservative administrations. It is important to engage the whole council in the change programme to ensure it is member led &amp; steered.</p> <p>RISK - lack of member engagement and therefore member ownership.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> <li>• lack of cross party buyin and ownership</li> <li>• loss of member input, ideas &amp; challenge</li> </ul>	James, Penny;	2	4	8

9	TDBC	Corporate Aim (TDBC)	<p><b>CORPORATE (STRATEGIC) RISK RE TDBC'S VISION AND AIMS FOR A "QUALITY PLACE"</b></p> <p>RISK - Failure to deliver the ambitions or realise the outcomes &amp; benefits as defined in the Taunton Growth Prospectus and Taunton Rethink.</p> <p>KEY EFFECTS - Taunton's key economic challenges may not be addressed, thus having a detrimental impact on the local economy and quality of life, ie:</p> <ul style="list-style-type: none"> <li>• transport &amp; infrastructure needs not met - traffic worsens, inability to attract inward business investment</li> <li>• long-term increased flood risk (climate change) is not mitigated - no additional protection offered to existing development, future planned growth is prevented</li> <li>• Taunton town centre regeneration does not happen and the town centre stagnates</li> <li>• Taunton's full economic potential is not realised and opportunities for economic growth are not exploited (eg Hinkley Point)</li> <li>• Housing growth (as per proposals in the Development Plan) is not delivered, and/or unplanned development occurs</li> <li>• Employment land (as per proposals in the Development Plan) is not delivered, or fails to provide the optimum mix of uses to attract the targeted growth clusters</li> <li>• opportunity cost in terms of New Homes Bonus and Business Rates</li> <li>• Poor reputation for Taunton and TDBC</li> </ul>	Cleere, Brendan;	3	4	12
10	WSC	Corporate Aim (WSC)	<p><b>HINKLEY POINT C</b></p> <p>RISK 1 - that the development could have an adverse impact on the local environment, tourism, accommodation and highways.</p> <p>RISK 2 - failure to realise the Economic &amp; Social opportunities which the development could bring</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> <li>• increase in housing demand &amp; lack of affordable housing leading to homelessness increases and the council is unable to discharge its homelessness obligations;</li> <li>• increased congestion (impacting on Growth &amp; Regeneration goals / inward investment)</li> <li>• Local businesses are not able to win contracts to participate in the project</li> <li>• Local people aren't trained and are unable to gain employment on the project</li> </ul>	Goodchild, Andrew;	3	4	12
11	BOTH	Communities	<p><b>WELFARE REFORMS</b></p> <p>There is an on-going requirement to reduce benefit payments (CTRS, Business Rates, Universal Credit) - the Welfare Reforms will mean that people in the welfare system will receive less Council Tax support. It will also mean that Universal Credit will be paid directly to tenants rather than the HRA housing landlord.</p> <p>a) RISK - of the Council failing to adequately support our community and services for the impact of the Government's Welfare Reform Agenda.</p> <p>b) RISK - of the TDBC Housing Service having substantially reduced collection rates on introduction of Universal Credit</p> <p>KEY EFFECTS-</p> <ul style="list-style-type: none"> <li>• taxes and rents harder to collect</li> <li>• reduced rent collection could affect ambitions of HRA business plan</li> <li>• Impact on MTFP due to government changes which will affect HRA Income &amp; 30 year B.P.</li> <li>• more vulnerable people - individuals &amp; families may be unable to manage</li> <li>• increased pressure and demand on services</li> <li>• Timetable unknown</li> <li>• Result in more evictions which will increase pressure on the Housing Options &amp; Homelessness Teams</li> </ul>	Lewis, Simon; Fitzgerald, Paul;	3	4	12
13	TDBC	Communities	<p><b>GYPSIES &amp; TRAVELLERS</b></p> <p>Local Authorities have a (planning) duty to allocate suitable provision for Gypsies &amp; Travellers. TDBC has had previous experience of illegal Gypsy &amp; Traveller encampments.</p> <p>RISK - that TDBC cannot defend against future illegal encampments if we are unable to identify suitable provision.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> <li>• unable to respond to community or political pressure;</li> <li>• financial impact (eg high legal fees);</li> <li>• reputational damage</li> <li>• lack of land management and gypsy liaison expertise</li> </ul>	Burton, Timothy; May, Terry;	2	3	6
14	BOTH	Corporate Governance	<p><b>CORPORATE GOVERNANCE ARRANGEMENTS ON RUNNING THE BUSINESS</b></p> <p>There is a need for robust arrangements, and on-going monitoring and focus on embedding effective corporate governance arrangements (ie budget monitoring, risk management, debt management, performance management, Treasury management, compliance with audit recommendations, asset management, Equalities duties, Business Continuity Planning, Information Governance &amp; Security, Health &amp; Safety management).</p> <p>RISK - of failure to comply with key internal controls &amp; corporate governance arrangements.</p> <p>KEY EFFECTS - include:</p> <ul style="list-style-type: none"> <li>• inaccurate budget forecasting &amp; financial loss</li> <li>• failure to adhere to HRA ringfence</li> <li>• project or service failure or under-performance</li> <li>• reputational damage</li> <li>• Government intervention</li> <li>• Failure to comply with statutory duties &amp; regulations (eg Health &amp; Safety, Equalities, Data Security / Data Protection, Safeguarding) causing harm or injury</li> <li>• lack of resilience to unexpected events / failure of IT systems / data loss</li> <li>•safeguarding</li> </ul>	Adam, Shirlene;	3	3	9
15	BOTH	Communities	<p><b>BUSINESS CONTINUITY</b></p> <p>RISK - The Council may be unable to deliver critical services in the event of a critical loss of accommodation, data, power, staff or premises.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> <li>• major disruption to services;</li> <li>• Impact upon customers if critical services (payment of housing costs, homeless service, Deane helpline etc) are disrupted or unavailable.</li> <li>• Reputational damage;</li> </ul>	Hall, Chris;	2	5	10

16	BOTH	Leadership & People	<p>STAFF ENGAGEMENT &amp; DEVELOPMENT</p> <p>RISK - that due to increased opportunities in the private sector, as the economy improves, and austerity continues within the public sector that the organisation finds it difficult to attract and retain the right skills - leads to use of expensive agency workers or disruption to service provision.</p> <p>The Organisation has also been through a period of significant restructure and needs to ensure its staff are fully engaged in the changes underway and being planned.</p>	Adam, Shirlene;	3	4	12
17	BOTH	Communities	<p>COMMUNITY IMPACT OF AUSTERITY</p> <p>RISK - Austerity measures will impact on services to the community.</p> <p>KEY EFFECTS - This may manifest in a number of ways including (but not limited to):</p> <ul style="list-style-type: none"> <li>• direct impact on household income e.g. through cap / reduction in benefits - leading to increased debt and subsequent issues</li> <li>• Lack of income where households are subject to DWP sanctions - leading to crisis and requirement for food banks</li> <li>• Reduced ability to pay council tax, housing rent (Council or private) and utility bills, leading to potential evictions, homelessness and health issues</li> <li>• reduction in level of support that can be delivered by the district councils directly, or through grant-funded providers e.g. reduced ability to support One Team measures through rent changes to HRA - leading to reduced support for deprived communities</li> <li>• Reduced ability to support Under 21s where they are unable to claim HB and need support with potential of increased homelessness and sofa surfing and associated risks (e.g. CSE)</li> <li>• impact of service reductions by other local authorities such as County Council (e.g. P4A and P2I cuts leading to increased homelessness)</li> <li>• Increasing aging population with unmet Health and Social Care needs struggling to live comfortably</li> </ul>	Lewis, Simon; Fitzgerald, Paul;	3	4	12
18	BOTH	Leadership & People	<p>Health &amp; Wellbeing of staff</p> <p>The staff stress survey highlighted areas of concern. Additionally, rates of staff sickness during 2015/16 have increased above that achieved for 2014/15.</p> <p>Risk: Internal and external drivers, including significant change programmes, could lead to further increases in sickness absence levels and / or lower staff morale.</p> <p>Key Effects: loss of productivity and failure to achieve key performance indicators /service standards. Increased 'failure demand' such as complaints about delays etc. Increased costs through use of temporary staffing to fill gaps. Reputational damage to the One Team as an employer. Increased workloads on remaining staff impacting on work/life balance.</p>	Sealy, Richard;	3	4	12

# Taunton Deane Borough Council

## Corporate Governance Committee – 19 September 2016

### Corporate Governance Action Plan Update

This matter is the responsibility of Cllr Richard Parrish, Lead Member for Resources

Report Author: Paul Harding, Corporate Strategy & Performance Manager

#### 1 Purpose of the Report

- 1.1 This report provides an update of progress against the Annual Governance Statement Action Plan.

#### 2 Recommendations

2.1 It is recommended that:-

- The committee Members are asked to note current progress in relation to completing the actions identified within the Annual Governance Statement.

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#### 3 Risk Assessment

##### Risk Matrix

Description	Likelihood	Impact	Overall
There is the general risk that if the Council fails to keep its controls and governance arrangements under review they could cease to be appropriate and lead to uncontrolled exposure to high level strategic and operational risks.	Feasible (3)	Major (4)	Medium (12)
<i>The mitigation for this will be for the Council to formally review the internal controls for governance of its affairs, identify opportunities for improvement and implement these.</i>	Unlikely (2)	Significant (3)	Low (6)

#### 4 Background and Full details of the Report

- 4.1 The Annual Governance Statement (AGS) is a statutory document which provides assurance on the governance arrangements in place within the Council. The statement is produced following a review of the council's governance arrangements.

- 4.2 The AGS includes an action plan to address any new governance issues identified by the Corporate Governance Officers Group; relying on reports from internal and external audit as well as their own understanding of the organisation.

## **5 The Action Plan**

- 5.1 The action plan is set out in Appendix A.

## **6 Links to Corporate Aims / Priorities**

- 6.1 There are no direct links to corporate aims/priorities although good governance (of which risk management is a part) underpins good performance.

## **6 Finance / Resource Implications**

- 6.1 None – this is a governance matter.

## **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 There are no direct environmental risks within this report.

## **9 Safeguarding and/or Community Safety Implications**

- 9.1 There are no safeguarding and /or community safety implications associated with 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 risks associated with this report.

## **12 Partnership Implications**

- 12.1 There are no direct partnership implications associated with this report.

## **13 Health and Wellbeing Implications**

- 13.1 There are no direct health and wellbeing risk associated with this report.

## **14 Asset Management Implications**

- 14.1 Risk 5 identifies a risk in relation to asset management.

## 15 Consultation Implications

15.1 There are no Consultation implications associated with this report.

### Democratic Path:

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

Reporting Frequency: Twice yearly

### List of Appendices

Appendix A	AGS Action Plan 2015/16
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### Contact Officers

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Ref	Action	Update
1	Introduce a corporate process for reviewing and documenting decisions regarding the prioritisation of internal audit recommendations.	Meeting arranged for 7 <sup>th</sup> October 2016 to progress.
2	Facilitate a self-assessment of the effectiveness of the Audit (WSC) and Corporate Governance Committees (TDBC) - based upon CIPFA guidance 2013 and identify training needs flowing from this.	<p>We intend to undertake Audit committee training in Taunton as we have new Chair and Deputy and following this we will discuss the question of self-assessments with each Chair.</p> <p>In the interim SWAP have organised two identical events to be held on:</p> <p><b>Wednesday 12th October at Buckfast Abbey, Devon.</b>  <b>Tuesday 25th October at Sparkford Motor Museum, Somerset.</b></p> <p>Both events will start at 9:00am and finish at 1:00pm, with lunch and other refreshments being provided.</p> <p>These training events will consider what makes an effective audit committee, how poor ethics and culture can have a negative impact, the Brexit effect and what it means for our organisations.</p>
3	Undertake a review of the Decision-Making Processes within the Councils to ensure it is efficient and effective in terms of officer and Member involvement.	<p>For WSC a report has been drafted and distributed to the portfolio holder and chair of scrutiny.</p> <p>Further action had been placed on hold pending decision on possible merger due to uncertainty on future of the Councils (either as a stand-alone Councils or a merged Council).</p> <p>Following WSC decision on 7<sup>th</sup> September 2016 (and TDBC's earlier decision), this item will now be progressed as part of the merger discussions.</p>

**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:Grant Thornton - External Progress Update**

Reporting Officers:Peter Barber,Kevin Henderson

**28/09/2016, Report:Grant Thornton - External Audit Findings**

Reporting Officers:Peter Barber,Kevin Henderson

**28/09/2016, Report:Approval of the Statement of Accounts**

Reporting Officers:Jo Nacey

**28/09/2016, Report:Going Concern**

Reporting Officers:Jo Nacey

**06/12/2016, Report:Health and Safety Six Monthly Update**

Reporting Officers:Catrin Brown

**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

**Report:Health and Safety Six Monthly Update**

Reporting Officers:Catrin Brown

**Report:Review of Financial Regulations**

Reporting Officers:Jo Nacey