

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 18 May 2009 at 18:15.

Agenda

- 1 Appointment of Chairman of the Corporate Governance Committee
- 2 Appointment of Vice-Chairman of the Corporate Governance Committee
- 3 Apologies
- 4 Minutes of the meeting of the Committee held on 16 March 2009 (attached)
- 5 Public Question Time
- 6 Declaration of Interests. To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct (attached)
- 7 Risk Management Strategy (attached)
- 8 Annual Audit and Inspection Letter 2007/2008. Report of the Strategic Director (attached)
- 9 Economic Development progress on Internal Audit recommendations. Report of the Economic Development and Regeneration Manager (attached)
- 10 Comprehensive Area Assessment Update. Report of the Client and Performance Lead (attached)
- 11 Annual Governance Statement 2009/2010 (attached)
- 12 Internal Audit Annual Report 2008/2009. Report of the Group Auditor, South West Audit Partnership (attached)

05 January 2010

Members of the public are welcome to attend the meeting and listen to the discussions.

There is time set aside at the beginning of most meetings to allow the public to ask questions.

Speaking under “Public Question Time” is limited to 4 minutes per person in an overall period of 15 minutes. The Committee Administrator will keep a close watch on the time and the Chairman will be responsible for ensuring the time permitted does not overrun. The speaker will be allowed to address the Committee once only and will not be allowed to participate further in any debate.

If a member of the public wishes to address the Committee on any matter appearing on the agenda, the Chairman will normally permit this to occur when that item is reached and before the Councillors begin to debate the item.

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



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



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

For further information about the meeting, please contact Democratic Services on 01823 356382 or email d.durham@tauntondeane.gov.uk

Corporate Governance Committee Members:-

- Councillor B Denington
- Councillor A Govier
- Councillor R Henley - Leader of the Council
- Councillor A Paul
- Councillor M Whitmarsh
- Councillor J Williams
- Councillor A Beaven
- Councillor A Wedderkopp
- Councillor N Wilson
- Councillor J O'Brien
- Councillor P Critchard

Corporate Governance Committee – 16 March 2009

Present: Councillor Williams (Chairman)
Councillors Beaven, Denington, Govier, Horsley, Paul,
Mrs Smith, A Wedderkopp and Mrs Whitmarsh

Officers: Ms S Adam (Strategic Director)
Mrs G Croucher (Democratic Services Officer)
Mr C Gunn (Group Auditor, South West Audit Partnership)
Mrs T Meers (Legal and Democratic Services Manager)
Mr D Woodbury (Health and Safety Advisor)

Also Present: Mrs A Elder (Chairman, Standards Committee), Mr T Bowditch (Audit Commission) and Mr P Weaver

(The meeting commenced at 6.15 pm)

1. Apologies/Substitution

Apologies: Councillor Henley (Vice-Chairman) and Councillor Critchard.

Substitution: Councillor Horsley for Councillor Henley

2. Minutes

The minutes of the meeting held on 16 December 2008 were taken as read and were signed.

3. Declarations of Interest

Councillors Govier and Paul declared personal interests as Members of Somerset County Council and Councillor Denington declared a personal interest as a Board member of the South West Audit Partnership

4. Standards Committee Annual Report 2008

Mrs Anne Elder, Chairman of the Standards Committee, presented the Annual Report of the Standards Committee for 2008.

The Committee had been in operation since 2000 and membership was made up of a majority of independent members who were not connected with the Council, together with three Parish Council representatives and one Councillor each from the political groups on the Council. There was a requirement for the Chairman to be chosen from the independent members.

A number of membership changes had taken place in the last year. The Chairman of the Committee since 2000, Mr David Baker, had decided to step down and his contribution to the work of the Standards Committee was acknowledged. Following the introduction of the new Local Standards

Framework, a third Parish Council representative had also been appointed and the vacancies for independent members had been filled.

New regulations in May 2008 introduced a locally managed framework of compliance with the Code of Conduct. Local Standards Committees were now responsible for making initial assessments of allegations of misconduct and the sanctions, if any, to be imposed. The Standards Board for England would provide support, supervision and guidance and aimed to ensure a degree of consistency.

Since the introduction of the Local Assessment Scheme four complaints had been received and considered by the Assessment Sub-Committee. Three of the complaints had been referred for investigation and it had been decided not to proceed with the fourth.

The Standards Committee was responsible for:-

- Promoting and maintaining high standards of conduct by the Members and co-opted Members of the Authority;
- Assisting Members to observe the Code of Conduct;
- Advising on the adoption of a Code of Conduct;
- Monitoring its operation;
- Advising, training or arranging to train Members on matters relating to the code;
- Assessing and reviewing complaints about Members;
- Conducting Determination Hearings;
- Granting dispensations to Members with prejudicial interests; and
- Granting exemptions for politically restricted posts.

Mrs Elder gave a review of the past year that included:-

The strengthening of links with Parish Councils;

Members of the Committee had been represented at the Annual Assembly of Standards Committee, the South West Independent Members Group and the annual Standards Board for England Conference;

The continued sharing of good practices with colleagues;

Most Councillors continued to recognise the benefits of high ethical standards and the level of advice sought on ethics and probity was reassuring and

Successful training sessions had taken place on the new Code of Conduct and further training would be available.

In the forthcoming year it was hoped to introduce performance indicators and targets in order to monitor the work of the Committee. It was also hoped that the Committee's profile could be raised.

The Chairman thanked Mrs Elder for her very informative report.

Resolved that the report be noted.

5. Risk Management Update

Pete Weaver briefed Members on strategic risk management and provided an update on the improvement work underway. This included:-

- The Risk Management Strategy was currently being refreshed. Members discussed the content and objectives of the new Strategy. A redraft of the Strategy would be presented at the next meeting;
- The Corporate Strategic Risk Register was also being refreshed and Members were updated on the key risks facing the Council. They were also advised that the Corporate Management Team (CMT) was currently drafting action plans for each of these. Members were keen that risk management was seen as part of "the day job" and not something "additional";
- Members requested that our process/format was reviewed to align with those of our key partners. They were assured that this had been taken into account;
- Members asked to ensure that Health and Safety was linked to the Corporate Risk Register. It was confirmed that this was in hand; and
- Members asked that CMT focus attention on the things they can influence.

6. Changes to the Constitution

The Constitutional Sub-Committee had recently reviewed the Powers and Procedure Rules for Overview and Scrutiny and the recommendations were presented to Members by the Legal and Democratic Services Manager, Mrs Tonya Meers.

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

Resolved that Council be recommended to agree the proposed amendments to the Powers and Procedure Rules for Overview and Scrutiny.

7. Review of the Internal Audit Charter

Considered report previously circulated, setting out the terms of reference of the Internal Audit Charter. The Charter governed the work of the South West Audit Partnership (SWAP) at Taunton Deane Borough Council.

Details of the Internal Audit Charter were submitted for consideration and review by Members.

Resolved that the Internal Audit Charter be adopted.

8. Internal Audit Plan 2009/2010

Submitted for consideration the Internal Audit Plan 2009/2010.

The Plan had been drawn up to reflect the wide range of work undertaken by the Internal Audit Section and comprised four main areas of activity:- Operational Reviews; Governance, Fraud and Corruption; Key Control Audits and Other Audit Activity.

Details of the reviews planned for 2009/2010 were submitted for consideration by Members.

Resolved that the Internal Audit Plan for 2009/2010 be agreed.

9. Internal Audit Plan – Progress Review

Considered report previously circulated, which provided an update on the significant findings and recommendations for the period January to March 2009.

Details were also reported of the operational audits completed since December 2008 which included the main issues raised and the management responses.

Members felt that further assurances were needed and it was agreed to invite the Economic Development Manager and the Chief Housing Officer to the next meeting of the Committee.

Details of the managed audits currently underway were provided, together with details of the audits to be finalised before the end of the financial year.

Resolved that the report be noted.

10. Health and Safety Monitoring Report

Mr David Woodbury, the Health and Safety Advisor updated Members on the Health and Safety Forward Plan.

Details of the progress made on priority issues was provided.

Resolved that the current position be noted.

11. Forward List of Agenda Items

The proposed Forward Programme for the Corporate Governance Committee was circulated for information.

Resolved that the Forward Programme be noted.

(The meeting ended at 8 p.m.)

Declaration of Interests

Corporate Governance Committee

- Members of Somerset County Council – Councillors Govier, Henley and Paul

- Employee of Somerset County Council – Councillor Mrs Smith

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 18TH MAY 2009

Report of Strategic Director (Shirlene Adam)

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

RISK MANAGEMENT STRATEGY

EXECUTIVE SUMMARY

This report requests approval of the updated Risk Management Strategy for Taunton Deane Borough Council.

The original strategy was approved by this committee in 2006. The update reflects best practice and will be put in place across the Council.

1. Purpose of Report

- 1.1 To seek approval for the Councils updated risk management strategy.

2. Background

- 2.1 The Councils original risk management strategy was approved by this Committee in 2006. In order to ensure that we continue to encourage best practice in this area, the strategy has recently been reviewed and updated. The Council employed Pete Weaver, a specialist in risk management, to assist with this process, and to provide some external challenge to our current arrangements.
- 2.3 Members of the Corporate Governance Committee debated an early draft of the refreshed strategy at their meeting on 16th March 2009. Senior Managers have recently received training on this to ensure they are following the guidelines and work will continue to ensure this is embedded throughout the organisation.

3. Recommendation

- 3.1 The Corporate Governance Committee is requested to approve the updated Risk Management Strategy attached at Appendix A.

Contact Officer:

Shirlene Adam
Strategic Director
Tel: (01823) 356310
Email: s.adam@tauntondeane.gov.uk



Risk Management Strategy, Policy and Procedures



DOCUMENT DISTRIBUTION SHEET

This Document has been distributed to:

| NAME | POSITION | DATE OF ISSUE |
|--------------------|--|---------------|
| Penny James | CEO | |
| Shirlene Adam | Strategic Director | |
| Kevin Toller | Strategic Director | |
| Brendan Cleere | Strategic Director | |
| Joy Wishlade | Strategic Director | |
| | | |
| Cllr Ross Henley | Leader of the Council | |
| Cllr John Williams | Chairman of Corporate Governance Committee | |
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IMPORTANT NOTE

This document will be made available electronically to all employees and other persons working on behalf of **Taunton Deane Borough Council**.

The document contains important information and advice regarding risk management and **YOU MUST READ IT CAREFULLY**. If you do not understand anything or you have any questions you must raise them with your manager or supervisor.

Employees and contractors are encouraged to make constructive comments on the policy and on any other matter, which could help to improve standards of risk management within **Taunton Deane Borough Council**.

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RISK MANAGEMENT POLICY



Ross Henley - Leader of the Council

Taunton Deane Borough Council is a progressive Local Authority with clear plans to improve the Borough. With the size of the change programme ahead it is inevitable that we will have to face many risks. However, we will approach these risks in a business-like way, taking into account the likelihood and consequences of particular decisions and forming a balanced view of how to maximise potential

benefits for the community. Our policy therefore is not to eliminate risk but to manage it in a positive and professional way.



Penny James - Chief Executive

In order to effectively manage risk it is essential that we have a corporate policy backed up by a practical methodology and clear procedures. Responsibilities need to be clearly defined and allocated to ensure accountability and risks must be monitored to ensure that we can respond quickly to any changes.

There must be a clear mechanism for changing the priority of risks so that they can move both up and down risk registers and between them. Risk Management must be embedded in the organisation and become an everyday consideration for all members of staff.

We are pleased to adopt this strategy which, we believe, will assist us in managing risk.

Signed.....

Ross Henley
Leader of the Council

Date.....

Signed.....

Penny James
Chief Executive

Date.....

INTRODUCTION

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

“The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks”

ZMMS/SOLACE(2000) *Chance or choice?*

This document sets out Taunton Deane Borough Council's Risk Management Strategy. It covers:

- What is meant by risk management
- Why we need a risk management strategy
- The philosophy of our risk management
- An overview of the methodology to be adopted and its links with existing processes
- A summary of the implementation timetable
- An outline of the associated roles and responsibilities of members, the Chief Executive and Directors and other employees.
- A summary of future monitoring and reporting lines for risk management

DEFINITIONS

Hazard/Threat

A hazard or threat is anything that has the potential to cause injury, loss, harm or other adverse effect to the Council or persons and organisations who are affected by the activities of the Council

Opportunity

An opportunity is a situation or circumstance that has the potential to be advantageous to the Council or persons and organisations who are affected by the Council's activities.

Risk

A Risk in this context is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies **and** the danger that opportunities are missed or fail to reach fruition. In short it is the variation in outcomes around an expectation.

Risk Assessment

Risk assessment is a technical process designed to rank risks by comparing the product of the perceived *likelihood* or probability of a risk event occurring and the perceived *severity* of consequence.

Risk Management

Risk Management is the process by which risks are identified, evaluated and controlled. It is one of the key elements of the framework of governance together with community focus; structures and processes, standards of conduct and service delivery arrangements

Corporate Governance

Corporate Governance is defined in the CIPFA/SOLACE *Corporate Governance in Local Government – A Keystone for Community Governance: Guidance Note* as:

“The system by which local authorities direct and control their functions and relate to their communities”.

A key aspect of this is the adoption by authorities of local corporate governance codes. The Audit Commission guidance (see Annex A) notes that these codes should reflect the requirement to put in place.

“Effective risk management systems, including systems of internal control and an internal audit function”.

Internal Control

The Turnbull Guidance, as incorporated into the Combined Code on Corporate Governance, defines internal control as follows:

“...an internal control system encompasses the policies, processes, tasks, behaviours and other aspects of a company that, taken together:

- *Facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company’s objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed;*
- *Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation;*
- *Help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business”.*

A company’s system of internal control will reflect its control environment which encompasses its organisational structure. The system will include:

- Control activities;
- Information and communications processes; and
- Processes for monitoring the continuing effectiveness of the system of internal control.”

Operations are ultimately derived from the objectives of the authority. Authorities should consider the risks to achieving these objectives and ensure that controls are in place to mitigate them through the application of a risk management process. This is in line with the statement in the Turnbull report that the system of internal control: *“is to help manage and control risk rather than eliminate it”.*

OBJECTIVES

This section sets out the objectives of the strategy are to:

- Identify the roles and responsibilities of Members and Officers in relation to the management of risk.
- Set out a clear methodology for managing risk within the organisation
- Provide a focus for the work on risk management and raise its profile across the Council
- Integrate risk management into the culture of the organisation.
- Embed risk management through the ownership and management of risk as part of all decision making processes.
- Manage risk in accordance with best practice and ensure that the criteria set out in the Audit Commission's "*Value for Money*" assessment are met
- Create effective processes that will allow the council to make annual risk management assurance statements.

This strategy outlines how Taunton Deane Borough Council is responding to its responsibility to manage risks and opportunities using a structured and incremental approach.

ROLES AND RESPONSIBILITIES

This section describes the roles and responsibilities that members and officers will play in the management of risk:

In simple terms it deals with **WHO** has risk management responsibilities

Members

All Members have a role and responsibility for monitoring the authority which forms part of the overall management of risk. Some of these roles and responsibilities have been formalised and delegated to various bodies of elected Members as set out below:

The Full Council

The Full Council is responsible for adopting the authority's Constitution and Member's Code of Conduct and for approving the Policy Framework and Budget within which the Executive operates. It is also responsible for approving and monitoring compliance with the authority's overall framework of accountability and control which is set down in the Constitution.

The Full Council is responsible for approving procedures for recording and reporting decisions taken. This includes those *key decisions* taken by the Council and its Committees and the scheme of delegation that authorises decisions to be taken on behalf of the Council.

The Executive

The Executive has joint and several responsibilities for the management of risk in the authority whilst discharging their duties.

The Executive is responsible for proposing the policy framework and budget to the full Council, and for discharging Executive functions in accordance with the policy framework and budget.

Executive decisions can be delegated to a Committee of the Executive, an individual Executive Councillor, an Officer, or a Joint Committee.

The Executive is responsible for establishing protocols to ensure that individual Executive Councillors consult with relevant Officers before taking a decision within his or her delegated authority. In doing so, the individual Member must take account of legal and financial liabilities and financial and other Risk Management issues that may arise from the decision.

[Scrutiny Committees](#)

The Council has two scrutiny committees, a Corporate Scrutiny Committee and a Community Scrutiny Committee. These committees are responsible for scrutinising Executive decisions before or after they have been implemented and for holding the Executive to account. The committees are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the authority.

[The Standards Committee](#)

The Standards Committee is established by the full Council, and is responsible for promoting and maintaining high standards of *ethical* conduct amongst Councillors *and* in order to maintain the reputation and good standing of the Council. Consequently, it has been constituted so as to have a built-in majority of non-councillors (independent members). The committee is therefore made up of seven independent members, three Borough Councillors and three Parish Council representatives. This Committee is chaired by an independent member which is now a statutory requirement however this Council has always operated this model.

The Committee is responsible for monitoring the Members' Code of Conduct, for dealing with complaints made about Borough and Parish Councillors and for ensuring that all Councillors are fully trained and aware of their personal responsibilities under the Code.

[The Corporate Governance Committee](#)

The Corporate Governance Committee is responsible for monitoring the corporate governance of the authority. It will receive quarterly reports on way risk is being managed in the authority and six monthly updates on the management of Health and Safety.-

[Regulatory Committees](#)

Planning and licensing are not Executive functions but are quasi judicial functions exercised through the Planning Committee and Licensing Committee under powers delegated by the Full Council. The principles of natural justice must be adhered to ensure that relevant objections can be heard and balanced decisions can be made.

[The Role of Individual Members](#)

Elected members are responsible for monitoring the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces, and will be made aware of how these risks are being managed through the annual strategic and service planning process. They will also be kept informed on the management of those risks through the regular performance management reports.

In summary, Member's key tasks in relation to Risk Management are:-

- Approving the Risk Management Strategy and implementation plan.
- Monitoring the Council's risk management and internal control arrangements via a report on performance management (Key Performance Indicators).
- Commissioning and reviewing an annual assessment of the effectiveness of the risk management and internal control framework

Approving the public disclosure of the annual outcome of this assessment (the assurance statement), and publishing it in the annual Statement of Accounts and the Best Value Performance Plan.

Officers

All Officers of the Council have a duty to ensure that their action or inactions do not lead the Council into an uncontrolled risk situation. Identified risks whether service based or project based should be assessed and managed using the methodology set out in this document. Some officers have specific statutory roles and responsibilities that contribute towards the management of risk in the authority and these are set out below.

Statutory Officers

Head of Paid Service (Chief Executive) - Penny James

The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole and is therefore ultimately responsible for the management of risk. She must report to and provide information for the Executive, the Full Council, the Scrutiny Committees and any other relevant Committees. She is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Council's decisions.

Monitoring Officer - Tonya Meers

The Monitoring Officer is responsible for ensuring that the Council carries out its business in a fair and equitable way in line with all legislative requirements relevant codes of practice and guidance thereby minimising reputational, financial and legal risks.

The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual

or potential breaches of the law or maladministration to the full Council and/or to the Executive, and for ensuring that the procedures for recording and reporting *key decisions* are operating effectively.

The Monitoring Officer must ensure that Executive decisions and the reasons for them are made public. She must also ensure that Council Members are aware of decisions made by the Executive and of those made by Officers who have delegated Executive responsibility.

The Monitoring Officer is responsible for advising all councillors and officers about who has authority to take a particular decision.

The Monitoring Officer is responsible for advising the Executive and/or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.

The Monitoring Officer (together with the Section 151 Officer) is responsible for advising the Executive and/or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be contrary to the budget include:-

- initiating a new policy
- committing expenditure in future years to above the budget level
- incurring virement transfers above the limits set by Council causing the total expenditure financed from Council Tax, Grants, and corporately held reserves to increase, or to increase by more than a specified amount

The Monitoring Officer is responsible for maintaining an up-to-date constitution.

[Section 151 Officer - Shirlene Adam](#)

The Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority thereby minimising financial legal and reputational risks. The statutory responsibility cannot be overridden.

The statutory duties arise from:-

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations 1966.

The Section 151 Officer is responsible for:-

- the proper administration of the authority's financial affairs
- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- providing financial information
- preparing the revenue budget and capital program
- treasury management

Other Officers

In addition to the statutory roles set out above, this strategy for managing risk describes other duties placed upon officers by virtue of their hierarchical position in the authority or specific roles which relate to how risk is managed in the organisation. These are as follows:

Chief Executive and the Corporate Management Team

The Chief Executive and the Corporate Management Team are pivotal in the promotion and embedding of risk management by managing the culture change within the council. The successful outcome of this culture change will result in risk management being practised throughout the organisation as an integral part of day to day management.

The Chief Executive and CMT's key tasks are:-

- Recommending the Risk Management Strategy and subsequent revisions thereof to the Executive
- Supporting and promoting risk management throughout the Council
- Identifying and Managing the corporate risks to the authority
- Ensuring that the lessons from failures, near failures, and successes are reflected upon and that the learning from these situations is shared with others in the organisation as appropriate.

CMT will carry out a full reappraisal of Corporate risks on an annual basis as part of the planning process for the Corporate Strategy and a Corporate Risk Register will be produced .This will take place in **MAY** each year.

Management Action Plans will be produced with all necessary tasks allocated to specific individuals on a time bound basis.

The Corporate Risk Register will be reviewed by CMT after 6 months in **November** each year.

The Corporate Management team through its nominated Director, Shirlene Adam, will engage suitable consultants to assist with the risk management process within the Council.

An annual Risk Management programme will be agreed with the consultants in **April** of each year.

Directors

Directors will demonstrate their commitment to risk management through:-

- Being actively involved in the identification and assessment of strategic risks.
- Encouraging staff to be more innovative and recognising their achievements.
- Encouraging staff to be open and honest in identifying risks, near misses and salvaged situations, and missed opportunities.
- Ensuring that the risk management process is part of all major projects partnerships and change management initiatives.
- Monitoring and reviewing regularly relevant PI's to reduce or control the significant risks.

Core Council Managers

The Core Council Managers will take on the role of risk champions. They will promote best practice and drive risk management forward within their area of influence. They will be responsible for ensuring that the risk management process is being applied at the key stages of planning, projects and major change initiatives.

Core Council Managers are also responsible for annually reviewing the risks within their area of influence and ensuring that Management Action Plans are in place with all necessary tasks allocated to specific individuals on a time bound basis. This will form part of the Service planning process and be carried out in **June** each year.

The Core Council Managers risk Register will be reviewed by the Core Council Managers after 6 months in **November** each year.

Theme Managers

All managers need to understand their role in the risk management process and why they should be concerned with risk in order to achieve their objectives. They need to know how to evaluate risks and when to accept the right risks in order to pursue an opportunity.

Theme Managers are oversee this process and are responsible for annually reviewing the risks within their Area of influence and ensuring that Management Action Plans are in place with all necessary tasks allocated to specific individuals on a time bound basis. This will form part of the Service planning process and be carried out in **March** each year.

Theme Manager's risk Register will be peer reviewed after 6 months in **September/October** each year.

Core Council Managers will receive support as necessary from the risk management team.)

Corporate Risk Management advice may be provided externally.

Within the limitations of contractual conditions the external provider is responsible for:

- Producing a risk management strategy and policy together with an appropriate methodology for managing risk and ensuring that these are updated.

[The Theme Manager for Performance and Client](#) will be responsible to CMT for:

- Ensuring that risk management is rolled out and embedded throughout the authority
- ensuring that Corporate Risks are reviewed by CMT on a 6 monthly basis
- Assisting and advising managers on the management of their risks
- Arranging for facilitation of risk management to be implemented on request from managers
- Reporting to the Corporate Governance Committee on a quarterly basis on the management of risk in the authority
- Keeping the Executive updated on changes to the policy
- Ensuring that sufficient members of staff are trained to facilitate meetings using the risk management methodology
- Reporting concerns to the Chief Executive or CMT as appropriate
- Attending the Corporate Governance Committee
- co-ordinating the adoption of risk management across the Council
- addressing the initial implementation of the risk management strategy and plan
- annually reviewing the risk management strategy
- acting as a link between the directorates on risk management issues
- provide guidance and advice to the Directors and Core Council Managers

- facilitate the adoption of the new reporting framework and planning processes
- act as a link with the Risk Management Panel and CMT
- Ensuring that a pool of officers are trained to facilitate risk management sessions
- Keeping abreast of developments in the field of Risk Management and identifying and implementing best practice

[Service Managers](#)

The Service Unit Managers group include the Core Council Managers and the Service Unit Managers working within the Joint Venture organisation (South West 1).

South West 1 has its own methodology for managing risk. The importance of communicating information about risk is understood and this takes place through the forum of SMT where information is shared about joint risks or those risks identified in one group that could affect the other.

[The Health and Safety Advisor - David Woodbury](#)

The Health and Safety Advisor is appointed as “*Competent Person*” under the Management of Health and Safety at Work Regulations 1992, to give advice on the arrangements necessary to meet the statutory obligations.

Health and safety is a management responsibility, the advisor has a key support role in: -

- Developing effective H&S Management System, policies and procedures.
- Providing H&S advice across all aspects of the Councils activities.
- Auditing and reviewing H&S performance across all service units.
- Promoting opportunities to develop a positive safety culture.
- Evaluating risk and advising on impending legislation.
- Promoting consultation and H&S partnerships.
- Keeping the Council updated on new health and safety legislation and changes to guidance
- Attending and advising the Safety Committee.

- Reporting concerns over all types of risk to their Head of Service, CMT or Chief Executive as appropriate

HR Responsibilities - Martin Griffin /Laura Holland

The HR Officers are responsible for:

- Ensuring that all areas of the organisation are represented on the Risk Management panel and safety committee.
- arranging for the Risk Management panel and safety committee to meet at quarterly intervals
- Ensuring that representatives are in place across the organisation
- Arranging training for Health and Safety and risk management as appropriate

Civil Contingencies Manager - John Lewis

The Civil Contingencies Manager is responsible for:

- Ensuring that Business Continuity plans are produced for each Unit in the Council
- Ensuring that adequate plans are in place for partner organisations that deliver services on behalf of the Council
- Ensuring that Emergency planning policies and procedures are produced and updated and are available to appropriate officers
- Ensuring that plans are tested and that appropriate training is provided
- Providing Business Continuity advice to the business community in the Borough

Communications Manager - Simon Lewis

The Communications Manager is responsible for:

- Ensuring that as far as possible good relationships are formed and maintained with the media.
- Ensuring that accurate and factual information is circulated to the media regarding the performance of the Council.
- Ensuring that in sensitive and controversial situations the Councils stance is accurately represented

- Ensuring that senior managers and those likely to come into contact with the media receive training.
- Ensuring that the reputation of the council is properly managed

[IT Manager - Jon McElhill \(SWOne\)](#)

The IT Manager is responsible for:

- Ensuring that the systems and knowledge are kept up to date with emerging and improving technologies
- Putting systems in place to ensure continuity of service is maintained in the event of failure of hardware or software, malicious attack (physical or electronic), failure of power supply or other environmental systems, inaccessibility of buildings, or other disaster.
- Introducing and maintaining a system of succession planning and multiskilling to avoid over reliance on key staff
- Preventing unauthorised access to systems and information – both from internal and external sources.

[Facilities Manager - Angela Eldridge \(SWOne\)](#)

The Facilities Manager is responsible for:

- Ensuring that the buildings owned by the Council are maintained in order to provide a safe place of work compliant in all respects to the Health and Safety legislation and associated guidance.
- Ensuring that specific Health and Safety Risk assessments are carried out in relation to the building
- Ensuring that all plant, machinery and equipment is maintained and tested in accordance with legal requirements and manufacturers guidance.
- Ensuring that specific Fire Risk Assessments are carried out for all Council owned buildings
- Ensuring that fire safety equipment and devices are tested at appropriate intervals
- Ensuring that Evacuation procedures are tested at least every 6 months.

- Ensuring that the access all contractors and subcontractors is controlled and that their work is carried out in a safe and effective manner in line with risk assessments and safe systems of work where appropriate.
- Ensuring that specific Security risk assessments are carried out to ensure that both people and property are protected from criminal acts.
- Ensuring that sufficient clean wholesome and potable drinking water supply is maintained within council buildings.
- Ensuring that appropriate facilities, equipment and procedures are provided for the handling and service of food in line with Food safety legislation and associated guidance.

[Internal Audit - Chris Gunn \(South West Audit Partnership\)](#)

Internal Audit is responsible for:

- Challenging the robustness of the risk identification, evaluation and the effectiveness of controls.
- Challenging established processes
- Undertaking an annual assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

[The role of individual members of Staff](#)

All Staff have a responsibility to bring issues to the attention of their line managers or supervisors if they believe that actions or inactions could produce a risk to the organisation or its partner providers.

Officer Groups

In addition to the individual roles, set out above, there are certain groups set up specifically to assist in the management of risk in the authority. These are as follows:

Risk Management Panel/Safety Committee

The Risk Management Panel/Safety Committee is responsible for:

- Identifying and controlling operational risks.
- It will be pro-active as well as reactive, building on the existing best practices and will seek to resolve, help and advise managers to improve and overcome operational issues so that they do not develop into major risks.
- It will seek to share best practice across the Council and link with other local authorities in the pursuit of knowledge and learning.
- It will take on the responsibilities of Safety Committee to discharge the statutory duties concerning staff consultation

Membership of the group will be reviewed to ensure each service area is represented, together with staff from the following areas:-

- Insurance Officer
- DLO/DSO
- Staff-Side and Union
- Personnel Services
- General Office Services
- Health and Safety Representatives

The Minutes and agendas for this Panel will be prepared and published on the Councils intranet.

AREAS OF RISK

As a part of formulating this strategy specific areas of risk have been identified that need to be managed. Named individuals have been allocated to each of these areas and these officers will take responsibility for ensuring that these particular areas of risk are managed and that high level risks are brought to the attention of CMT.

A brief description of each risk area is set out below together with information of how the risk will be managed in the Council.

(Some of the areas will mirror the roles and responsibilities set out in the previous section).

In Simple terms this sections deals with **WHAT** is being managed

Reputational Risk – Simon Lewis

“Reputation is a collection of perceptions and beliefs, both past and present, which reside in the consciousness of an organisation's stakeholders -- its customers, suppliers, partners, employees, communities, regulators, governments, pressure groups and public's”. (Rayner, J. 2003)

The term 'reputational risk' is a convenient catchall for all those risks, from whichever source, that can impact reputation. Reputation risks arise from any action, event or circumstance that could adversely or beneficially impact the Council's reputation.

Organisations often find it easier to focus on risks that have a clear and quantifiable financial impact. As a result, risks to reputation which may have 'soft' root causes and hard to quantify impacts, are frequently not treated with the importance they deserve.

How reputation risk will be managed at Taunton Deane

The concept of reputation can be simply expressed in the following equation:

Reputation = experience - expectations

There are a number of drivers of reputation, for example, delivering customer promise, communications and crisis management, corporate governance and leadership as well as regulatory compliance.

The most critical stage in managing reputation is identifying the risks. The Communications and Information Manager will work with key Managers across the organisation to identify these risks. All risks above the risk appetite line would require a Management Action Plan.

[The links to other documents:](#)

Communications Strategy 2004 - 2007
Media Protocol
Policy and Performance risk management plans
Corporate Strategy and probably most strategies

[Security Risk Angela Eldridge \(SWOne\)](#)

Security Risk relates to the way in which the Council buildings and contents and other assets owned or managed by the authority are protected from unauthorised entry, theft, arson or criminal damage.

[How will Security Risk be managed within TDBC](#)

Annual audits will be carried out to establish the robustness of building security. Independent professional companies will be engaged to advise fit and maintain security equipment.

[IT Risk Jon McElhill \(SWOne\)](#)

IT risk relates to ensuring that the IT systems are fit for purpose. This involves.

- Ensuring that systems are kept up to date and abreast of evolving technology and knowledge
- Ensuring that business continuity plans are put in place and maintained
- Ensuring that data is protected during emergency or disaster situations
- Ensure that the systems are protected from external or internal attack and unauthorised access

[How will IT Risk be managed within TDBC](#)

Risks will be managed in a strategic and integrated manner – rather than dealing with each risk separately the operation of the whole unit is geared to managing the key risk areas.

- National and global best practice will be followed to manage the major risk areas.
- Regular 3rd party independent verification will be used to test key infrastructure items to monitor compliance
- Subscriptions will be taken out for 3rd party services to provide backup and support for these critical areas.

A recent risk management exercise identified 57 individual risks, grouped into 11 clusters. Of these, 32 were of a high enough level to warrant

active management. A significant number of these fell in to areas 1 and 2 above, although a number from areas 3 and 4 are also above the risk appetite line, and are being looked at.

[Links to other documents](#)

Risk management Share Point area:

<http://portal/sites/ISUNIT/Web%20Part%20Pages/Risk%20Management.aspx>

Output from network risk assessment of 2005

<http://portal/sites/ISUNIT/Security%20Policy/Shared%20Documents/evidence%20and%20actions.xls>

[Health and Safety Risks – David Woodbury](#)

Health and Safety is about preventing people from being injured or becoming ill by work activities. This is so important that the law says we must not put ourselves, other workers or the public in danger. HSE (2006)

Health and Safety legislation makes it a statutory duty to:

- Provide a safe place of work
- Provide safe systems of work
- Provide and maintain safe equipment

The duties cover employees, contractors, members of the public and anyone else who could be affected by work activities.

Duties are also places on employees to ensure that they:

- Cooperate with employers to protect the health and safety of themselves and others
- Do not interfere with safety equipment

[How Health and Safety Risk will be managed at Taunton Deane](#)

[General Health and Safety Policy Statement](#)

The General Health and Safety (H&S) Policy statement sets out in detail the commitment of the Council to safeguard the physical, mental and social well-being of employees and others who could be affected by its activities.

The Policy statement positions Health and Safety as a major contributor in the delivery of TDBC Corporate Priorities.

The General Policy

The General policy covers the specific issues of: -

- Policy
- Organisation
- Planning and Standards
- Measuring performance
- Audit & Review

As set out in “*Successful Health and Safety Management.*” (HSG65) Delivery of H&S is through a Health and Safety Management System (HSM System). The HSM System contributes by integrating the Risk Management approach throughout the Council.

Integrated Risk Management Approach

The ‘Risk Management Strategy’ forms a core part of the HSM System. It sets out in detail how hazards are identified and how risks are controlled.

- Managers are responsible for identifying hazards and carrying out a suitable and sufficient assessment of risk.
- Managers are responsible for implementing appropriate controls.
- Employees are responsible for checking at the ‘risk assessment’ and in particular the control measures will work or fit the conditions they find at the place of work.
- Control measures eliminate or minimise the risk of injury and ill health to employees and third parties. (Including damage to plant and equipment.)
- Where there is any doubt about the effectiveness of the control measures then the work should stop until management has clarified the situation. The exception is where the employee is competent and allowed to set up more effective control measures.
- Risk assessments must be carried out for all activities undertaken by the council (Including assets.)
- Failure to do so can result in injury, damage and lead to possible enforcement action.

The Strategy recognises that management of risk must work at all levels within the Council. Implementation of the control measures must be prioritised based on the nature and degree of risk. Suitable monitoring programmes must be in place to ensure the adopted control measures remain effective. Suitable records of risk assessment and risk management decisions must be kept. The risk assessment and resulting control measures must be explained to everyone involved in the work

[Links to other documents](#)

Successful Health and Safety Management. (HSG65)

Health and Safety SharePoint site

Essentials of Health and Safety

Civil Contingencies and Business Continuity – John Lewis

“Every year nearly one in five businesses suffers a major disruption, and planning to deal with those disruptions is widely regarded as good business sense. “ (MI5. 2006)

Effective business continuity planning is critical to ensuring that the essential functions of your business can carry on despite an emergency. Many businesses will already have plans to deal with sudden commercial risk. These may include events such as the failure of critical suppliers, an unexpected bad debt, industrial action or the discovery of a serious fault in a product or process. Planning for the aftermath of terrorist incidents or natural disaster is very similar. (See Figure1)

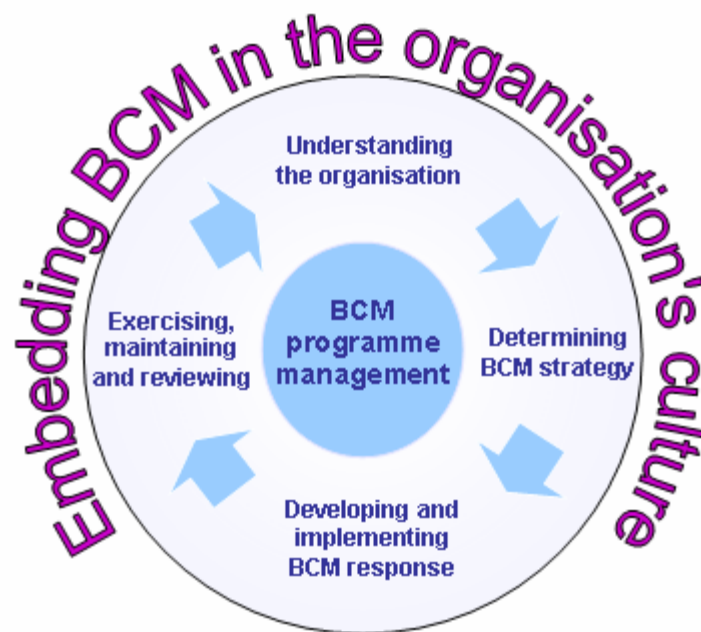


Figure1. **The BCM Life cycle: source BS2599 code of practice**

How Civil Contingency and Business Continuity Risk will be managed at Taunton Deane

Taunton Deane the County Council and the other Somerset Districts have formed a partnership to collectively plan and prepare for emergencies and disasters. A County Wide Emergency plan is in place.

The Plan is written within the guidelines of the Civil Contingencies Act 2004 and is intended to provide a framework and guide upon which any officer in the authority can base their actions if they are called upon to respond to an emergency situation.

Each Unit manager has been required to assess their service, identify risks to business continuity and to put in place control measures to mitigate the risk.

[Links to other Documents](#)

TDBC General Civil Contingencies response Plan

Civil Contingencies Act 2004

[Financial Risk - Paul Carter](#)

Financial Risks include:

- Inadequate Financial Planning and failure to foresee and prepare for future spending demands
- Inadequate Financial Management leading to overspends or failure to identify and redistribute underspends
- Failure to assess and make provision for the full financial implications of new projects and initiatives
- Failure to properly manage projects leading to overspending
- Misappropriation of funds, theft and fraud.

[How Financial Risk will be managed at Taunton Deane](#)

Managers are required to identify future spending requirements and unavoidable expenditure. This information is collated by the finance unit to form the “*Medium term Financial Plan*” MTFP. Full Consultation with Members is carried out on an annual cycle to ensure that spending reflects the priorities of the Council

Managers hold full financial responsibility for the budgets in their area and are supported by a dedicated accountant. Budgets are regularly monitored and Managers are required to report significant variations on a monthly basis.

Before introducing any new project or initiative Managers are required to identify the full capital and ongoing revenue costs. And to seek approval if this cannot be accommodated within existing budgets.

Larger Projects are managed using the Prince II system to control timing and costs.

The S151 Officer **Shirlene Adam** keeps an overview on new projects and initiatives and has the authority to intervene in the event of unacceptable risk exposure to the Council or inadequate financial planning.

Managers are responsible for ensuring that sources and levels of revenue and expenditure are appropriate and justifiable. The South West Audit Partnership carries out a rolling programme of audits to ensure that appropriate control

measures are in place to minimise the risk of financial loss through criminal actions, inefficiency or negligence.

Partnership Risk - All Corporate Directors

Local Authorities are increasingly being required to work in partnership. Whilst some partnerships offer the potential to achieve efficiencies through synergy this is by no means an inevitable conclusion. The risks of partnership working lie mainly around the inability of either or any of the partners to fully control the situation. However, shared responsibility should not mean diminished accountability. The risks include:

- Work Area not best served by partnership approach
- Inappropriate partner selection
- Failure of partnership
- Withdrawal of Partner
- Divergence of agendas and objectives
- Imbalance of power and loss of control
- Failure to clarify expectations and commitment

There are two elements of risk management surrounding partnership working the first are the risks to the individual constituent authorities and the second relates to the partnership itself

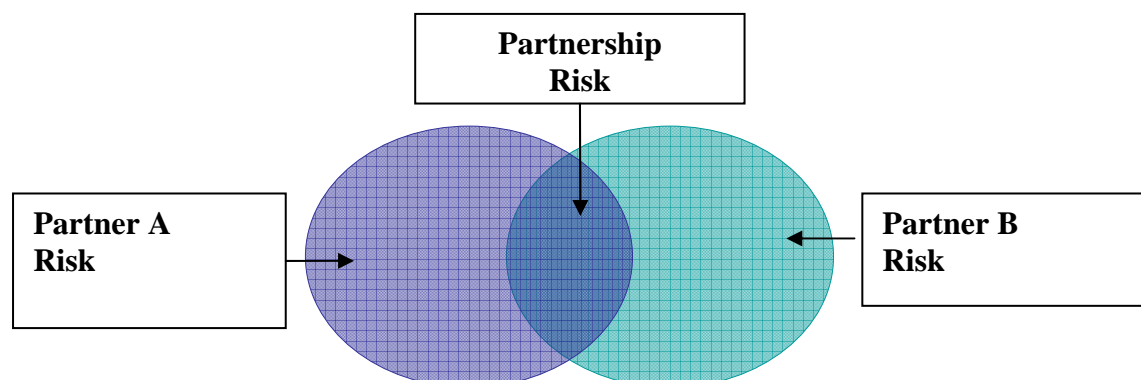


FIG 2. Partnership Risk. Source: Quintin Associates Ltd (2009)

[How Partnership Risk will be managed at Taunton Deane](#)

The Council will identify Key Partners eg: South West One, Tone Leisure etc and ensure that formal procedures are in place to share information and co-operate in managing risk.

The Council will establish a definition of what is meant by the term “Partnerships” for the purposes of Risk Management.

The Council will carry out an annual audit of existing partnerships to establish whether they are aligned to priorities and are delivering value for money. This will form the Register of Partnerships which will set out:

- Who is involved and what are the governance arrangements
- What role does the organisation have eg. accountable body
- What are the objectives of the partnership
- What resources/ commitment is required

The Council will carry out a Risk Management assessment of all partnerships on the register from the authority’s perspective and will also seek to persuade the Partnership members to carry out a similar exercise from their own organisational perspective. The Authority will then work together with the partner to jointly assess the risks to the partnership itself

New and proposed partnerships will be assessed against the criteria above to determine the risks and decide whether they are proportional to the benefits.

[Links to existing Documents](#)

Audit Commission ‘Governing Partnerships’ October 2005
ODPM - strategic partnering paper

[Asset Management Risk - Angela Eldridge SW1](#)

As their name implies the buildings and land holdings form the major proportion of the assets of a local authority. The risks involved with physical assets involve holding an inappropriate portfolio thereby not maximising investment potential, loss of value through inadequate maintenance, excessive running costs or loss of opportunity funding through failing to maximise the income potential from assets.

[How Asset Management Risk will be managed at Taunton Deane](#)

All built Assets are included on the Council’s Asset Management Plan (AMP).

Land holdings are regularly reviewed to determine the best future use and leases and rents are reviewed as they expire or reach review dates

Link to existing documents

The Asset Management Plan (AMP)

[Project Risk - All Corporate Directors](#)

Large projects have the potential to cause critical damage to a local authority both financially and in terms of reputation. The Risks from projects stem most usually from a discrepancy between anticipated resources and skills and those actually required. The risks include:

- Over ambition in undertaking a project
- Poor partner/contractor selection
- Lack of resources to properly manage the project
- Too many concurrent projects leading to unplanned pinch points
- Lack of skills to manage the project
- Failure to properly identify and manage the risks

[How Project Risk will be managed at Taunton Deane](#)

All projects must go through the Risk management process prior to commencement. Full costings including capital outlay and ongoing revenue support must be identified together with the source of this finance. A source of contingency funding of at least 10% should also be identified.

All approved Projects will be registered with the appropriate Director. Projects will then be programmed to ensure that periods of high staff demand or key staff demand do not coincide.

Projects will be managed in line with the principles of Prince II project management system and a group of managers have already been trained in its use.

The Project Manager will be responsible for ensuring that the Management Action Plan (MAP) is delivered and that the Risk Assessment is reviewed as appropriate.

Summary of Risk Areas

| Risk area | Key Risks | How it will be managed | Officer responsible |
|-------------------------|--|--|-------------------------|
| Reputational Risk | <p>Loss or damage to reputation</p> <p>Failure to build good strong reputation</p> | <p>Early risk identification</p> <p>Communications strategy</p> <p>Media Protocol</p> | Simon Lewis |
| Security Risk | <p>Loss or damage to buildings/equipment/staff</p> <p>Failure to achieve insurance premium savings</p> | <p>Professional assessment of security</p> <p>Implementation of security equipment</p> <p>Awareness of staff</p> | Angela Eldridge |
| IT Risk | <p>System Crash/Virus/Hacking</p> <p>Failure to maximise IT potential for improved working and information</p> | <p>Complying with global best practice</p> <p>Regular independent verification</p> <p>Staff training</p> | Jon McElhill (SWOne) |
| Health and Safety Risk | <p>Injury/ illness / civil claim/ prosecution</p> <p>Missed opportunities to improve workforce health and reduce absence</p> | <p>Health and Safety Management system</p> <p>Integrated risk management system</p> <p>Staff training/ monitoring/auditing</p> | David Woodbury |
| Civil Contingency Risk | <p>Service failure /slow recovery</p> <p>Failure to lead the community during a crisis</p> | <p>County wide emergency planning</p> <p>Service Business Continuity plans</p> <p>Staff training/ exercises/ auditing</p> | John Lewis |
| Financial Risk | <p>Financial mismanagement/Fraud/Theft</p> <p>Failure to maximise Financial opportunities</p> | <p>Medium Term Financial Plan</p> <p>Budget Monitoring</p> <p>S151 officer /Auditing</p> | Paul Carter |
| Partnership Risk | <p>Failure of partnership/failure to deliver</p> <p>Failure to maximise leverage</p> | <p>Annual partnership Audit</p> <p>Intelligent client function</p> | All Corporate Directors |
| Asset Management Risk | <p>Inappropriate portfolio of holdings/lack of maintenance</p> <p>Failure to maximise investment potential</p> | <p>Asset Management Plan</p> <p>Maintenance programme</p> <p>Regular challenge</p> | Angela Eldridge SW1 |
| Project Management Risk | <p>Project Failure/ delay/ additional costs</p> <p>Failure to achieve maximum benefit projects</p> | PRINCE 11 methodology | All Corporate Directors |

RISK MANAGEMENT DEPLOYMENT

In addition to the specific areas of risk mentioned above risk is managed across the organisation at the following levels. (See Figure 2)

This section also deals with **WHAT** is being managed

| Risk Management Level | Person responsible | Monitoring frequency | Review frequency |
|-----------------------|-----------------------------------|----------------------|-------------------------------------|
| Strategic risk (CMT) | Corporate Risk Management Advisor | As identified in MAP | Every 6 months |
| Tactical Risk | Core Council Managers | As identified in MAP | Every 6 months |
| Operational Risk | Theme Managers | As identified in MAP | Every 6 months |
| Project Risk | Project Manager | As identified in MAP | As identified in Project Assessment |

Figure 3: Monitoring responsibilities. Source: Original to this document

The table also identifies the person responsible for reviewing risk at different levels together with monitoring and review frequencies.

RISK MANAGEMENT PROCESS

This section explains the methodology to be used in managing risk.

In simplistic terms it deals with **HOW** risks should be managed

Before embarking on the system a “Hearts and Minds” presentation is given outlining the purpose and benefits of Risk Management.

The Steps in the system are shown at Figure 3

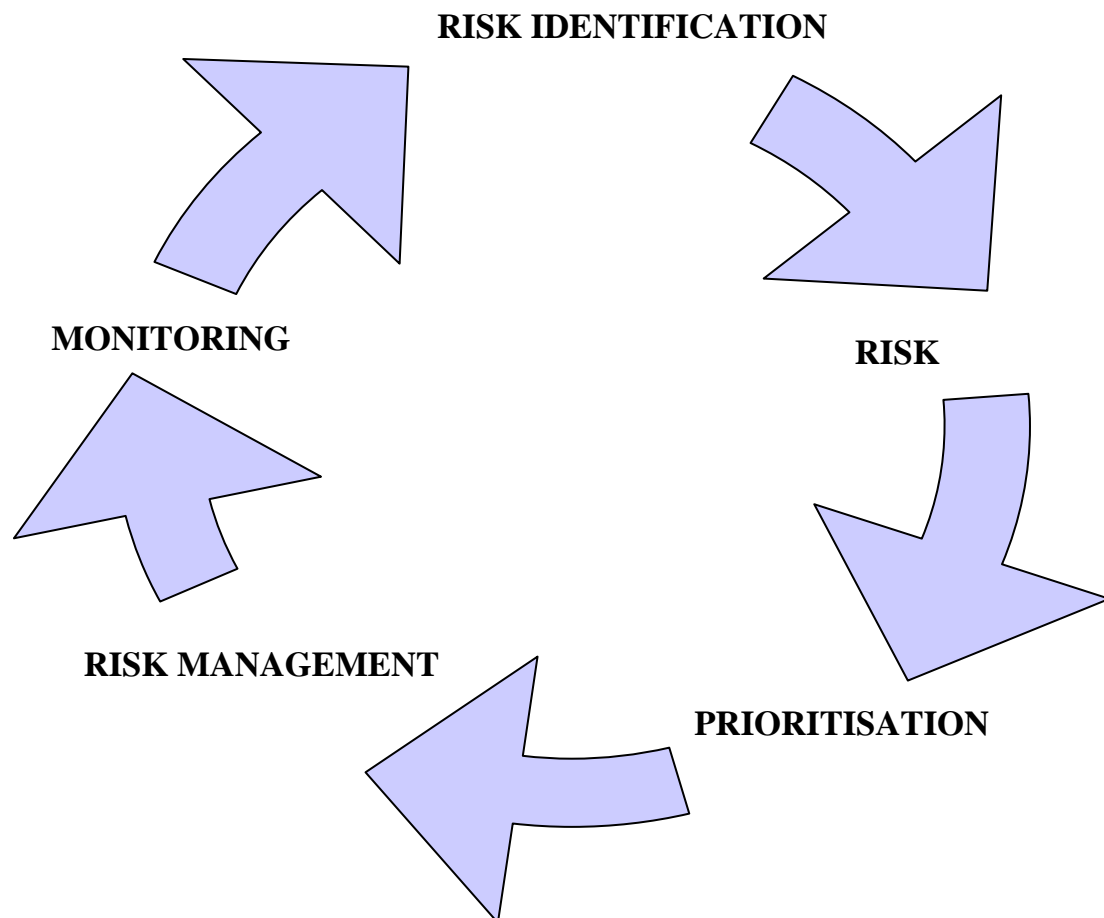


Figure 4: **The Risk Management Cycle.** Source: Adapted from ISO 9000

1. Risk Identification

The relevant group together with a trained facilitator identify risks to their area of work. A series of headings in the “Areas of Risk Matrix” (see Figure 4) can be used to initiate discussion.

| AREAS OF RISK MATRIX | | | | | | |
|----------------------|--------------------------|-----------------------|------------------------------|-----------------------------|--------------------------------|--|
| Levels | Business | Social | Legal | Political | Economic | |
| MACRO | Business Climate | National Demographics | New legislation and Case Law | Government policies/changes | National/international Economy | |
| | Managerial /Professional | Local Demographics | Mandatory /permissive duties | Funding | Council finances | |
| LOCAL | Staff | Communities | Statutory Guidance | New targets and duties | Budget setting | |
| | Technology | Environment | Corporate Governance | Inspectorial regime | Criminal activity | |
| ©.P. Weaver (2007) | Physical | Citizen/Customer | Contracts | Local political priorities | Projects | |
| Areas of risk matrix | Competition | Partnerships | Civil law | Reputation | External funding | |

Fig 5: Areas of Risk Matrix. Source: Quintin Associates Ltd (2007)

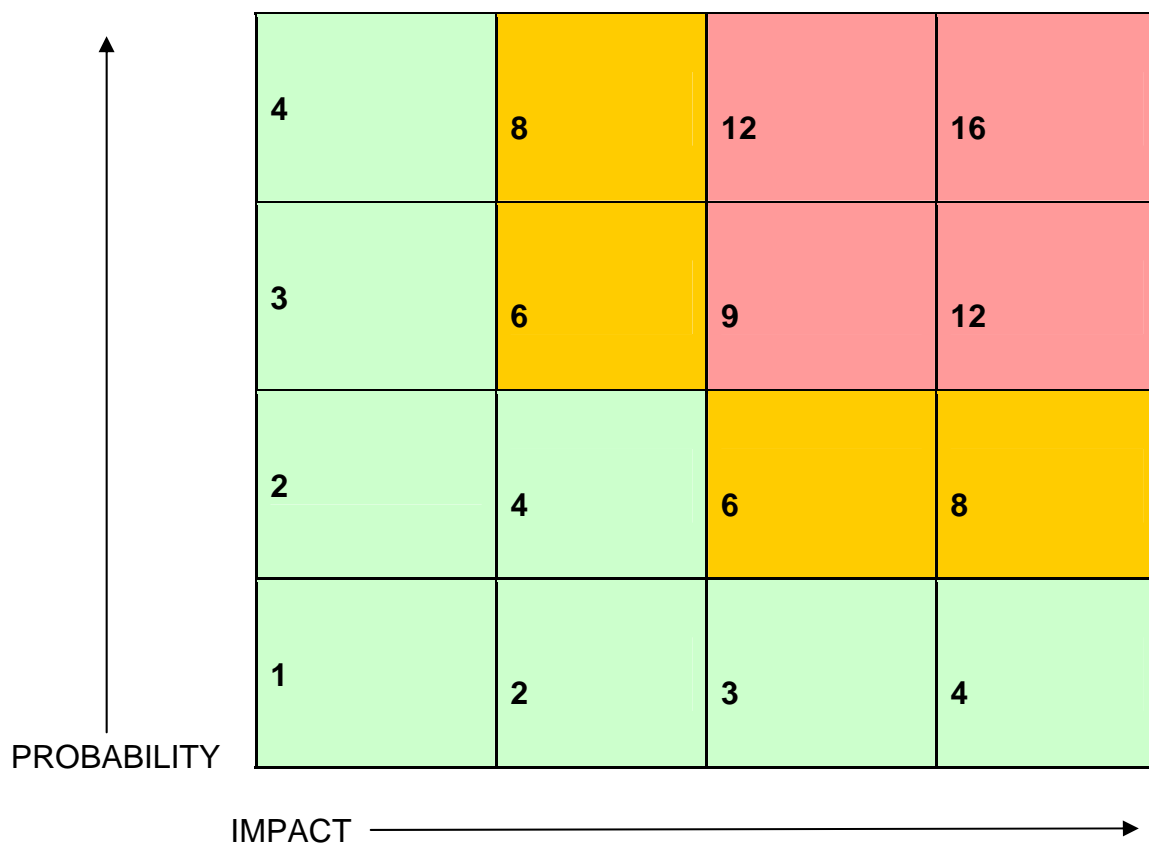
2. Risk Analysis

The same group then rate the risk in terms of “Probability” and “Impact” and the results are plotted on a Risk Assessment Matrix once agreement has been reached. (See Figure 5)

3. Prioritisation

Once the risks have been plotted onto the matrix then the relative priorities can be seen with the highest vulnerabilities occupying A1 which represents a “very high” likelihood with a potentially “catastrophic” impact.

Also plotted on the matrix is the Council’s “appetite for risk” or level of “risk tolerability” as predetermined by the Corporate Management Team. The area where the level of risk is acceptable is shown as the green shaded area so additional control measures are only required for risks falling within the red area with monitoring necessary in the amber areas



| KEY | |
|-----------------|---------------|
| PROBABILITY | IMPACT |
| Highly Probable | Major |
| Likely | Serious |
| Possible | Significant |
| Unlikely | Insignificant |

Figure 6 The Risk Assessment Matrix. Source: Unknown

4. Risk Management

A Management Action plan (MAP) (See Figure 6) is then prepared for each responsible person containing the risks allocated to them.

The MAP sets out a description of the risk the agreed management action and the timescale for action



MANAGEMENT ACTION PLAN

MAP OWNER

DATE

| Risk No | Risk | Potential Consequence | Risk Description | Pre/Post Control Rating | Control Measures | Review Date | Critical Success Factors |
|---------|------|-----------------------|------------------|-------------------------|------------------|-------------|--------------------------|
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Figure 7 Management Action Plan (MAP). Source: Quintin Associates Ltd 2009

5. Monitoring

The collective information of all the MAPS form the Risk Register which has a section for tracking the risk and identifying changes to the level of risk that have occurred through imposed control measures or through other circumstances.

HIERARCHY OF CONTROL

This section deals with the selection of appropriate control measures and **HOW** they should be selected

When identifying control measures it is important that the appropriate control measure is selected. The following table (see Figure 8) sets out a hierarchy for selecting control measures. The appropriate control measure is the one nearest to the top

| Control Method | Fundamental Question | Assessment | Action |
|----------------|---|---|---|
| Elimination | Do we HAVE to do this? | If the answer is NO and the risk is too great | Abort |
| Substitution | Is there another way of achieving the same objective? | If the answer is YES and the risk is less | Use alternative |
| Transfer | Could the same objective be achieved by another body or individual or other third party | If the answer is YES and the overall risk is less | Consider transferring the action and risk to a third party |
| Sharing | Can the risk be shared with a partner or third party? | If the answer is yes and the overall risk is Less | Consider sharing risk |
| Management | What management interventions will best minimise this risk? | Identify management actions | Allocate duties and if on-going ensure appropriate monitoring regime is implemented |
| Insurance | Can insurance be purchased to cover loss? | Is the cost of insurance proportional to the risk | Considering insuring against risk |

FIG 8: The Hierarchy of Control: Source: Quintin Associates Ltd (2007)

RISK MANAGEMENT LOCUS OF CONTROL

This section deals with the management of on-going risks. It sets out a methodology for transferring risks to the level or area of the organisation that can most efficiently and effectively manage them.

It therefore deals with **WHERE** in the organisation risks should be managed.

It is important that risks are managed at the correct level of the organisation. This means that the risk is managed at the level that holds the authority to implement the necessary control measures.

In the interests of efficiency it is important that risks are managed at the lowest acceptable level within the organisation. However, where risks have a corporate implication or have potentially Major impact and Highly Probability these matters should be brought to the attention of CMT.

Once control measures have been implemented it may be appropriate for that risk to be managed lower in the organisation. It is important therefore that there is a way to enable risks to be transferred between registers. The methodology for this is as follows

Moving Risks UP

- 1) All Red risks should be notified to CMT these will either be added to the Corporate Risk Register for action or will require monitoring reports from the responsible manager concerned during the periodic review of the register.
- 2) Any other risk identified at Area of influence level which could be have corporate implications that may have been overlooked should be notified to CMT for their ranking/consideration and subsequent action.
- 3) All Amber risks which could perhaps be better dealt with corporately or where the control measures might have Corporate implications should be notified to CMT for their ranking/consideration and subsequent action.

Risks can be added to the Corporate Risk Register either during the periodic review or at any CMT by the appropriate Director or Theme Manager.

Risk Management/Health and Safety should be a standing item on every business CMT agenda firstly to provide the opportunity to add risks as set out above and secondly because it is good management practice and was recommended as an action point during our previous inspection by the HSE.

Moving Risks DOWN

- 4) Risks on the Corporate Risk Register which have been passed up as Red risks from Directorates can be passed back once control measures have been put into place which result in a lowering of the risk ranking.
- 5) Risks that are specific to Themes and would be better controlled at that level can be passed down from CMT onto the Service Risk register.
- 6) The steps set out in 4) and 5) Will be carried out during the periodic review of the Corporate Risk Register.

Moving Risks SIDEWAYS

- 7) There may be times when risks are identified within an area of influence that could better be controlled in another area of influence. These should be resolved by the Theme Managers concerned and confirmed in e mail with a copy to the **Theme Managers**. In the event of a failure to agree then the matter should be referred to CMT for consideration and decision.

It is important that the Management of risk is constantly in the minds of CMT and that simple processes are in place to quickly and efficiently control risks at the right level in the organisation.

This methodology sets up both active (periodic review) and passive (standing item on CMT) risk monitoring in place.

PROGRESS AS OF MARCH 2009

This section deals with the progress made so far and deal with **WHERE** the authority is with managing risk.

Significant progress has been made in introducing and implementing Risk Management throughout the organisation as detailed below.

The Risk Management consultant has been working with the Chief Executive, Directors and Core Council Managers firstly to identify and manage high level corporate risks across the authority and secondly to start cascading and embedding the risk assessment process throughout the authority.

- A Strategic Risk Register is in place at corporate level
- The Corporate Risk Register has been reviewed and this will be repeated at 6 monthly intervals.
- The Core Council Managers Risk management registers will be incorporated into the Core Council Managers plans and reviewed as part of the planning and monitoring process
- All large projects will be assessed for risk and Management Action Plans (MAPS) put in place.
- Work has now been completed to assess the risks at operational level throughout the Council and every unit has now produced Management Action Plans to control the risks identified.
- Risk Management has now been included in the corporate staff induction day.
- The Risk Management Strategy has been reviewed and updated in March 2009.

[Actions planned for the future](#)

Now that the system has been set up it will be necessary to ensure that it is maintained.

- Registers and Management Action Plans will be reviewed on a regular basis
- A mechanism has now been devised and incorporated into this document to allow risks to move between the plans to ensure that they are being managed at the appropriate level
- The revised Risk management strategy will be presented to the Corporate Governance Committee

- A review of partnerships will be carried out on an annual basis
- All Projects will be subject to the risk management protocol
- System of Programme Management put in place

This will be led by the partnerships team within the Performance and Client Theme. Shirlene Adam will keep an overview of this as the lead Director.

THE STATEMENT OF INTERNAL CONTROL

The Accounts and Audit Regulations require audited bodies to:-

- conduct a review at least once a year of the effectiveness of its system of internal control; and
- publish a Statement on Internal Control (SIC) each year with the authority's financial statements.

The purpose of the SIC process is to provide a continuous review of the effectiveness of the Council's internal control and risk management systems, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses in either process. Indeed, the process of preparing the SIC itself does add value to the corporate governance and internal control framework of the authority.

The SIC document is about all corporate controls and is not confined to financial issues. It must be signed by the s151 Officer, the Chief Executive, and the Leader of the Council - who must all be satisfied that the document is supported by reliable evidence and accurately reflects the internal control environment.

The SIC is a corporate document, and as such must be owned by senior officers and members of the authority. A working group will carry out the formal review and prepare a draft SIC for consideration by CMT in late May each year.

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APPENDICES

(Insert Risk Registers)

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 18TH MAY 2009

Report of Strategic Director (Shirlene Adam)

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

ANNUAL AUDIT AND INSPECTION LETTER 2007/08

EXECUTIVE SUMMARY

This report is **for information only** and shares the annual audit and inspection letter for 2007/08 (published March 2009).

1. Purpose of Report

- 1.1 To share details of the annual audit and inspection letter for 2007/08 with members of the Corporate Governance Committee.

2. The Details

- 2.1 Historically, the annual external audit and inspection plan has been shared with members of this committee, following an earlier briefing to Group Leaders, Executive Councillors and Chairs of Panels (which took place on 26 March 2009).
- 2.2 The annual audit and inspection letter is attached at Appendix A. This has now been placed on the Council's website.
- 2.3 A "corporate improvement plan", pulling together all the issues from this and other key documents is currently being prepared and will be shared with this committee at their June meeting.

3. Recommendation

- 3.1 Members of the Corporate Governance Committee are requested to note the details of the annual audit and inspection letter 2007/08.

Contact Officer:

Shirlene Adam
Strategic Director
01823 356310

Annual Audit and Inspection Letter

Taunton Deane Borough Council

Audit 2007/08

26 March 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Key messages

- 1 The Council has continued to make progress with the delivery of most of its priorities and has improved the performance of a number of its services. Achievements include
 - very high levels of recycling and composting;
 - an improved response to customer phone calls via the contact centre;
 - enhanced play and recreational facilities for young people;
 - a wide range of successful schemes to address health-related issues; and
 - a new, web-based food premises star rating scheme which is proving popular with local people.
- 2 Senior manager capacity is stretched by an ambitious agenda which includes a major restructuring of the Council and innovative partnership working. This challenges the Council's ability to continue improving its services in the short term, although a strong performance management system helps to mitigate this risk.
- 3 The Council has improved some aspects of its housing service, but there is more to do. Whilst it has made some progress in delivering affordable homes for local people and improved services for rough sleepers, the Council is taking longer than before to re-let its homes and numbers of homelessness have risen in the area.
- 4 Progress in developing the Council's approach to equality and diversity has been slow, with the outcome of Equality Impact Assessments unclear and 38 per cent of the Council's own buildings still not compliant with the Disability Discrimination Act. The Council is at Level 2 of the Local Government Equality Standard.
- 5 The creation of a joint venture company, known as Southwest One is an innovative yet complex arrangement involving a range of service delivery and financial risks for the bodies involved. We concluded that the contract procurement and governance arrangements were robust and operating satisfactorily. However, the project is still at an early stage, particularly whilst the transformation projects are being implemented. The key to long-term success is in effective contract management to ensure delivery of the expected benefits
- 6 An unqualified audit opinion was given on the Council's 2007/08 Statement of Accounts, after these had been amended for errors identified at audit.
- 7 We concluded that the Council's value for money (vfm) arrangements continue to be adequate. However, the Council's Use of Resources score reduced from 3 to 2 overall, reflecting reductions in the scores for the financial reporting, financial standing and vfm theme scores.

Action needed by the Council

8 The Council needs to:

- ensure that it maintains focus on continued improvement of services for citizens during the forthcoming period of structural change;
- continue to address issues relating to housing;
- do more to enhance its approach to Equalities and Diversity;
- continue to monitor Southwest One's delivery, to ensure that benefits realisation and the transformation of services is delivered on time and within budget;
- review the arrangements for use of resources in the context of the new framework for 2008/09;
- review its accounting closure processes, and the resources provided to support these processes, to reduce the risk of material and other errors occurring within the financial statements presented to members for approval; and
- implement the agreed action plan from our Data Quality Review.

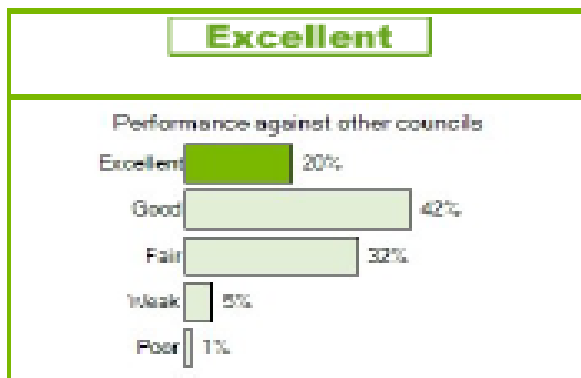
Purpose, responsibilities and scope

- 9 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 10 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 11 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website).
- 12 Your appointed auditor, Brian Bethell, is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 13 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 14 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Taunton Deane Borough Council performing?

15 Taunton Deane Borough Council was assessed as Excellent in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating them, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

What evidence is there of the Council improving outcomes?

16 The Council has continued to make progress with the delivery of most of its priorities and has improved the performance of a number of its services. Achievements include very high levels of recycling and composting, an improved response to customer phone calls via the contact centre and enhanced play and recreational facilities for young people. However, progress in developing its equalities and diversity approach has been slow and the Council faces significant challenges in tackling homelessness, improving the condition of its housing stock and increasing the number of new affordable homes in the longer-term. The Council's improvement across a basket of indicators used by the Audit Commission is slightly above average for district councils at 60 per cent and 37 per cent of indicators are in the best quartile compared to a district council average of 33 per cent. The Council focuses its delivery in six priority areas.

Economy

- 17 The Council continues to support the development of a vibrant local economy despite the emerging economic downturn. A number of projects are proceeding based on the Council having secured significant external funding contributions, including £8.45m for Local Action for Rural Communities, aimed at community-based initiatives in rural areas across the district. The Council has also secured £7.9m of growth point funding for the next two years to deliver Project Taunton - a significant town centre regeneration programme. The Council has directly provided a broad range of support services to advise and assist local businesses, including providing effective merchandising for the Wellington Chamber of Commerce, 11 'IT for Farmers' workshops and hosting a tourism conference attended by 150 local tourism-based businesses. The Council is on track to achieve its target of encouraging the establishment of 30 new businesses each year, although numbers are slowing - from 70 in 2004, to 30 in 2007/08.
- 18 The Council is also planning to re-direct investment to support the development of a new business incubation ecosystem together with one of the strategic partners from Southwest One. However, despite the range of activities undertaken by the Council, impacts are difficult to assess.

Transport

- 19 The Council is not a statutory transport authority but is successfully using its powers and influence to improve transportation in the area. There are specific corporate objectives to support the County Council in limiting the growth in traffic and reducing the numbers of journeys in single-occupancy vehicles. The Council has achieved reductions in the numbers of car journeys through its employee travel plan - including a cycle saver scheme taken up by around 30 employees. Actions from the travel plan have reduced the numbers of staff driving to work steadily from 71.3 per cent in 2005, to 65.1 per cent in 2008. The Council has supported several transport initiatives during 2007/08, including improvements to the Taunton station interchange, greater priority for buses in Taunton town centre and planning policies to assist buses in the proposed urban extensions. The Council has reviewed its on-street parking policies to support park and ride initiatives, with improvements planned for 2009.

Crime

- 20 During last year, the Council made limited progress in achievements against this corporate aim. Taunton Deane is a relatively safe area with low levels of crime compared to other areas and the Council is active with partners in providing a range of services to minimise crime and anti-social behaviour. However some types of crime rose during the past year including burglaries, robberies and thefts from motor vehicles. Violence against the person, sexual offences and theft of motor vehicles have fallen. As a Crime and Disorder Reduction Partnership (CDRP), results are generally below average for the comparator group of CDRPs. Taunton Deane has fallen to 15th of 15 CDRPs in its comparison group for thefts from motor vehicles, and has worse than average performance for robbery, burglary, theft of motor vehicle and theft from motor vehicle. However, un-audited figures suggest that the Council has made much better progress in achieving its corporate aim in relation to crime in recent months.

How is Taunton Deane Borough Council performing?

- 21 The Council has improved the range of diversionary activities and schemes to help reduce anti-social behaviour. The VIBE programme, managed in partnership with Tone Leisure, the police and youth service operates 40 weeks per year and attracts an average of 40 young people a week. Two further activity days during the summer engaged over 700 young people each day, and local action teams have provided diversionary activities such as paint-balling as well as providing facilities such as youth shelters. The Council appointed a partnership support officer in August 2008 to coordinate diversionary activities and deliver other community safety initiatives across the west Somerset districts.

Healthy Living

- 22 The Council works effectively with partners to improve quality of life for residents in deprived areas. Joint work with police, leisure and health services in specific areas is delivering increased play and recreational facilities informed by engagement with the community. With the Taunton Association for the Homeless, the Council opened a new rough sleepers unit in December 2008 and it has contributed to the county-wide choice based letting system which went live in December 2008, providing a cross-Somerset allocations policy and common housing register. The Council is on the way to achieving its target of 20 new pitches for gypsy and travellers, having agreed 17 pitches to date.
- 23 The Council has made some progress in enabling the delivery of more affordable homes to local people, but there is more to do on this in the longer term. The number of affordable homes in the area increased to 120 in 2007/08, but the Council is not achieving its own targets or meeting local needs. The Council has not yet identified a five-year supply of land on which to develop new homes and there is a significant risk that the Council will not meet its target of 985 new affordable homes by March 2011.
- 24 Aspects of the Council's homelessness service have improved, but there is more to do on this. The Council has done well to achieve best-quartile performance for the average length of stay in hostel accommodation and for the number of households in temporary accommodation. It is on course to meet its target of reducing the number of homeless households in temporary accommodation by 50 per cent by 2010 and, as mentioned above, good partnership working has improved services for rough sleepers and increased choice for local people in renting homes. However, numbers of homelessness acceptances and repeat homeless cases have risen while the effectiveness of advice services to prevent homelessness has reduced.
- 25 The Council has made some improvements to the management of its housing stock so that tenant satisfaction with this remains high, but challenges remain. The Council has improved its stock condition data and has now established a programme to ensure Council homes meet the decent homes standard by 2011. However, the time taken to re-let empty homes is increasing, which means people are waiting longer to move into their homes and rental income is lost. The Information Technology system used by the Council has also improved but it still does not support effective management of key areas such as managing asbestos and gas servicing.

How is Taunton Deane Borough Council performing?

- 26 The Council has delivered a wide range of good quality, community based projects and schemes to address health-related matters. A new food premises star-rating scheme commenced in 2008 to provide customers with easy access to information on hygiene standards in restaurants. A training event for the food sector was attended by around 250 businesses, with 125 attending a workshop on how to improve their food safety standards. The Council has introduced a food safety board game for use in schools, aimed at improving awareness of food safety amongst young people, and there are a number of schemes that were launched during 2008 to increase play and sports participation.

Environment

- 27 The Council has continued to improve its performance in maintaining the environment and promoting environmentally sustainable practices. The Borough recycles and composites over 49 per cent of its waste - easily amongst the best performing councils nationally. Waste collected per head of population is low at 328 kilograms, better even than the best-performing threshold of 374 kilograms. Residents are well served by kerbside collections of recyclables and in May 2008 the Council launched a pilot to recycle plastic bottles and card. Costs of waste collection have increased however, from £52.08 per household in 2006/07, to £57.97 in 2007/08. Levels of cleanliness in public areas across the Borough are generally good. The Council has improved performance since 2006/07 on the percentage of land littered from 14 per cent to 8 per cent, and maintained good performance on fly-posting. There was a slight deterioration in the percentage of land with unacceptable levels of graffiti, with an increase from 1 to 2 per cent. Three of the Council's parks have been awarded green flag status for 2008 and Taunton won gold in the large town/small city category of Britain in Bloom.
- 28 The Council has made good progress on promoting environmentally sustainable activities in its operations and in raising awareness in communities. A baseline of carbon emissions has been completed for the Council's operations - 4200 tonnes per year - and this assessment will form the basis of the action plan in 2009, setting out year-on-year reductions. The Council has secured provision of 50,000 energy saving light bulbs for the community, and has included a climate change leaflet with council tax bills, promoting energy efficiency in the home.

Delivery

- 29 The Council has improved access to its services through its customer contact centre. Response times to callers and reduced numbers of abandoned calls have both improved. The performance of the service has consistently exceeded targets set by the Council for enquiries being answered at the first point of contact, with over 90 per cent of calls being handled without having to transfer the caller to another department. The Council has acted on complaints and improved the planning service by providing a professional planning officer on a duty basis between 9am and 5pm each day during the week. Food safety ratings on restaurants are available on line, and the Council made improvements to its translation services for customers following a review of the contract for that service.

How is Taunton Deane Borough Council performing?

- 30 The Council's work to ensure equality and diversity in the area has made only limited progress. Improvements include commencing some effective work with a local disability forum to assist in the design of services including transport and customer access and improving the process for producing equality impact assessments (EIAs) with the implementation of a new database bringing together all EIAs and action plans into a single location. However, the impact of these assessments is not yet evident. The Council has made limited progress with improving access to its premises, increasing the number of buildings compliant with the Disability Discrimination Act from 58.1 per cent in 2006/07 to 63.9 per cent in 2007/08, but this level of performance is lower than many other councils have achieved. The Council remains at Level 2 of the Equality Standard whereas many of the best councils are at Level three or above. Overall the Council is making slow progress in improving outcomes in equalities and diversity issues.
- 31 The Council's Use of Resources vfm theme score reduced from 3 to 2 although there are examples of the Council delivering improved services at lower cost to customers. It transferred eleven council services and 158 staff to the Southwest One partnership at the beginning of 2008, and 21 savings initiatives worth £1.5m are on track for delivery. Overall, the Council has generated over £2.5m worth of savings between 2005/06 and 2007/08 - ahead of its target. Council tax increase has been maintained at 3 per cent - below the district average of 4.5 per cent and Somerset district council average of 3.6 per cent. Restructuring of the development control functions created two area teams with dedicated validation and support, resulting in improved performance on all three performance indicators.

How much progress is being made to implement improvement plans to sustain future improvement?

- 32 The Council has made good progress in identifying its priorities and ambitions for the next three years. It has recently approved a sound new Corporate Strategy, which sets out six aims, supported by 20 objectives. The aims and objectives address important issues facing the district and represent a challenging and ambitious programme. This forms a good basis to guide the Council's future improvements.
- 33 The Council has strengthened its governance arrangements. Following a peer review, the Council has revised its scrutiny arrangements to bring about more effective challenge, changing from six committees to two with a series of task and finish groups. It has also established a 3 hour guillotine to make meetings more focused. Councillors are effective in monitoring budgets. Performance and financial reporting is delegated to one of the two main scrutiny panels - Strategy and Performance Committee, which receives quarterly reports on both performance and finance. Budget monitoring is tight and councillors are kept informed of progress in managing particular problem areas, including increased usage of concessionary fares, interest losses on investments and loss of projected income from car parks.

How is Taunton Deane Borough Council performing?

- 34 Senior and middle manager capacity is stretched by the ambitious forward agenda and there is a risk that it will not maintain improvement levels in the short-term. The Council is embarking on a major restructuring during 2009/10 with much of the planning having taken place during 2008/09. The Council acknowledges that managing the restructure will impact on its ability to deliver improvement plans in the short-term due to the uncertainties about jobs, the impact on staff morale and the diversion of senior management time to deliver the change programme. In practical terms, service plans will be completed by the new service managers once appointed and because of the phased roll-out of the change programme, many plans will not be in place until later in the year.
- 35 The Council is very committed to partnership working and is successfully enhancing its capacity by working with others but there is more work needed to further develop the potential for partnership working across Somerset more widely. The Somerset Waste Partnership, Southwest One, the South West Audit Partnership and Tone Leisure are all actively delivering a range of services and functions with the Council. Progress on developing the potential for more effective joint working between Somerset councils has been mixed. A clearer commitment to joint working and the beginnings of a formal process with council leaders and chief executives has been recently agreed and a report on the first year's progress was produced in December 2008. However, there is still a lack of clarity about how the partnership will secure benefits. Current leadership arrangements need to be enhanced and speed of delivery improved if the potential benefits are to be realised. Plans and priorities have recently been re-assessed but require strong leadership to deliver the significant improvement and efficiency savings that have been identified.
- 36 The Council has robust processes in place for monitoring performance. Quarterly reports include both financial and performance information, structured around the identified aims set out in the corporate strategy. Financial information provides an overview of progress against revenue and capital budgets. Quarterly reports are comprehensive and include trend information. Core council managers, rather than Directors, are responsible for performance of services and meet as a group to challenge progress prior to reports being presented at committee. This challenge provides opportunities for problem solving. The council has developed performance management arrangements for several of its key partnerships, including SouthWest One, but managers recognise there is more to do on this for other partnerships that are in place and being used to deliver services.

The audit of the accounts and value for money

37 Your appointed auditor has reported separately to the Corporate Governance Committee on the issues arising from our 2007/08 audit and has issued on 26 September 2008

- an audit report, providing an unqualified opinion on your accounts; and
- a conclusion on your vfm arrangements to say that these arrangements are adequate.

Use of Resources

38 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.

- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
- Financial management (including how the financial management is integrated with strategy to support council priorities).
- Financial standing (including the strength of the Council's financial position).
- Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
- Value for money (including an assessment of how well the Council balances the costs and quality of its services).

The audit of the accounts and value for money

39 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

| Element | Assessment 2007/08 | Assessment 2006/07 |
|---|-----------------------|-----------------------|
| Financial reporting | 2 out of 4 | 3 |
| Financial management | 3 out of 4 | 3 |
| Financial standing | 2 out of 4 | 3 |
| Internal control | 2 out of 4 | 2 |
| Value for money | 2 out of 4 | 3 |
| Overall assessment of the Audit Commission | 2 out of 4 | 3 |

Note: 1 – lowest, 4 = highest

- 40 The Council's overall Use of Resources score has fallen from three to two this year. This reflects the reductions in scores on three of the five individual themes: financial reporting, financial standing and value for money.
- 41 There are two main reasons for the reductions in the 2007/08 scores.
- In line with the concept of continuous improvement, the Audit Commission has once again 'raised the bar', with the introduction of some new assessment criteria and the removal of the optional status for any criteria at levels 2 and 3 - for these two levels, all the criteria are now mandatory.
 - The Council's commitment to major strategic projects, in particular Southwest One, which it expects will deliver significant efficiency gains over the longer-term, has had an adverse impact on the Council's capacity in the shorter-term, and this has severely limited the Council's ability to make progress in the areas covered by the Use of Resources assessments for this period.
- 42 Despite the reductions in some scores this year, the Council is clearly committed to delivering improvement in its use of resources, and is engaged in major long-term investment which should help to deliver this objective. The outcomes from its radical change programme will be reflected in future assessments.

Audit of the Financial Statements

- 43 The draft accounts were presented for audit at the agreed date and met the statutory requirements. However, they contained a material error, as well as three other significant or 'non-trivial' errors. The accounts were amended for these errors and re-approved, and we gave an unqualified opinion on the revised statements before the statutory deadline of 30 September.

- 44 Staff within the finance section were working under a good deal of pressure from competing demands. This inevitably had an impact on the quality of the working papers to support the statements, which were not of the same high same standard as in recent years, and on the ability of staff to respond promptly and effectively to queries and requests for additional information at audit.
- 45 The Council needs to review its accounting closure processes, and the resources provided to support these processes, to reduce the risk of material and other errors occurring within the financial statements presented to members for approval.

Data Quality

- 46 We carry out annual reviews to assess whether councils have in place proper management arrangements for data quality, and whether these are being applied in practice. Good quality data is the essential ingredient for reliable performance and financial information to support decision making. The data used to report on performance needs to be both accurate and timely.
- 47 The Council's overall management arrangements for ensuring data quality continue to meet the minimum requirements, in particular:
- responsibility for data quality is well defined, and the Council's commitment to data quality is communicated clearly and issues relating to data quality are considered by senior managers and councillors;
 - there are effective arrangements for monitoring and reviewing data quality, in particular for monitoring the quality of performance and financial data; and
 - sound security arrangements are in place for the Council's critical performance information systems, and these arrangements have been reviewed recently and improved.
- 48 Due to capacity constraints, the Council has not achieved some of the agreed actions from our 2006/07 data quality review. Key areas where further work is required are as follows:
- the establishment of effective business continuity planning;
 - more effective general awareness training, for example, through a web-based approach;
 - more effective management overview and recording of data quality controls; and
 - the need to agree and implement a data quality framework within all key partnerships, building on the good examples already in place within Southwest One and the Somerset Waste Partnership.

Review of Southwest One

- 49 Somerset County Council, Avon and Somerset Police Authority, and Taunton Deane Borough Council have joined with IBM to create a joint venture company, known as Southwest One to deliver a range of services under a ten-year contract. Its vision is to enable the social transformation of Taunton, Somerset and the South West, to deliver better value for money for council taxpayers and improve access to services for residents within Somerset.
- 50 We carried out a joint review to assess the adequacy of Taunton Deane Borough Council's and Somerset County Council's arrangements for managing the project and for securing value for money over the period of the contract. Our main conclusions are as follows.
- The contract procurement and governance arrangements are robust and operating satisfactorily. Appropriate senior officers were used in the negotiation phase with the preferred bidder and members were kept informed of progress, consulted at key stages of the project and provided with information to support the decision making process. The appointment of KPMG to provide advice and expertise, together with the independent review undertaken by MAANA, provided additional assurance over the conduct of the procurement process.
 - The main service and financial risks associated with the contract have been identified and appropriately assessed. However, in the longer term, the financial success of this contract is dependant upon Southwest One's performance in delivering the target procurement savings over the contract period and the ability of the authorities' client side organisations to manage contractual performance.
 - Southwest One needs to develop a business expansion plan, which takes account of potential resource conflicts between providing services and taking on new business. Whilst the councils will benefit financially from additional clients, this will need to be assessed against the risks associated with business expansion.
 - The councils' risk management arrangements are satisfactory but will require ongoing review to maintain effectiveness.
 - The governance model in place takes the form of regular reporting of business performance and is supported by an overarching framework.
- 51 Continued delivery of value for money from Southwest One will be of critical importance and an ongoing priority for the councils. Whilst the present arrangements to achieve this appear to be satisfactory, they will need to be regularly tested and subject to ongoing scrutiny, as will the achievement of benefits realisation. The longer-term success of the project depends on effective contract management arrangements which result in cost reductions, increased efficiency and/or improved delivery of services.
- 52 We will continue to monitor progress on the project as part of future audits.

Looking ahead

- 53 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 54 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 55 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

Closing remarks

- 56 This letter has been discussed and agreed with the Council's Management Team. A copy of the letter will be presented to a group of leading members on 26 March 2009. Copies need to be provided to all Council members.
- 57 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

| Report | Date of issue |
|------------------------------------|----------------|
| Audit and inspection plan | April 2007 |
| Southwest One | September 2008 |
| Annual Governance Report | September 2008 |
| Opinion on financial statements | September 2008 |
| Value for money conclusion | September 2008 |
| Final accounts memorandum | November 2008 |
| Use of Resources | December 2008 |
| Data Quality Review | December 2008 |
| Annual audit and inspection letter | March 2009 |

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- 58 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 59 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Sophie Trim
Comprehensive Area Assessment Lead
26 March 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Corporate Governance Committee

18 May 2009

Report of the Economic Development Manager

Progress to Agreed Action Plan

| Objective | Management Comment |
|--|--|
| 1. Promote new and support the growth of economic and community vitality/wealth within the District with new and existing businesses and related social endeavours and seek to reduce economic deprivation where possible | |
| 1.1 | <p>_A local Economic Assessment for Taunton Deane was completed in January 2009. The report was commissioned to establish a baseline of economic performance as a first step in creating an Economic Development Strategy to 2026 to coincide with the time period of the Regional Spatial Strategy (RSS).</p> <p>The conclusion is that Taunton Deane's economic structure was weak before the recession, and the balance of high-value/low-value business activity and the balance between private sector/public sector employment have been unfavourable for some time. The recession could lead to an even lower starting point for building the level of economic activity that is needed in the future to achieve the economic Vision.</p> <p>The assessment is attached at Annex A.</p> <p>An economic development Vision has been established and 'headline strategies' identified during the 'Envisioning the Future of the Taunton Economy' process. The process began reviewing Taunton Deane as an economic area, but partners and the business community quickly identified that the economy of Taunton is under-performing, and that a strong and vibrant Taunton would bring economic benefit to Taunton Deane and Somerset as a whole. Stakeholders agreed that the Vision needed to focus on the growth of the Taunton economy.</p> <p>The report identifies a series recommendations and opportunities and is attached at Annex B.</p> <p>The next steps are to consult on and agree economic priorities, and create delivery plans through stakeholder groups within each 'Theme' to feed into project planning delivery of activity; first drafts to be completed by late Autumn 2009 and the Economic Development Strategy finalised before March 2010. This will be a 'bottom up' process so that ownership of the Vision and Strategy is at business/community level.</p> |

Internal Service Plans will be developed to match actions to capacity within the new organisational structure from 1 April 2010, with performance indicators and targets agreed with all stakeholders, with monitoring achieved through longitudinal research activity and regular economic assessments.

2. Businesses leave the District because the Council does not meet their needs

- 2.1 The development of the Economic strategy will take a bottom-up approach, and will engage with as many businesses and social enterprises as possible, in addition to representative and support organisations, and economic development partners. The response to the involvement of businesses in the Envisioning process has been welcomed and received very positive feedback.

A business survey was undertaken in January 2008, specifically around employment land and premises issues, but the survey also requested information on additional support requirements and perceptions of TDBC. A total of 884 responses were received from a mailing of 7,200.

The results about employment land have been presented to the Employment Land Task and Finish Group in order to inform their recommendations, and the support requirements will be discussed with Business Link.

The results from the business's views of TDBC were as follows:

| | |
|--|-----|
| Helps businesses to thrive | 1% |
| Actively encourages businesses | 5% |
| Has a positive attitude towards businesses | 20% |
| Does nothing to help businesses | 24% |
| Actively hinders business growth | 6% |
| No strong view | 47% |

There is clearly more work to be done to improve the perceptions of TDBC by local businesses, and further work to understand their requirements will be undertaken, but these results will be used as a baseline in establishing performance outcomes.

4. Loss of information due to poor security/backup arrangements

- 4.1a Continuity Plan for Flu Pandemic completed but additional work not yet undertaken.
- 4.1b Business Link now provide detailed information on continuity planning, and planning for a pandemic on the businesslink.gov.uk website.

Business Advice clinics are held regularly at Deane House, and events on topical issues are promoted in conjunction with Business Link, eg recent event at Taunton School and a business support week planned for June 2009.

5. Poor promotion of business and economic opportunities within the district

5.1 The likely implementation of the 'new website' is July/August 2009

6. The website is not utilised to its full potential

6.1 See 5.1

7. The authority fails to identify the grants available

7.1 It remains my belief that the Authority would benefit from a dedicated resource to identify and bid for funding for economic and community development projects.

8. Financial loss as grants are not claimed or received

8.1 Funding for all successful grant applications is claimed and received.

Additionally, other opportunities have been exploited when presented ie £2k from SCC to support the Envisioning process, £40k from Somerset NHS to fund community development work in deprived areas, and £20k from LSC to match fund research into employment and skills issues.

10. Lack of evidence of best value being achieved.

10.2 Agreement has been reached on the relationship between Into Somerset and TDBC. We are awaiting formation of Into Somerset as a limited company so that we can agree a SLA.

A PID has been drafted by the STP Coordinator for submission to the Regeneration Directors meeting on 6 May 2009 to begin the process of reviewing the future of the partnership. TDBC led on the development of a MoU, which has been signed by all partners for a period to 31 March 2010, in order to provide stability to the partnership and allow a review to take place.

12. Inconsistent or improper working practices due to lack of guidance and training

12.1a Comments as given

12.1b All staff have had interim PREDs and have either completed or have a meeting scheduled for annual PRED.

13. Equipment is lost or stolen

13.1a Not completed.

Philip Sharratt
Economic Development Manager



Corporate Governance Committee - 18 May 2009

Comprehensive Area Assessment update

Report of Client and Performance Lead

(This matter is the responsibility of Executive Councillor Fran Smith.)

Executive Summary

The Comprehensive Area Assessment came into effect in April 2009. This new approach will radically change how public sector organisations will be assessed. This report provides an update on the Comprehensive Area Assessment for Members.

1. Purpose of Report

- 1.1 The purpose of this report is to provide an update on the Comprehensive Area Assessment (CAA).

2. Background

- 2.1 CAA is the new inspection regime which came into effect in April 2009. It looks at how well local services are working together to improve the quality of life for local people. For the first time, local public services will be held collectively to account for their impact on better outcomes. CAA will look across councils, health bodies, police forces, fire and rescue services and others responsible for local public services, which are increasingly expected to work in partnership to tackle the challenges facing our communities.
- 2.2 It is a joint assessment made by a group of independent watchdogs about the performance of local public services, and how likely they are to meet local priorities. Assessments will be made publicly available, in print and online, and provide an annual snapshot of quality of life in the area.
- 2.3 It will give people information about how well services are delivered locally, and help them make decisions in their communities, in their own use of services, or perhaps where they live.

3. CAA Framework Documentation

- 3.1 Following extensive consultation the Final CAA Framework Documentation has been published. Details are available on the Audit Commission website www.audit-commission.gov.uk

- The final framework remains much the same as proposed in the most recent consultation. The Council did provide a response to the consultation as agreed by the Overview and Scrutiny Board on 13 October 2008.

4. CAA Organisational Assessment for Taunton Deane Borough Council

- 4.1 The organisational assessments for councils, combines the external auditor's assessment of Value for Money (including Use of Resources) and a new assessment, Managing Performance.
- 4.2 We have already submitted our Use of Resources Assessment to the Audit Commission and they are currently undertaking on-site work with us. The Managing Performance assessment due in summer 2009 will focus on two areas:
- How well is the organisation delivering its priority services, outcomes and improvements that are important to local people?
 - Does the organisation have the leadership, capacity and capability it needs to deliver future improvements?
- 4.3 We will have to submit a self assessment on Managing Performance, however we are not yet aware of the final deadline for this work. This will be a much harder test and Members should be aware that in the current environment it is unlikely that the Council will achieve the top rating.

5. CAA Area Assessment for Somerset

- 5.1 The Area Assessment reviews performance against three overarching questions.
- How well do local priorities express community needs and aspirations?
 - How well are outcomes and improvements needed being delivered?
 - What are the prospects for future improvement?
- 5.2 Underpinning these three questions are cross cutting themes though the area assessment. These are:
- sustainability;
 - inequality;
 - people whose circumstances make them vulnerable; and value for money.
- 5.3 A CAA Partnership Group has been established made up of Performance Directors and Managers from across the public sector organisations that will be involved in the CAA Area Assessment.
- 5.4 The Terms of Reference for this group have been established and one of it's main aims is to prepare the area of Somerset for the CAA Area Assessment.

- 5.5 An approach to producing a self assessment for the area is currently being agreed by the group. This assessment will look at each of the 10 areas of focus and assessment how the area is performing against each of the three over-arching questions.
- 5.6 Auditors will start working on the Area Assessment around the end of June and it is anticipated that the majority of the self assessment will be completed around this time. The Somerset Partners have secured REIP funding to provide a resource for completing the self assessment. Adrian Gladstone-Smith has been appointed to undertake this work and is based at Taunton Deane Borough Council.

6. CAA: Making public bodies more accountable

- 6.1 The Audit Commission will report on the CAA for Somerset in **November 2009**. In the report they will set out for the public how effective local public services in Somerset are tackling the issues facing them. The use of green and red flags will improve accountability by giving indications of exceptional success of areas where further or different action is urgently needed. Individual organisations will still be scored, with councils and fire and rescue authorities given a rating of performing excellently, well, adequately or poorly.

7 CAA and the Local Area Agreement

- 7.1 The Local Area Agreement (LAA) includes both national targets (National Indicators) for improvement and local ones. In Somerset we have agreed a single set of 35 LAA targets which form part of the LAA with the government, in addition we have agreed a number of supporting tier indicators. For each of these National Indicators in the LAA, there is a Delivery Plan and a list of actions, most of these Delivery Plans have now been finalised and all the relevant TDBC targets and actions have been incorporated in the Corporate Strategy. All the Delivery Plans on the Somerset Strategic Partnership website.
- 7.2 As part of the CAA, the government will be assessing how well local services are performing against the LAA targets for improvement. The CAA will also assess local services in terms of how well they are performing against their local priorities.
- 7.3 **Implications for Taunton Deane Borough Council**
- The CAA introduces a substantial change in how local authorities will be assessed. The focus is increasingly on how local public sector organisations work together in partnership to deliver improved outcomes for local people as well as delivering value from money services. We will need to demonstrate our part in supporting partners to achieve those key LAA outcomes.

8. Recommendations

- 8.1 Members should be aware of the CAA requirements, how they affect Somerset and Taunton Deane Borough Council and raise any issues for clarification with Officers.

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TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE – 18 MAY 2009

ANNUAL GOVERNANCE STATEMENT 2009/10

Report of Strategic Finance Officer, Maggie Hammond

Executive Summary

This report presents the Council's Annual Governance Statement for 2008/09, prepared in accordance with the corporate governance framework, as required by the Accounts and Audit (Amendment) (Regulations) 2006.

1. Background

- 1.1 The first Annual Governance Statement (AGS) was produced for the financial year 2007/08. Prior to the financial year 2007/08, local authorities were required to prepare a Statement on Internal Control (SIC) as part of the annual Statement of Accounts. The AGS is required to be formally approved by Council and signed by the Council's most senior member and officer (Leader and Chief Executive).
- 1.2 In 2007, CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives and Senior Managers) published a framework document and guidance note for 'Delivering Good Governance in Local Government'. The framework, which has been given statutory effect under the 2006 Regulations, defines proper practices for the form and content of a governance statement which meets the requirement to prepare and publish a statement on internal control.
- 1.3 The framework identifies six core principles, each with a set of supporting principles, around which, it is suggested, authorities' local codes should be structured. One of the purposes of the Annual Governance Statement is to report publicly on the extent to which the Council complies with its local code. The AGS should be structured in such a way, therefore, that it follows the format used for the local code and details the level of compliance with the core principles in demonstrating the extent to which the Council is delivering the governance principles.

1.4 The core principles, originally developed in 2004 by the Independent Commission on Good Governance in Public Services in the report 'The Good Governance Standard for Public Services' and subsequently adapted by CIPFA/SOLACE for local government purposes, are as follows:

- i) Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area;
- ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- iii) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- v) Developing the capacity and capability of members and officers to be effective;
- vi) Engaging with local people and other stakeholders to ensure robust public accountability.

2 ANNUAL CORPORATE GOVERNANCE

2.1 The principal purpose of the Annual Governance Statement is to provide assurance that the organisation's governance framework is adequate and effective. The AGS is a public report which is intended to demonstrate the extent to which the Council complies with its own code of corporate governance on an annual basis, including how the effectiveness of the governance arrangements have been monitored, and any planned actions in the coming period.

2.2 The Annual Governance Statement needs to include the following information: An acknowledgement of responsibility for ensuring that there is a sound system of governance;

- A brief description of the governance framework;
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
- An outline of actions taken or proposed to deal with any significant governance issues.

2.3 The Annual Governance Statement 2008/09 is attached.

3 ACTION PLAN

- 3.1 An action plan has been drawn to ensure that issues raised within the AGS are monitored and progress throughout 2009/10.

4 RECOMMENDATIONS

- 4.1 It is recommended that:

- i) The Annual Governance Statement for 2008/09 be approved;
- ii) The Corporate Governance Committee monitors progress of the significant issues highlighted in the statement and aids with the preparation of the Annual Governance Statement for 2009/10.

Maggie Hammond
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TAUNTON DEANE BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2008/09

Scope of responsibility

Taunton Deane Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Taunton Deane Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

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

The purpose of the governance framework

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

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

The governance framework has been in place at Taunton Deane Borough Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts. The framework is described to reflect the arrangements in place to meet the six core principles of effective governance.

The Governance Framework

On 17 March 2008 the Council adopted a formal code of corporate governance in line with guidance provided by the Chartered Institute of Public Finance and Accounting (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This describes how Taunton Deane Borough Council discharges its responsibilities for putting in place proper arrangements for the governance of its affairs, incorporating the six core principles identified by CIPFA/SOLACE. The framework we have in place to ensure we adhere to the code and the key areas of evidence of delivery are as follows:

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

Taunton Deane Borough Council is one of a number of organisations (public sector agencies and private, community and voluntary sector groups) represented on the Taunton Deane Local Strategic Partnership (LSP), formed to ensure that the joint efforts and resources of local agencies are combined as far as possible to identify and address the issues that really matter to the residents of Taunton Deane. The LSP have an agreed Community Strategy for Taunton Deane that sets out a broad agenda of action to improve the quality of life in Taunton Deane.

The Council undertook a Place Survey with residents during 2008/09. The survey was conducted to seek residents' views about the Council, its priorities and is an important part of the evidence base that feeds into the production of the Council's Corporate Strategy. The Council have produced a rolling 3-year Corporate Strategy that builds on that broad agenda to clearly establish the Council's own set of ambitions and priorities.

The Corporate Strategy sets out detailed objectives and supporting actions under each of the corporate priorities – specifying what Taunton Deane Borough Council will do to secure improvement in each area. In addition, the Corporate Strategy sets out a series of organisational objectives, embodying “how the Council will deliver services” and meet its statutory requirements.

The Corporate Strategy is the Council's core planning document – from which the Council's Financial Strategy, Medium Term Financial Plan and annual budget, Asset Management Plan, Capital Strategy and Housing Strategy are formed. Service Plans are produced from the Corporate Strategy to show how each service within the Council will contribute to the delivery of the objectives.

Monitoring reports detailing Statutory Indicators and local Performance Indicators & progress against the corporate Strategy are reported to the Strategy & Performance Panel every quarter. This panel was created in October 2007 and has helped to ensure that the Council challenges Value for Money more robustly. The report is also circulated to the Executive and the Core Council Managers Group prior to being submitted to the panel. At the year end the outturn report is also presented to the Executive. A summary of the Council's progress against the Corporate Strategy in line with its Corporate objectives is presented, alongside detailed appendices.

During 2007/08 the Council created a Southwest One partnership with IBM, Somerset County Council and Avon and Somerset Constabulary. This partnership has modernised and reduced the cost of many of the Council's services as well as

improving access to and delivery of customer-facing services enabling the Council to improve services to the Community.

The Council is also working on a collaborative partnership between all the Somerset Councils entitled Pioneer Somerset. It is anticipated that this will offer strong and accountable leadership across the County, reduce duplication, deliver excellent service quality and value for money and give communities a greater say in service provision.

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

During 2007/08 the Council undertook an exercise to set out the roles and responsibilities of each member of the Council's Corporate Management Team. The results of this review are set out in the "CMT Roles and Responsibilities & Priority tasks document published in early 2008. It sets out the link of each Director to a geographical area of the Borough, to the Community Partnership they chair, to Portfolio Holders, to a group of Ward Councillors and Senior Managers. It also sets out specific priority tasks for the Chief Executive and Directors.

During 2008/09 a fundamental review of the structure and ways of working at all levels within the Core Council was started. The established aim of this review is to introduce a new structure and ways of working that will enable the Core Council to:

- Be fit for purpose, delivering our vision, widened roles and ways of working
- Deliver substantial efficiency savings for 2009/10 and beyond

The strategic direction of the organisation and sponsorship of key objectives and priorities is undertaken by the Directors – who meet on a weekly basis with the Chief Executive.

The statutory roles of Monitoring Officer and Chief Finance Officer are well established and have their own control regimes in place to enhance the control environment.

On 16th July 2008 the Medium Term Financial Strategy was approved by the Executive with ratification by Full Council on 7th October 2008.

The value of, and emphasis on, engaging in partnership working has increased significantly over recent years. As such, partnership working is playing an increasingly important role in policy development and service delivery. Locally within Taunton Deane the Council is engaged in a number of significant partnerships such as Southwest One, the Waste Partnership, Project Taunton, Audit Partnership, the Local Strategic Partnership etc. With such significant levels of resources (both financial and human) invested/committed to these partnerships it is absolutely crucial that the Council is sure that each partnership is effective and provides value for money.

Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Taunton Deane Borough Council has always had a Standards Committee that is designed to be chaired by and have a majority of independent members therefore the Council was already fully prepared for the changes that were brought about by the Local Government and Public Involvement in Health Act 2007 concerning standards.

During the year, the committee lost three of its independent members but was very successful in recruiting three more of a suitably high calibre to take on this role.

Due to the changes in the process with the complaints now being dealt with by the Council's standards committee, it was felt that an additional parish councillor would be of benefit to the Committee in case of a conflict of interest should there be a complaint against a parish councillor and therefore the committee now consists of thirteen members, seven independent members, three parish councillors and three borough councillors.

The terms of reference for this committee includes promoting and maintaining high standards of conduct by Councillors, advising and training on the members code of conduct, dealing with complaints against members and dealing with any issues raised by the Monitoring Officer. The Committee submitted its annual report to the Council's Corporate Governance Committee on 16th March 2009.

During the year further work will continue to raise the profile of the Standards Committee, e.g. the Chief Executive and the S151 Officer will be invited to attend the Standards Committee, Standards Committee independent members will continue to visit parish councils, the Chair of Standards Committee will meet with group leaders to ensure that the ethical governance remains high on the agenda for members.

A new code of conduct for members and employees is due out this year and there will be a need for all members to be further updated on any new code that is introduced.

There have been a couple of by-elections for the Borough Council on 2008 and new members received a detailed induction folder together with individual training from the Monitoring Officer to ensure they were able to carry out their role as quickly as possible. In addition the members of the Committee receive regular training as well as attending the Annual Somerset County Standards training event.

Changes to the process came into force in May 2008 and these changes were widely advertised by the Borough Council. Notice was placed in the Somerset Gazette and leaflets were distributed in the Council's reception, the Citizen's Advice Bureau, Parish Councils, libraries, local post offices and the Wellington Community Office.

Since the implementation of the local assessment process the council has only received four complaints, three of which were referred for investigation and are awaiting decision. The other was dismissed for lack of information. This was

considered to be a low level of complaints and the Standards Committee believes that this is due good ethical governance within the Council and the parish councils.

In July 2008 the Council was inspected by the Office of Surveillance Commissioners on our policies, procedures and use of the RIPA legislation (Regulation of Investigatory Powers Act 2000).

The Inspector concluded that whilst there were some issues to be addressed, he was confident that at the next inspection the procedures required would be in place and effective. The Inspector made 6 recommendations, 5 of these were implemented during 2008/09. The final recommendation, that further training is undertaken, will be addressed during 2009/10.

The Council has established Whistle-blowing and Anti-Fraud and Corruption policies and details of these are published in the Council's staff handbook and are accessible on the intranet. The staff handbook is regularly updated and is accessible by all staff. The handbook contains all key personnel policies, standards, procedures and codes of conduct.

The Corporate Governance Committee deals with the formal approval of the accounts and any external audit reports arising from that, has an overview of the internal audit function, an overview of the strategic risk management process, and deals with any change to the Council's constitution.

Internal and External audit work together to review and provide annual opinions on the control framework, governance and validity of the annual accounts. Various other inspection agencies such as the Audit Commission also look at specific areas of this Council's business.

The Council's internal audit function is delivered via a partnership arrangement – South West Audit Partnership (SWAP). The internal audit function operates to the standards set out in the 'Code of Practice' for internal Audit in Local Government in the UK. Working in partnership has significantly improved the quality of reporting and the extent of the assurance provided.

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

Taunton Deane Borough Council has a published Constitution that sets out the decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals. Although a number of minor changes had been included since 2002, a more substantial review is in progress and it is hoped that this will be finalised later in the year, however substantial amendments have been made to take into account the changes to scrutiny and any legislative changes from the Local Government and Public Involvement in Health Act 2007 which are now being implemented. Further changes may also be required following the implementation of the Local Democracy and Economic Development Act. The work on the constitution is informed by the Constitutional Sub-Committee set up to work its way through the various changes needed. This work would then be taken to the Corporate Governance Committee and then to full Council for its approval.

All significant decisions are made by the Executive which consists of the Leader together with 8 Councillors and carries out all of the Council's functions which are not the responsibility of any other part of the Council. Apart from the Council itself, the Executive is the main decision-making body and makes decisions on matters which have been delegated to it.

Council meetings are open to the public (with the exception of items that are exempt under the Access to Information Act) and the Council makes every effort to advertise meetings, communicate decisions and minutes of meetings to ensure that they are available to the public.

The Executive has a published Forward Plan of Decisions to be taken and meets in public on a monthly basis. Executive Councillors have delegated authority to make certain decisions – and these are published in the Council's Weekly Bulletin. This, together with an appropriate level of delegation to senior managers enables speedy and effective decision-making.

The Scrutiny Function underwent a Peer review by the IDeA in September 2008 and a number of recommendations have been made. The Council are currently considering those recommendations and are making a number of changes to the scrutiny process and set up.

The IDeA found that changes made with the pilot scheme was a positive change and had the potential to deliver the further development the Council is striving for. They confirmed that members spoke positively about the process and were actively engaged, members felt that this contributed to their understanding of the role of councillor. In addition members felt that the use of task and finish groups provided a flexible and adaptable approach. The IDeA felt that there was good officer/member relations.

However the IDeA found that there were areas that needed further work and that there was confusion around the current structure and terminology which impacted on the member ability to work with the new system. This is being addressed and a new amended structure is being finalised which will be easier for all members and officers to understand. It was felt that further training and development was required for both members and officers and is being looked at to ensure the most appropriate training is provided.

The IDeA review team were confident though that the changes to scrutiny function made so far were appropriate and had the potential to enhance the role and impact of scrutiny.

Taunton Deane Borough Council introduced the concept of strategic risk management in March 2003 by the adoption of a Risk Management Strategy, and Risk Management Implementation Plan. The process identifies, prioritises and manages the risks that exist in order to ensure the Council achieves its aims and objectives.

The Council has in place a Risk Management Strategy which is in the process of being revised to reflect the Core Council review and to ensure that Risk Management within the Council is aligned with our partner organisations, The strategy sets out clear limits of responsibility for risk management across the Council. Major projects and partnerships also have risk registers in place and CMT has reviewed the Corporate Risk Register.

Although at a corporate level good progress has been made in implementing risk management with a comprehensive strategic risk register now in place as well as individual registers covering all major corporate projects risk management is still not truly embedded within the Council at a service level.

Members of the Council's Corporate Governance Committee have undergone training in Risk Management during the year and received update reports outlining the current Risk Management arrangements and any future actions.

The Internal Audit function provides management with reports commenting on the effectiveness of risk management arrangements when undertaking individual operational audits.

The Council's overall financial arrangements are governed by its Financial Strategy and MTFP, which set out the financial framework for the delivery of the Council's established Corporate Strategy.

The Council has well-developed robust budget monitoring arrangements. Regular reports are presented to the Strategic Director, with quarterly exception reports considered by Corporate Management Team prior to consideration by members of the Executive and Scrutiny functions.

The robustness of the budget critically depends on the maintenance of a sound financial control environment including effective financial management in each of the Council's service areas. The Financial Regulations, embedded in the Council's Constitution set clear guidelines, procedures and limits in relation to financial activities.

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

The Council aims to ensure that officers and members have the knowledge, capacity and skills they need to undertake their duties. The Council's Performance Management Framework ensures that the links between the Council's Corporate Objectives, Operational Plans and those of individual officers are clear. Staff receive Performance Review and Employee Development interviews every 12 months to discuss their capacity and capability to ensure that they can carry out their jobs. Any identified gaps are then plugged by training and development opportunities. All new members and officers undertake an induction to ensure that they get an appreciation of the policies, procedures, values and aims of the Council.

The Council has undertaken a significant programme of management development over the last year to ensure its leadership team is equipped to support the challenging change programme that lies ahead. In addition, a breakthrough project,

to enable all Members to have the skills to be the very best they can be has been underway throughout the year.

In addition, the Council is in the process of developing the skills of its members and is using the Member Development Charter in order to do this. This will ensure that the members are fully equipped with the skills they need in order to be effective leaders in their community.

In 2008/09 there were issues surrounding the effectiveness of the financial accounts closedown timetable. This led to errors within the accounts which required the accounts to be submitted to the Corporate Governance Committee for re-approval. Southwest One have written an action plan to ensure that this does not happen for the 2008/09 accounts.

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

The Council takes account of council taxpayers concerns at the level of council tax, feedback from consultation and the needs and aspirations of local people.

The purpose of consultation is to inform the decisions taken by the Council, to help make the best decisions based on the views of the community and the wider information available to the Council. The Council consults using a variety of methods, which include public meetings, forums, surveys (including the Place Survey), and focus groups.

Within the Council a Consultation and Research Officer is responsible for the development of a forward plan of consultation. This is to help ensure that consultation is consistent, of a high quality and in order to, where possible, avoid members of the public suffering from "consultation overload"; by being invited to take part in a number of different consultation exercises around the same time.

With the annual Council Tax bills a leaflet has been enclosed. This leaflet shares with the tax payers information about the Council's financial strategy, useful information and includes performance information.

The Council has recently started to include a full page spread with the Somerset County Gazette which allows it to communicate the Council's vision and priorities. The paper is widely read and ensures that the Council can effectively reach large parts of the community on a regular basis.

In 2008/09 we carried out equality impact assessments for all areas and most partnerships arrangements and from these, action plans have been drawn to resolve any potential negative impact on any of the equality groups.

Review of effectiveness

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

comments made by the external auditors and other review agencies and inspectorates.

The review for the 2008/09 statement was carried out by a working group made up of Strategic Directors, the Council's Group Auditor and Performance Manager. The review was informed by:

Comments of Internal Audit – Internal Audit are responsible for monitoring the effectiveness of the systems of internal control. Their work is based on a 4 year rolling programme based on risk covering financial and operational audits. Audit reports are copied to management and carry an independent opinion on the adequacy and effectiveness of the Council's internal controls.

Comments of external auditors – External Audit provide the Council with assurance in the form of their Annual Audit and Inspection Letter, Use of Resources Assessment (which includes a value for money judgement) and data quality report.

Comments of other review agencies and inspectorates.

The results of the review were reported to the Council's Corporate Management Team prior to approval by the Corporate Governance Committee in June 2008 (where the accounts are presented for approval).

The Council's Corporate Governance Committee approved a Code of Governance for the Council and a process for assessing the effectiveness of the governance framework on an annual basis in March 2008. During 2008/09 due to other priorities this has not been progressed as an official launch.

The results of the review have been shared with representatives of the Council's Corporate Governance Committee in May 2009 for them to consider. The Council has been informed on the implications of the result of this review and a plan has created to address the weaknesses identified and to ensure continuous improvement of the Council's governance arrangements is in place.

Significant governance issues

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

There were however a few areas where it was not working well in practice, these included payroll (issues over the authorisation of expenditure and reconciliation of payroll data) and Economic Development (poor web presence and inadequate assessment for projects funded from service budgets). There were a number of weaknesses reported within the Managed Audits undertaken during the year but these are largely historic (lack of procedural guides, poor division of duties and lack of reconciliation between feeder systems and the Council's general ledger) it is hoped that many of these issues will be addressed as part of the implementation of SAP during 2009/10). The Internal auditors were pleased to find that managers have already taken action to deal with these issues or have agreed to management action plans timetabling improvements to the Council's internal control framework.

The annual review of the Council's Governance arrangements did not find any major control issues, but identified a number of actions need to be carried out during 2009/10 to strengthen the control framework.

These include:

Corporate Governance

- To ensure that the Code of Corporate Governance is publicised internally and externally and regularly monitored to ensure that the Council is complying with it.
- Carry out a health check on the Council's ethical governance framework.

Partnership Working

- The review of corporate governance arrangements in relation to partnership working will be on a future scrutiny agenda. Some work is being undertaken by way of guidance for members who sit on outside bodies. This guidance will be issued to them early in 2009
- To ensure the Council realises benefits from the transformation projects, Pioneer Somerset and Southwest One partnership. The Council will continue to ensure that it manages risks which arise from these developments and will ensure that our governance arrangements continue to be fit for purpose.
- A change of the audit plan to include Governance, Fraud and Corruption work including partnership arrangements.
- Performance Management and review of partnerships are being strengthened through the new strategy and corporate theme of the Core Council review.

Scrutiny

To continue to strengthen the council's Scrutiny function and following on from the IDeA per review produce an annual report on the Scrutiny function although it is recognised that significant progress has been made in 2008/09.

Health and Safety / Risk Management

- To finalise the Risk Management Strategy and embed processes to ensure it is fit for purpose, streamlined and effective.
- To take Health & Safety forward, highlighting priority issues needing addressing to raise Health & Safety, knowledge and performance within the Council.
- To formulate plans for service delivery in the loss of facilities following on from the plans developed to prioritise service delivery in the event of a Pandemic Flu type scenario.

Financial Systems Issues

- To review the operation of the internal controls governing the processing of Payroll data in light of the installation of SAP.

Performance / Financial Management

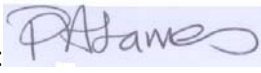
- To develop the Council's Asset Management arrangements.
- To fully review the Constitution and Financial Regulations during 2008/09.
- To implement improvements following the external auditors use of resources assessment 2007/08
- To complete the Core Council Review and thematic working.
- To ensure that the Southwest One action plan, in response to the closure of the 2008/09 accounts is followed.

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

Signed: 

Ross Henley

Leader of the Council

Signed: 

Penny James

Chief Executive

TAUNTON DEANE BOROUGH COUNCIL

**ANNUAL REVIEW OF GOVERNANCE & INTERNAL CONTROL 2007/08
ACTION PLAN**

| Finding | Actions | Resp Officers | Completed By |
|--|--|-----------------------------|-------------------------------|
| Corporate Governance | | | |
| To ensure that the Code of Corporate Governance is publicised internally and externally and regularly monitored to ensure that the Council is complying with it. | Code to be “publicised” to Officers and Members and Partners. To monitor compliance with TDBC’s Code. | SA SA | |
| Partnership Working | | | |
| To further develop the corporate governance arrangements in relation to Partnership working. | Review of governance of existing partnerships. Develop partnership standards and a checklist for partnership working. Ensure risks are managed on key partnerships – Pioneer Somerset and Southwest One. | SA BC BC / SA | Ongoing |
| To review partnerships and SLAs to ensure their actions support key local priorities in the sustainable Community Strategy that feeds into wider LAA targets. | Follow-up work from Solace Review in 06/07 | BC | |
| Scrutiny | | | |
| To continue to develop Scrutiny function. | Report on outcome of scrutiny pilot. Ensure that recommendations from Task & Finish reviews are progressed and monitored. | TM CMT | October 2008 Immediate |
| Staffing & Customers | | | |
| To continue to monitor the levels of staff absence. | Improve data availability and reporting. | KT | |
| To ensure that staff are | Core Brief. | RJ | |

| | | | |
|--|--|-----------------------------|--|
| regularly updated on major projects / initiatives that will affect the Council. | Regular staff updates on key projects. | CMT / Change Managers | |
| To improve Corporate Standard of customer care and satisfaction with Council services. | Scope of CRM Change Project extended to cover non-systems issues. | RS | |
| Health and Safety / Risk Management | | | |
| To review the corporate risk management arrangements to ensure they are fit for purpose. | Review current arrangements and report to CMT on recommended improvement | SA | |
| To ensure the Council's risk management arrangements are embedded in all key projects and all service areas. | Gap analysis and report to CMT completed. Gaps closed | SA | |
| To ensure Members are updated, at least annual on how the Council's major risks are being managed. | The introduction of periodic reporting on risk management to Members (Corporate Governance Cttee). | SA | |
| To implement the new Health and Safety Management System and cascade throughout the authority. | Provide appropriate training and guidance | DW | |
| To review the Council's business continuity planning arrangements. | Gap analysis to CMT Council wide plan to be completed and published | JL JL | |
| Financial Systems Issues | | | |
| To review the operation of the internal controls governing the processing of Payroll data by Somerset County Council on behalf of Taunton Deane. | Make sure SLA clearly identifies responsibilities for the operation of controls. | KT | |
| Performance / Financial Management | | | |
| To develop the Council's Asset Management arrangements. | New AMP approved by CMT and Members. Ensure the planned | GS | |

| | | | |
|---|---|---|----------------------|
| | <p>review of assets is completed.</p> <p>Ensure the data held on assets is complete and up to date.</p> <p>To develop a robust set of measures to evaluate performance of the Council's Assets.</p> | | |
| To fully review the Constitution and Financial Regulations. | <p>Training on Financial Regulations completed.</p> <p>Financial Procedures Updated to reflect structural changes, and system changes.</p> <p>New contract standing orders approved.</p> <p>New constitution approved by Members.</p> | <p>SA</p> <p>SA</p> <p>SA</p> <p>TM</p> | October but ongoing. |
| To improve performance management arrangements. | <p>Review of best practice.</p> <p>New reporting style in place at TDBC</p> <p>Review of data quality issues and report to CMT on gap analysis</p> | <p>SA / AGS</p> <p>SA / AGS</p> <p>SA / AGS</p> | |

TAUNTON DEANE BOROUGH COUNCIL**CORPORATE GOVERNANCE COMMITTEE 18th May 2009****Annual Report 2008/2009**

REPORT OF THE GROUP AUDITOR (South West Audit Partnership) This matter is the responsibility of Councillor Henley, the Leader of the Council.

1. PURPOSE

The Accounts and Audit Regulations (England) 2003 requires public authorities to publish an Annual Governance Statement (AGS).

The Statement is an annual review of the System of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. Guidance from the CIPFA Finance Advisory Network states that "the Head of Internal Audit should provide a written annual report to those charged with governance timed to support the Annual Governance Statement".- *Meeting the Requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment)(England) Regulations 2006 (IPF Publication).*

The same reports states that the annual report from the Head of Internal Audit should:

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

The purpose of this report is to satisfy this requirement.

2. THE ROLE OF INTERNAL AUDIT

The Internal Audit service for TDBC is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors. The Partnership is also guided by the Internal Audit Charter which is reviewed annually and the CIPFA Code of Practice for Internal Audit in Local Government. Internal Audit provides an independent and objective opinion on the authority's control environment by evaluating its effectiveness. Primarily the work of the Unit includes:

- 4 -Year Plan of Operational Audit Reviews
- Annual Review of Key Financial System Controls

3. INTERNAL AUDIT WORK PROGRAMME FOR 2008/2009

3.1 OPERATIONAL AUDITS

Operational Audits are a detailed evaluation of a service's control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated. In total 14 operational audits were planned, however, 3 of these reviews were not completed and with the approval of the Head of Financial Services, 1 review has been rescheduled for 2008/09. A further 3 Audits were completed from the previous year.

As part of the Auditor's Opinion, each review is given a 'star' rating offering management the following levels of assurance:

▲★★★ **Comprehensive** - The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively at all times and risks against the achievement of objectives are well managed.

▲★★★ **Reasonable** - Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

▲★★★ **Partial** - Generally risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

▲★★★ **No** - 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.

Where low to medium control or administrative weaknesses are identified, normal expectation is for reviewed areas to be assessed into the 'Reasonable' category of assurance. However, where the assessed area falls below 'Reasonable', management is expected to address the risks identified as a matter of priority and monitor their progress against the agreed action plan.

The following is a summary of the reviews. Those completed at least to draft stage have resulted in 139 agreed actions for improvement:

1 audit was completed from the previous year:

- Housing Repairs (13) - ▲★★★ **Reasonable**

6 audits were completed and final reports issued:

- COUNCIL TAX (15) - ▲★★★ **Reasonable**
- ECONOMIC DEVELOPMENT (18) - ▲★★★ **Partial**
- HOUSING SALES (1) - ▲★★★ **Comprehensive**
- INSURANCES (12) - ▲★★★ **Partial**
- STORES (11) - ▲★★★ **Reasonable**
- TREASURY MANAGEMENT (17) ▲★★★ **Partial**

8 audits are at draft stage pending client approval:

- DEVELOPMENT CONTROL (6) - ▲★★★ **Reasonable**
- HOMELESSNESS (8) - ▲★★★ **Reasonable**
- PAYROLL (5) - ▲★★★ **Reasonable**

- PROCUREMENT (11) - ▲★☆☆ **Partial**
- TRANSPORT POLICY (3) - ▲★★★ **Reasonable**
- IS – DISASTER RECOVERY (16) - ▲★☆☆ **Partial**
- IS – SOCIAL NETWORKING (3) - ▲★★★ **Reasonable**
- Corporate Information Security – Non Opinion

For the remaining audit, testing is being finalised and a draft report will be issued shortly:

- PARTNERSHIP ARRANGEMENTS

Corporate Policy & Performance was not completed from the plan with agreement of management and will be rolled forward into the 2009/10 audit plan.

3.2 MANAGED AUDITS

Managed audits are completed to assist the External Auditor in their assessment of the Council's financial control environment. In addition the following reviews have been completed which resulted in 40 agreed actions for improvement:

- CAPITAL ACCOUNTING (5)
- CREDITORS (8)
- DEBTORS (6)
- HOUSING BENEFITS (4)
- HOUSING RENTS (5)
- MAIN ACCOUNTING (5)
- NNDR (7)

The External Auditors are likely to focus on these weaknesses when they carry out their work to sign off the Council's final accounts. Summaries of all actions arising from the Managed Audits have been provided to the Strategic Director who will ensure that Council Managers monitor these through to completion. However, it should be noted that the weaknesses identified are mainly of an administrative nature. In the case of NNDR, the risks centred on a lack of supervisory review. On the whole I am able to offer reasonable assurance that key financial controls are in place and working as intended.

4. OTHER ACTIVITIES

In addition to the above activities Internal Audit continue to provide support and advice to management on a wide range of internal control and risk matters including the facilitation of ad-hoc risk sessions. In addition the Group Auditor acts as the Data Protection Officer, providing necessary advice and dealing with Information Management issues. The Group Auditor also acts as the Key Contact for the National Fraud Initiative and coordinates the Council's response.

5. SWAP - PERFORMANCE

In November 2008 SWAP expanded to include Weymouth and Portland Borough Council and West Dorset District Council. Work was also undertaken for Forest of Dean District Council and further work is ongoing. Performance standards are maintained across the partnership and in 2008/09 SWAP are introducing a new web based auditing system (MKInsight) to improve management information and increase the flexibility of its staff.

With regards to TDBC on the plan for 2008/09 performance was as follows:

| | |
|--|--------------------|
| Operational Audits completed in year compared to the plan: | 14 out of 16 (88%) |
| Number of actions for improvements agreed by managers: | 126 |

| | |
|--|-------------------|
| Managed Audits completed in year compared to plan: | 8 out of 8 (100%) |
| Number of actions for improvements agreed by managers: | 40 |

6. TDBC – SUMMARY OF ACITVITY

Compared to the audit reviews from last year, there has been a decline in the number of services receiving a reasonable assurance with five services being given “partial” assurance.

For all of the reviews an agreed action plan has been drawn up with the cooperation of the service management to address identified control weaknesses.

The managed audits of the key financial systems did not identify any serious concerns. Although there were 40 agreed actions resulting from these reviews they were of an administrative nature and the findings would not have had an impact on the Council’s final accounts. The Strategic Director has been provided with records of the 40 actions and has agreed to monitor progress through to completion.

The areas of particular concern were:

Economic Development - The opinion has been graded as partial based upon the evidence examined at the time of the audit. However, I can now affirm from information provided that there has been a significant review completed in respect of the performance of the service by the new manager and service plans have been agreed and put in place that will re-establish the role and function of the Economic Development service. At the time of the audit there were significant weaknesses identified in the areas of keeping the Council’s website up to date, the lack of legal agreements in place covering Into Somerset and the Somerset Tourism Partnership and lack of evidence in the form of assessments required to secure LABGI funding.

Insurances – At the time of the audit the Insurance Officer had only been in post for less than a year, much of her time and resource has been dedicated to preparing information papers for the tender exercise as well as dealing with new and existing claims. Management have been receptive to all the issues raised and it is anticipated that the Insurance Officer will be able to dedicate time to addressing the issues raised in the audit. The main areas of concern identified were poor record keeping and retention of evidence and processes required to be able to demonstrate a complete audit trail from notification of incidents through to claim settlement. It is noted that as a result of the changeover of insurance providers the administration of the insurance function and the general awareness of the service amongst Council managers has improved.

Treasury Management – Although it is worth noting that despite some organisations potentially loosing capital during the ongoing credit crisis, Taunton Deane’s prudent approach has meant that all of it’s investments have been protected. Although the key documents required by the regulations were all found to be in place and Treasury Management is regularly monitored through reports to the Executive as well as through performance indicators within the Southwest One contract, the loss of the Principal Accountant has affected the delivery of some aspects of the service and there are

instances where audit trail and documentation held needs to be improved. Weaknesses included the requirement to review the Council's Treasury Management Policy which should include the split of responsibilities across the Council and Southwest One and the new staffing arrangements; lack of evidence to support why investment decisions are taken and the lack of a regular reconciliation of the investment records to the main accounting system.

Procurement – The audit focussed on how the Council has historically operated in relation to procuring goods and services. It was appreciated during the audit that the Council is going through a period of radical change and many of the required policies and processes that were either missing, out of date or not being followed have been put 'on hold' until the new Strategic Procurement Service and SAP are operational. The audit revealed that throughout the Council there are varied levels of knowledge including in some areas little understanding of the wider issues surrounding procurement. From speaking to a sample of staff across all services it was clear procurement processes were inconsistent.

However, management are confident that the successful implementation of SAP along with awareness and training sessions for staff on procurement will address many of the issues raised and ensure the Council can meet its Corporate objectives on procurement in the future.

Disaster Recovery Planning – Although the Council has in place a contract with an external data recovery contractor it was established that there has been no business impact review undertaken by the authority to assess the impact that the loss of IT systems would have on the authority as a whole. The Council although having some procedures in place does not have a formalised Disaster Recovery Plan and although back-up tapes are tested and restored there has never been a formal test of any disaster recovery arrangements.

Although not considered to be material concerns the following issues (while in the process of being addressed) are in my opinion significant and therefore worthy of being brought to the attention of the Council:

Quality of systems and procedural documentation:

One theme that emerged in many of the audits covered was either the lack of procedural manuals or the quality and their coverage of key areas of the Council's financial activities. Procedures and documentation must be robust in order that management can assess compliance with the processes undertaken by officers, to ensure that services are being delivered in accordance with defined processes. Management recognise this is an area of weakness and is anticipated that the process mapping exercise being undertaken as part of the Southwest One and the change to SAP will help to address this area of weakness.

Main Accounting System:

SWAP's review of the Council's Main Accounting System picked up on the ongoing issue that faces the Council in staying with an outdated Financial Management System. The issues raised included the very basic profiling of budgets, the lack of adequate management information available from the current system and the need for system improvements. The Council acknowledges that changes to the current system and reporting facilities are needed and will be addressed as part of the implementation of SAP.

7. TDBC - GROUP AUDITOR'S OPINION

Overall and with the exception of the issues raised above, I am able to offer 'Reasonable' assurance that key controls are in place and working well. Where weaknesses have been identified I am satisfied by the management response, in terms of an agreed action plan.

For those reviews where concerns have been raised, I am confident that Service Managers and the Corporate Management Team have these on their 'radar' and are monitoring progress to a satisfactory conclusion.

The key financial systems in the main have again been found to be operating effectively and for those actions agreed, the Strategic Director has been provided with records of the 40 actions and has agreed to monitor progress through to completion.

Recommendation

The Committee should note the content of this report.

Contact Officer:-

Chris Gunn - Group Auditor – South West Audit Partnership
01823 356417 chris.gunn@southwestaudit.gov.uk

Corporate Governance Committee – 18 May 2009

Present: Councillors Beaven, Critchard, Denington, R Lees, P Smith, A Wedderkopp, Mrs Whitmarsh and Williams

Officers: Ms M Hammond (Strategic Finance Officer), Mr P Sharratt (Economic Development and Regeneration Manager), Mr R Sealy (Client and Performance Manager), Mrs R James (Performance and Client Lead), Mr C Gunn (Group Auditor, South West Audit Partnership) and Mrs G Croucher (Democratic Services Officer)

Also Present: Mr B Wilson (Standards Committee), Mr T Bowditch (Audit Commission) and Mr P Weaver

(The meeting commenced at 6.15 pm)

12. Appointment of Chairman

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

13. Appointment of Vice-Chairman

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

14. Apologies/Substitutions

Apologies: Councillors Govier, Henley, Paul and Mrs Smith.

Substitutions: Councillor R Lees for Councillor Paul and Councillor P Smith for Councillor Mrs Smith.

15. Minutes

The minutes of the meeting held on 16 March 2009 were taken as read and were signed.

16. Risk Management Strategy

Considered report previously circulated, which gave details of the Council's updated Risk Management Strategy.

The original Risk Management Strategy had been approved by the Committee in 2006 and had been reviewed and updated in order to continue the encouragement of best practice in this area.

Details of the updated Risk Management Strategy were submitted for discussion.

Resolved that the updated Risk Management Strategy be approved.

17. Annual Audit and Inspection Letter 2007/2008

Mr Terry Bowditch, Audit Manager, the Audit Commission (AC) introduced Taunton Deane Borough Council's Annual Audit and Inspection Letter.

The report set out an overall summary of the AC's assessment of the Council. Its findings and conclusions had been drawn from the 2007/2008 audit and from any further inspections undertaken.

The report found that that the Council had continued to make progress with the delivery of most of its priorities and had improved the performance of a number of its services.

However, the Council's ability to continue improving its services in the short term was challenged by an ambitious agenda, although a strong performance management system helped to mitigate the risk.

Some aspects of the Housing service had improved but progress in developing the Council's approach to equality and diversity had been slow.

The contract procurement and governance arrangements for Southwest One were robust and operating satisfactorily. However, it had been noted that the project was still at an early stage and would need effective contract management to ensure delivery of the expected benefits.

The Council had been given an unqualified opinion on its accounts for 2007/2008 and the value for money arrangements were adequate.

The Use of Resources score had been reduced from 3 to 2. This reflected reductions in the scores for the financial reporting, financial standing and value for money theme scores.

A Corporate Improvement Plan was currently being prepared that would draw together the findings of this report and other documents and would be reported at a future meeting.

Resolved that the report be noted.

18. Economic Development Progress on Internal Audit Recommendations

The Economic Development Manager reported on the progress made by the Economic Development Department on recent Internal Audit recommendations that had highlighted a number of weaknesses.

Reported on the areas of weaknesses identified and the action plans agreed to monitor the situation.

Members discussed the action plans and it was agreed that a further progress report by the Economic Development Manager be made to a future meeting of the Committee.

Resolved that the report be noted.

19. Comprehensive Area Assessment Update

Reported that the Comprehensive Area Assessment (CAA) had come into effect in April 2009 and would change how public sector organisations would be assessed.

The CAA would look at how well local services were working together to improve the quality of life for local people. It was a joint assessment of the performance of local public services and how they would meet local priorities.

The Organisational Assessment combined the external auditor's assessment of Value for Money (including Use of Resources) and a new assessment, Managing Performance that would focus on the following:-

- How well the organisation was delivering its priority services, outcomes and improvements that were important to local people; and
- Did the organisation have the leadership, capacity and capability needed to deliver future improvements?

The area assessment was a self assessment that reviewed performance against the following:-

- How well did local priorities express community needs and aspirations?
- How well were the outcomes and improvements needed being delivered?
- What were the prospects for future improvements?

The Audit Commission would report on the CAA for Somerset in November 2009 and the report would set out for the public how effective local public services in Somerset were tackling the issues facing them.

The CAA would also assess how well local services were performing against the Local Area Agreement targets for improvement.

Resolved that the report be noted.

20. Annual Governance Statement 2008/2009

Considered report previously circulated, concerning the Annual Governance Statement 2008/2010. The report had been prepared in accordance with the Corporate Governance Framework and covered all significant corporate

systems, processes and controls. The six core principles identified in the framework included:-

- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which were subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Annual Governance Statement would need to include:-

- An acknowledgement of responsibility for ensuring that there was a sound system of governance;
- A brief description of the governance framework;
- A brief description of the process that had been applied in maintaining and reviewing the effectiveness of the governance arrangements; and
- An outline of actions taken or proposed to deal with any significant governance issues.

Resolved that:-

1. The Annual Governance Statement 2008/2009 be approved; and
2. The progress of the significant issues highlighted in the Statement be monitored by the Corporate Governance Committee and used to aid the preparation of the Annual Governance Statement for 2009/2010.

21. Internal Audit Annual Report 2008/2009

Submitted for consideration the Annual Report 2008/2009 of the Council's Internal Audit Services.

A total of 14 operational audits had been planned for 2008/2009. However, three reviews had not been completed during the year and, with the agreement of the Head of Financial Services, one review had been rescheduled for 2008/2009. A further three audits had been completed from the previous year.

The following was a summary of the work undertaken during the year:-

- 139 agreed actions for improvement;
- 1 audit had been completed from the previous year;
- 6 audits had been completed and final reports issued;
- 8 audits were at the draft stage;
- 1 audit was in the process of being tested;
- 1 audit had not been completed.

For all the reviews undertaken an agreed action plan had been drawn up to address identified control weaknesses. Although a number of areas of concern had been identified, action plans had been agreed and progress would be monitored.

A number of managed audits had been completed to assist the External Auditor which had resulted in a number of actions for improvements. These would be monitored through to completion. The review of the Managed Audits had not identified any serious concerns and reasonable assurance had been given that key financial controls were in place and working as intended.

Resolved that the report be noted.

(The meeting ended at 8.30 p.m.)