

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 14 March 2011 at 18:15.

Agenda

- 1 Apologies.
- 2 Public Question Time.
- 3 Declaration of Interests
To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct.
- 4 Health and Safety Update. Verbal report of the Health and Safety Advisor.
Reporting Officer: David Woodbury
- 5 Corporate Governance Action Plan. Report of the Performance and Client Lead (attached)
Reporting Officer: Dan Webb
- 6 Risk Management. Report of the Performance and Client Lead (attached)
Reporting Officer: Dan Webb
- 7 Internal Audit - Review of Internal Audit Charter. Report of the Group Audit Manager, South West Audit Partnership (attached)
Reporting Officer: Chris Gunn
- 8 Internal Audit Plan 2010/2011 - Progress Report. Report of the Group Audit Manager, South West Audit Partnership (attached)
Reporting Officer: Chris Gunn
- 9 Annual Audit Plan 2011/2012. Report of the Strategic Director (attached)
Reporting Officer: Shirlene Adam
- 10 International Financial Reporting Standards Update. Report of the Financial Services Manager (attached)
Reporting Officer: Paul Fitzgerald

- 11 Corporate Governance Committee Forward Plan - details of forthcoming items to be considered by the Corporate Governance Committee and the opportunity for Members to suggest further items (attached)

Tonya Meers
Legal and Democratic Services Manager

02 June 2011

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

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

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

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

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

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

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

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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 J Allgrove
Councillor A Beaven
Councillor K Durdan
Councillor J Hunt
Councillor J Meikle MBE
Councillor B Nottrodt
Councillor J Reed
Councillor E Waymouth

Declaration of Interests

Corporate Governance Committee

- Members of Somerset County Council – Councillors Govier and Henley
- Employee of Viridor – Councillor Miss James

Taunton Deane Borough Council

Corporate Governance Committee – 14 March 2011

Corporate Governance Action Plan

Report of Performance & Client Lead

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

1. Executive Summary

This report shows progress against the Corporate Governance Action Plan as at the end of February 2011.

2. Background

- 2.1 Each year, the Council receives a number of reports and assessments which result in recommendations for improvement. These normally contain individual action plans which can prove challenging to manage and monitor. Therefore an aggregated plan provides the Council with details, in one place, of the scale of improvements required and progress against them.
- 2.2 The Corporate Governance Action Plan has undergone a full review and has been updated to include the most recent audit recommendations. These are in addition to some actions from previous audits that remain outstanding or are still considered as priorities for improvement. It now details the recommendations from the following sources:
 - Value for Money conclusion report (Audit Commission 2010)
 - Use of Resources assessment (Audit Commission 2009)
 - CAA Organisation Assessment (Audit Commission 2009)
 - Annual Audit Letters (Audit Commission 2008 - 2010)
 - Annual Governance Reports (Audit Commission 2008 - 2010)
 - Strategic Housing Review 2010
 - Partnership Audit (SWAP 2009)
- 2.3 Actions progress monitoring is undertaken quarterly by Theme Managers and a summary features in the Corporate Performance Scorecard. The Corporate Governance Group provides an overview of the plan, and may request further actions to be added (for example, significant findings from Internal Audits).

3. Progress (as at February 2011)

- 3.1 The Corporate Governance Action Plan lists **34 actions**. Please see **Appendix A**. Progress monitoring against implementation by the target dates has revealed the following:

| On Target ☺ | Some Concern ☹ | Off Target ☹ |
|----------------|-------------------|-----------------|
| 21 (62%) | 13 (38%) | 0 |

There are no items off target, and most actions are on course to be completed by the target date.

4. Finance Comments

Recommended improvement actions in relation to Managing Finances are included in the Corporate Governance Action Plan.

5. Legal Comments

Recommended improvement actions in relation to legal / Corporate Governance issues are included in the Corporate Governance Action Plan.

6. Links to Corporate Aims

The Corporate Governance Action Plan supports all aspects of the Council's corporate aims and operations.

7. Environmental and Community Safety Implications

Recommended improvement actions in relation to Climate Change are included in the Corporate Governance Action Plan.

8. Equalities Impact

Recommended improvement actions in relation to Equalities & Diversity are included in the Corporate Governance Action Plan.

9. Risk Management

There are a number of risks associated with not completing the recommended actions within the Corporate Governance Action Plan (eg External Audit opinion, reputation, financial). Recommended improvement actions in relation to Risk Management are included in the Corporate Governance Action Plan.

10. Partnership Implications

Recommended improvement actions in relation to partnership working, are included in the Corporate Governance Action Plan.

11. Recommendations

- 11.1 It is recommended that Members scrutinise progress of the Corporate Governance Action Plan.

Contact:

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| CORPORATE GOVERNANCE ACTION PLAN 2011 | | | | APPENDIX A | | | | | | |
|---------------------------------------|---|--|------------------|-------------------------------|--|---|--|--|--------------|--------|
| Feb-11 | | | | Corporate Action Plan 2009-10 | | | | | | |
| Item | Improvement / recommendation | Proposed / Planned activities | Priority (H,M,L) | Target date | Lead Officer | Source | Success criteria | Progress | As at (date) | Status |
| 1 | Complete business continuity and IT disaster recovery planning | 1. Ensure adequate BC plans in place at corporate and service level, including key partners. 2. Annual testing of BC plans 3. Address any weaknesses identified by audit | H | Mar-11 | John Lewis / Alison North | 2009/10 Vfm conclusion report Sept 2010 | Plans in place & tested | Testing regime to be agreed - probably desktop. Work continuing on Service Plans. Corporate BC Plan circulated to CMT Feb 2011. SW1/Client working on IT Draft Plan. | Feb-11 | |
| 2 | To carry out a health check on the Council's ethical governance framework | Letter and questionnaire to be sent to all members and senior officers. Results to be assessed by the Standards committee with a view to arranging workshops to cover any gaps in knowledge for members | L | Dec-11 | Tonya Meers | Annual Governance Statement 2008/09 | 50% return rate on questionnaires and good attendance at subsequent workshops. | 50% return rate on questionnaires. The workshops are not yet scheduled due to the timing and elections. This recommendation will need revisiting post elections | Feb-11 | |
| 3 | To further strengthen the Scrutiny function | 1) To produce an annual report 2) To implement recommendations of the IDeA peer review | M | Feb-11 | Tonya Meers | | Completion of the report | Complete | Feb-11 | |
| 4 | Complete PDPs for all elected Members | Deliver 2011 Member induction programme | M | Dec-11 | Tonya Meers | 2009/10 Vfm conclusion report Sept 2010 | Completion of the report | Training cannot commence until post elections, due to not knowing how the new Councillors will be. Training is scheduled to take place between May and December. | Feb-11 | |
| 5 | To take Health & Safety forward | 1. Increase knowledge and performance within the Council. 2. Implement the H & S action plan (including audit recommendations) | H | | David Woodbury | Annual Governance Statement 2008/09 | An up-to-date H & S action plan being delivered. Compliance with TDBC H & S policy & management arrangements | The H&S action plan has been reviewed and is progressing. It has been updated following H & S audit and approved by CMT. The key issue of H & S competence training has been agreed and a rolling programme of 'bite sized' training started. Three new measures for internal monitoring and measurement of H & S performance are being considered and developed for use by the Council. H & S reports are provided quarterly to the Corporate Governance Committee (next 14 March). | Feb-11 | |
| 6 | Update the IT Strategies and ensure there are clear links from these to financial planning. | Establish an IT work group | H | Sep-11 | Shirlene Adam, (+ Alison North; & SW1 IT) | 2009/10 Vfm conclusion report Sept 2010 | Fit for purpose IT strategy | As per the September 2010 CIP report, interdependencies were identified to define the strategy. These are now being brought together with the ICT Strategy as part of the Budget Review Programme. The Infrastructure Strategy first part delivery funding has been agreed for 11/12 budget and work has begun to implement this. | Feb-11 | |
| 7 | Update the Workforce Strategy (ensuring there are clear links to financial planning) and complete & agree a new workforce plan | 1.Planning Meeting on 24/11/09 2.Outline Plan to CMT by 31/12/09 including member and staff engagement actions 3.Engagement with SW1 HR to support the development of the Plan. 4.Background data and structure of Draft Plan to be completed by 28/02/10 5.Results from Staff Survey to be taken into account by 30/04/10 6.Final Draft Plan to CMT by 31/05/10 7. Member approval sought by 30/06/10 | H | Mar-11 | Shirlene Adam (+ Martin Griffin; & SW1 HR) | 2009/10 Vfm conclusion report Sept 2010 | Fit for purpose Workforce Development Plan - refer to L2 | Discussions with SW1 regarding support they can provide have taken place but without being resolved. Part 1 of the Workforce Plan has been completed and will be discussed with Simon Lewis with a view to this feeding in to the Budget Review Programme. A Workforce Strategy which includes current data and details the strategies already in place to meet workforce needs will be produced. | Feb-11 | |
| 8 | Update the procurement strategy to bring it in line with current practices. | To be drafted by SW1 then signed off by partners | | | Richard Sealy / Paul Harding | UoR 2008-09 (Draft Sept 09) | A new procurement strategy will be adopted | Procurement Strategy approved by Full Council 13th October 2010 | Feb-11 | |
| 9 | Further enhance the council's approach to Equalities & Diversity | 1. Improved links between EIAs and decision-making. 2. Embed EIAs within service plans 3. Deliver Corporate Equalities Strategy (2010-13) 4. Collect data on staff equalities issues and customer feedback on equalities issues, and consider action required to address any issues arising | H | On-going | Simon Lewis / Lisa Redston | AAIL 07/08 (March 2009) CAA Organisational Assessment | All staff & members trained. Target levels for EFLG standard achieved. E & D embedded within service planning, & all council comms & reports | Training of 60 members of staff is to be delivered March 2011. Member training has been deferred until post elections. EIA's should now be included in all reports to Committee members, there is a monitoring procedure in place to ensure this. Each Service Plan now has an Equality Action Plan. work on the Corporate Equality Strategy is ongoing. Staff survey has been completed and analysed to draw out inequalities. Customer feedback has been collected via Equality Group Forums, all engagement activities ensure equality issues are raised. | Feb-11 | |
| 10 | Improve access to buildings for disabled people | TDBC Building Control to provide SWOne with status reports. SWOne to produce programme and cost. TDBC to approve. | M | Dec-11 | Helen Acreman SWOne | CAA Organisational Assessment | Buildings compliant with DDA regs | Helen Acreman spoke with Ed Norton early in January and he will be revisiting the properties over the next 6 months to reassess the requirements as existing surveys are out of date and building usage has changed in some cases. When revised reports received P&FM will suggest programme. | Feb-11 | |
| 11 | To fully review the Financial regulations | To complete review of the financial regulations | M | Jun-11 | Shirlene Adam | Annual Governance Statement 2008/09 | A new financial regs document produced | Draft completed by Maggie Hammond, awaiting review by Shirlene. Will be done by end of June 2011 | Feb-11 | |

| Item | Improvement / recommendation | Proposed / Planned activities | Priority (H,M,L) | Target date | Lead Officer | Source | Success criteria | Progress | As at (date) | Status |
|------|--|--|------------------|-------------|------------------------------|---|---|--|--------------|---|
| 12 | Agree milestones to guide preparations to comply with IFRS | Liaise with Audit Commission on progress | H | Jun-11 | Paul Fitzgerald | 2009/10 Vfm conclusion report Sept 2010 | Successful Audit of Accounts | Key milestones embedded in external project plan and agreed with Audit | Feb-11 |  |
| 13 | Engage with the local community during budget preparation to identify priorities | Budget Review Programme project includes 'Councillor & Public priorities' workstream | H | Sep-11 | Shirlene Adam / Simon Lewis | 2009/10 Vfm conclusion report Sept 2011 | Public consulted during MTFP budget setting process | Project 'start up' phase completed end Feb 11. Project team in place and staff briefings organised. Phase one (data / research / communications) will be delivered March - June, with 'Public Priorities' workstream due for reporting to Members by Sept. Regular project progress updates are reported to Members Change Steering Group & CMT | Feb-11 |  |
| 14 | Ensure effective performance management framework is in place for all key partnerships | 1. Ensure a consistent, appropriate & regular reporting mechanism is in place for all partnerships (SW1, SWP, Tone Leisure & SWAP). 2. Investigate what steps all partners are taking to ensure it will achieve its targets (ref R10) | H | On-going | Richard Sealy / Alison North | AAIL 08/09 (Dec 2009) | Mechanism in place for regular reporting to members | Pre-existing regular reporting mechanisms are already in place in respect of the SWP, Tone Leisure & SWAP partnerships. We have introduced PIs for Tone Leisure which are being reported to members. A general overview report of the SW1 partnership is now being taken to Corporate Scrutiny on a 6-monthly basis. This general report is backed up by specific reports to Scrutiny in respect of key areas of the contract e.g. Procurement, Sickness monitoring, Revs & Bens. Progress against the transformation projects continues to be monitored monthly by the Members Steering Group. Additional high level reporting on key partnerships & trans projects is included within the quarterly monitoring reports to senior management & members. | Feb-11 |  |
| 15 | Maintain a register of partnerships and prepare a protocol for establishing new partnerships | 1. Compile comprehensive partnership register. 2. Confirm involvement and they meet authority's aims and objectives. 3. Introduce protocol for establishing membership prior to commitment. 4. Establish framework and categorisation of partnerships. 5. Widen scope of Members Task & Finish Group re membership on outside bodies | M | Sep-11 | Tonya Meers | SWAP Partnership Arrangements Audit (Sept 09) / 2009/10 Vfm conclusion report Sept 2010 | Partnerships adequately controlled and managed | A more detailed audit is currently being carried out by SWAP which is due to complete at the end of May. Auditors comments will then be addressed. | Feb-11 |  |
| 16 | Identify indicators for assessing the performance of all key services | 1. Review all performance measures included in 2011/12 service plans 2. Review Corporate Scorecard with CMT & Members (post local elections) 3. Ensure 2011/12 scorecard only includes Performance Indicators that can be properly measured & reported on (with data collection processes developed) | M | Jun-11 | Dan Webb | 2009/10 Vfm conclusion report Sept 2010 | A fit for purpose corporate performance scorecard | A workshop style review with CMT & Members will be arranged in May/June. Service Planning for 2011/12 will be completed by April, and PIs will be checked for suitability | Feb-11 |  |
| 17 | Improve control and monitoring of Section 106 Agreements | 1. Implement regular monitoring (Acolaid system) and reporting to Executive, PH & Senior Management 2. Implement process of management of the payment or other obligation | H | Sep-11 | Tim Burton / Tonya Meers | Housing Inspection | S106 agreements in Acolaid - regular monitoring, reporting and prompt raising of invoices. Prompt escalation where non-payment | At 1st stage, ie investigating with Acolaid providers introduction of relevant module / system. Mechanism not currently in place for dealing with existing S106 agreements where obligations are not being met | Feb-11 |  |
| 18 | Develop and implement 4 year Budget Strategy (MTFP) 2012/13 - 2015/16 | Deliver Budget Review Programme, including: * Vfm analysis of all TDBC services inc benchmarking (ref R3) * Discuss & agree political priorities * Approve managers 4 year savings plans | H | Sep-11 | Shirlene Adam / Simon Lewis | 2009/10 Vfm conclusion report Sept 2010 | * A clear set of corporate priorities * A plan for a sustainable budget 2012/13 - 2015/16 * Draft updated corporate strategy & financial strategy | Project 'start up' phase completed end Feb 11. Project team in place and staff briefings organised. Phase one (data / research / communications) will be delivered March - June, with service VFM data analysis (costs & performance) due for completion by April. Regular project progress updates are reported to Members Change Steering Group & CMT | Feb-11 |  |
| 19 | Continue to address issues relating to housing | As per Housing Report | M | Dec-11 | Martin Daly | CAA Organisational Assessment 2009 | Adherence to project plan and completion of project outputs | This externally funded project, which started in December 2010, is designed to improve the quality and effectiveness of strategic (non-landlord) housing services, for example, homelessness, housing advice, lettings, policy development, private sector housing, and enabling affordable housing. To date, good progress has been made in the "start up" phase of the project, with all the initial targets being met, on time and within budget. | Feb-11 |  |
| 20 | Raise the profile of the green agenda across the whole organisation | 1.10% less energy campaign 2. Agree actions required to achieve the aim of becoming a carbon neutral authority 3. Use sustainability appraisals to inform decisions | H | On-going | Kevin Toller | 2009/10 Vfm conclusion report Sept 2009 | Co2 reduction from TDBC operations. Achieve carbon-neutrality. Sustainability appraisal process agreed | The focus in 2010/11 has been to '10% less' campaign - this comes to an end at the end of March. A new Carbon Management Steering Group has been established (from mid March) and the initial meeting aim is to determine the actions required to deliver carbon neutrality. Kevin Toller is to meet 'Sustainability South West' re funding to assist the development of a process to deliver sustainability appraisals as part of the decision-making process. | Feb-11 |  |
| 21 | Ensure that TDBC realises benefits from SW1 and SW1 Transformation Projects | 1. Ensure unitary charge savings 2. Implement the benefits tracking tool in SW1 contract 3. Monitor actual procurement savings against target | H | On-going | Richard Sealy / Kevin Toller | 2009/10 Vfm conclusion report Sept 2009 | Benefits realised | We continue to receive 2.5% pa cumulative savings on our unitary charge. This will result in savings in excess of £5.7m over the lifetime of the SW1 contract. WHY IS THE STATUS AMBER? - because we have not yet completed the launch of SAP and consequently have not implemented the benefits tracking tool. Additionally, the procurement savings are well behind the original profile and we have yet to agree a revised savings profile with SW1. | Feb-11 |  |

| Item | Improvement / recommendation | Proposed / Planned activities | Priority (H,M,L) | Target date | Lead Officer | Source | Success criteria | Progress | As at (date) | Status |
|------|--|--|------------------|-------------------------------|---|---|---|--|--------------|---|
| 22 | To complete the Core Council Review and develop thematic working | 1) Selection of a preferred future business model for DLO services (Theme 3). 2) Finalise Theme 5 after May local elections (part of Budget Review Programme) 3) Thematic working OD plan agreed and being implemented | H | Various (see progress update) | Brendan Cleere | Annual Governance Statement 2008/09 | To contribute to the aims of the CCR of making significant efficiency savings and enabling the Council to address its corporate priorities | 1.)Recruitment to Themes 1,2 & 4 completed. 2.) Interim plan for internal transformation of DLO approved (Dec 2010). Further iteration of internal transformation plan to be produced in summer 2011, alongside re-start of procurement process to develop outsource option. 3.) OD plan approved by CMT (March 2011). | Feb-11 |  |
| 23 | Deliver Staff Survey action plan | 1.Planning Meeting on 7/12 with SW1 2.Outline Plan and draft survey to CMT by 31/01/10 following consultation with CCM and UCF 3.Survey completed by 31 March 2010 4.Analysis completed by 30/04/10 for incorporation in IIP Plans and Workforce Development Plan. | H | On-going | Rob North | UoR 2008-09 (Draft Sept 09) | High percentage completion by staff. Clarity on staff attitudes and morale translated into actions within Service Plans, IIP Plan and Workforce Development Plan | Progress continues to be reviewed every two months by CMT and is on target. | Feb-11 |  |
| 24 | Exert more effective management action to reduce staff sickness | 1.Planning meeting held with SW1 in early November 2009. 2. Action Plan due by 30 November 2009 to be considered by CMT in December 2009. 3. Action plan to be undertaken over agreed period. | H | On-going Quarterly | Martin Griffin | 2009/10 Vfm conclusion report Sept 2009 | Stronger emphasis on sickness absence management across the organisation. Revised policies and procedures and additional training. Lower sickness absence during 2010/11 | Additional actions have been implemented during 2010/11 including improved reporting from SW1 HR. Further work is being done to challenge higher sickness levels. 2010/11 anticipated sickness levels will be just below 2009/10. | Feb-11 |  |
| 25 | Make effective arrangements to investigate NFI matches | Work with Internal Audit to investigate data matches | M | Mar-11 | Shirlene Adam | 2009/10 Vfm conclusion report Sept 2010 | All data matches successfully investigated | Internal Audit working with Shirlene Adam to investigate data matches identified in Feb 2011 | Feb-11 |  |
| 26 | As part of the year end process the Council should instigate a robust review of its accruals to ensure that expenditure is accounted for in the correct period | 1) SWONE Advisory Team will undertake a central review of accruals v April transactions to quality assure the accruals process 2) Clear guidance will be issued to budget holders and other relevant staff, as part of the year end guidance notes and training. This will include a requirement to review April transactions for items related to previous years. | H | 1) May 11 2) March 11 | Paul Fitzgerald | Annual Governance Report 2009/10 | 1. External auditor satisfied with accruals process; and no material errors reported by external audit. 2. Training and guidance delivered. | 1. Year end work programme incorporates this activity. 2. Training is being delivered and guidance issued in early March 2011. | 04/03/2011 |  |
| 27 | The Council should review its debtor balances to ensure that the amounts included are receivable, and if the amounts should be considered for write off | 1) A review is already underway and write-offs being progressed. A regular review of overall position will be undertaken by Performance & Client Lead, and reported to CMT 2) Managers will review and monitor aged debts, and ensure debts are collected or written off on a timely basis. | H | Mar-11 | Paul Harding | Annual Governance Report 2009/10 | Bad debts reviewed regularly at service level through running aged debt reports. CMT receive reports from Theme Managers at least quarterly on all debts above £5k which are more than 90 days overdue. Services promptly respond to requests from AR for decisions on whether to write-off a debt. | 1. The SW One AR team regularly monitor overdue debt and refer these to TDBC services for their instruction on whether they wish debt to be written off. A number of irrecoverable debts have been referred to the Sect 151 officer for write-off and have been approved. Timeliness remains an issue. No effective mechanism to identify the frequency of services running aged debt reports. 2) Team scorecards require teams to record information concerning the debts due to their team. Training has been provided at the TDBC AR user group ion how to run an aged debt report. Detailed guides on how to run and interpret the aged debts reports have been made available on the Council's Intranet site. CMT have been asked to require theme managers to report quarterly to CMT on level of debt owed to the theme as a means of escalating the visibility of bad debt both within services and at CMT level. | 01-Mar-11 |  |
| 28 | Update the master data file for vendors (suppliers) to remove duplicate entries for the same vendor (supplier) | SPS to investigate options for de-duplication | M | TBC | Gary Hood (SW1) | Annual Governance Report 2009/10 | Vendor Duplicates records are minimised. | A project team has been formed to assess the work required and plan this work across the different business areas (across SPS, AP, Master Data & retained orgs). Work has started on the identification of duplicate records in SAP. | 01-Mar-11 |  |
| 29 | A proper audit trail should be maintained to demonstrate that the council tax and business rates systems fully reconcile to the general ledger | 1) SWONE Control Team to undertake regular reconciliation to general ledger on monthly basis. 2) SWONE Advisory to monitor through balance sheet control reviews | M | Mar-11 | 1) Heather Tiso 2) Paul Fitzgerald | Annual Governance Report 2009/10 | Council tax and business rates systems fully reconcile to the general ledger. No material errors reported by external audit. | 1) The amounts posted from the Civica System for Council Tax and NDR are posted into the SAP General ledger. However, it is extremely difficult to carry out a reconciliation in the general ledger because other postings are made that Revs & Bens have no control over. 2) No progress made so far due to staffing capacity, but this will be addressed as part of the 2010/11 year end activity. | Mar-11 |  |
| 30 | Sufficient systems access controls should be operated to identify and address any unauthorised access. Evidence of review of this control should be documented to provide assurance that this is working effectively | Arrangements to periodically review high risk roles to be considered. | L | Mar-11 | Maggie Hammond | Annual Governance Report 2009/10 | A review of high risk roles has been completed and evidenced. | I have investigated how to use SAP to complete the review of high risk roles. This review should be completed by the end of March 2011 | 03-Mar-11 |  |
| 31 | All transactions on the SAP financial system should contain sufficient narrative to identify the purpose of the transaction, the timing and the source | 1) Consider whether TDBC requires descriptions from AP, AR and other feeder transactions to populate GL Description fields in SAP. Prepare/agree RFS if required. 2) Users to be reminded that sufficient narrative should be included on GL transactions such as journals 3) Business process for journals and virements will be reviewed to: i) provide clear guidance on descriptions protocol; ii) build control checks and quality assurance into the process | 1) L 2 & 3) M | 1) TBC 2 & 3) Dec 10 | 1) Maggie Hammond 2) Lizzie Watkin 3) Paul Fitzgerald | Annual Governance Report 2009/10 | 3. Deputy S151 signs off sample of transactions as fit for purpose. | Item 1) There has been no action Item 2. Reminders have been issued to Finance staff periodically regarding need for suitable narratives (last reminder 4/10/10) 3. The business processes have been reviewed and significant improvements made. The process will be further refined during March/April. | Mar-11 |  |

| Item | Improvement / recommendation | Proposed / Planned activities | Priority (H,M,L) | Target date | Lead Officer | Source | Success criteria | Progress | As at (date) | Status |
|------|---|---|------------------|------------------------|---------------------------------------|----------------------------------|---|--|--------------|---|
| 32 | The arrangements between the Council and the Valuer should be formalised. This is important given the move to IFRS, and the additional work that the Valuer will be instructed to complete in order to assist the Council prepare its accounts under the IFRS. | Review Output Spec and prepare proposed update / addition to the specification for Asset Valuation services. Will require agreement through contract management arrangements | M | TBC | Alison North | Annual Governance Report 2009/10 | Output spec reviewed & updated for Asset Valuation service | No progress at this stage - meeting to be set up between Client Lead and Property & Facilities Management (Divisional manager) | Mar-11 |  |
| 33 | All loans and investments taken out on behalf of the Council should be supported by appropriate documentation. | 1) Review process for securing documentation from TM Advisory related to treasury decisions. 2) Ensure correspondence and evidence of all loan and investment approvals and details are maintained | M | 1) Nov 10 2) Nov 11 | 1) Maggie Hammond 2) Lizzie Watkin | Annual Governance Report 2009/10 | Process has been reviewed and evidence of TM transactions is completed. | Documentation is kept by SWOne where external TM advisors recommend any treasury activity. New loan template in use, investment approvals were already maintained. Item 2) All Loan transactions are supported by pro-forma documentation, including details of loans and approvals. Investments previously supported by approval evidence. | 03-Mar-11 |  |
| 34 | All registers of interest should be kept up to date | Undertake review of process to maintain Register of Interests. Set up register on website ready for May local elections | M | Mar-11 | Tonya Meers | Annual Governance Report 2009/10 | Up-to-date register | In hand - will be complete by the end of March | Mar-11 |  |

Taunton Deane Borough Council

Corporate Governance Committee – 14th March 2011

Risk Management

Report of the Performance & Client Lead

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

1. Executive Summary

- 1.1 This report provides an update on progress with Risk Management.
- 1.2 The Corporate Risk Register underwent a scheduled annual review in February by the Corporate Management Team (CMT). A particular emphasis was placed on the consideration of risks arising from the significant cuts to the Government Grant Settlement and Government Reforms.
- 1.3 An Internal Audit has recently been conducted on Risk Registers, major partnerships and projects – the conclusion reported in January is that there are no significant findings, and the audit opinion offered is ‘reasonable assurance’.

2. Background

2.1 Introduction

Risk Management is the process by which risks are identified, evaluated and controlled and is one of the key elements of the Corporate Governance framework.

2.2 Definition

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

2.3 Roles and responsibilities

2.3.1 The role of the Corporate Governance Committee

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

Member's key tasks in relation to Risk Management are:

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

2.3.2 The role of the Performance & Client Team

The Theme Manager for Performance and Client will be responsible to CMT for:

- Ensuring that risk management is embedded throughout the authority
- Ensuring that Corporate Risks are reviewed by CMT on a 6 monthly basis
- Ensuring services adequately manage risk and follow the corporate standard
- Assistance, advice and training
- Reporting to the Corporate Governance Committee on the management of risk
- Reporting concerns to the Chief Executive or CMT as appropriate
- Annually reviewing the risk management strategy
- Keeping abreast of developments in the field of Risk Management and identifying and implementing best practice

3. Report

3.1 Corporate Risk Register

3.1.1 The scheduled annual review of the Corporate Risk Register was completed in February by the Corporate Management Team (CMT)

3.1.2 The next step is to develop 'Management Action Plans' for further control measures for the highest level risks – these will be ready for reporting at the June committee meeting

3.1.3 A copy of the current Corporate Risk Register can be found in **Appendix A**. It is recommended that the Committee review the risks and control measures, making particular note of the high risk areas, identified by a score of 15 or higher.

3.2 Operational Risk Registers

3.2.1 Risk Registers have been produced for each Theme as part of the 2010/11 service planning process. Copies have been issued to the Performance & Client Lead (responsible for corporate risk management) and are being reviewed for consistency and compliance with the TDBC Risk Management Strategy, Policies & Guidance. A quarterly review of these risk registers is now included on the Theme Manager meeting forward plan. Theme/Service Risk Registers will be updated as part of the service planning process for 2011/12 – this is due for completion by April.

3.3 Project Risk Registers

3.3.1 A summary of key corporate project risk registers in place is as follows:

| Corporate Project | Owner | Risk Register exists? | Date / version |
|--------------------------------|----------|---|-------------------|
| LDF Core Strategy | SL | within Strategy service plan | May 10 (v4) |
| Housing Inspection project | SL | within Strategy service plan | May 10 (v4) |
| SAP implementation & re-launch | RS / AGS | within P & C service plan New Risk Reg drafted | May 10 Sept 10 |
| Project Taunton | JW | Y | June 10 |
| DLO internal transformation | BC | Y | Nov 10 |
| Housing Client review | JB | Y (draft) | Aug 10 |
| Procurement transformation | PH | Client team risk & issues log | Monthly |
| Priority Areas Strategy | ML | Y | Nov 10 |
| Halcon Project | TB / AN | Y (draft) | Feb 11 |
| Budget Review programme | SL/DW | Y (draft) | Feb 11 |

3.5 Risk Management audit and inspection

3.5.1 Internal Audit – South West Audit Partnership (SWAP) have undertaken a Risk Management audit in October – November 2010. The emphasis was on Risk Registers, major partnerships and projects. The conclusion reported in January is that there are no significant findings, and the audit opinion offered is ‘reasonable assurance’.

3.5.2 There are two recommendations, both of which are given a ‘priority rating’ of 3 (medium – ie. the accuracy of records is at risk and requires attention). These recommendations are:

- that Theme Managers review the generic theme based risk registers to ensure that they are sufficient to identify all service related risks that may impact the theme.
- that the Performance and Client Officer ensures that the risk monitoring procedures for the partnership with Tone Leisure are formalised to ensure minimal risk to the Authority.

4. Finance Comments

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

5. Legal Comments

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

6. Links to Corporate Aims

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

7. Environmental and Community Safety Implications

7.1 These areas are considered within the Corporate Risk Register.

8. Equalities Impact

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

9. Risk Management

9.1 This report outlines all aspects of corporate Risk Management.

10. Partnership Implications

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

11. Recommendations

11.1 It is recommended that the Corporate Governance Committee:

- Review the updated Corporate Risk Register
- Note progress with Risk Management

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Corporate Risk Register

Feb-11

Appendix A

| Risk No. | Risk & descriptions | Responsible CMT Member | Consequences | Existing Control Measures | Current Score | |
|----------|---|---------------------------|--|---|-----------------|-----------------|
| | | | | | Impact | Probability |
| 1 | Failure to deliver effective leadership during period of change & uncertainty (Political & Managerial) | Shirlene Adam | <ul style="list-style-type: none"> • Organisation not fit for purpose, and cannot meet the demands of the Government • Organisation unable to identify & capture tangible benefits of change projects • Organisation fails to drive full benefits from SAP &/or Procurement • Potential impact on staff morale, leading to increased: staff sickness absence; industrial unrest / strikes; grievances / disciplinaries / complaints | | Critical | Feasible |
| a) | Change Programme does not achieve objectives and the organisation has no obvious Plan B | | | Budget Review Programme (inc 'Plan B'). SAP Task & Finish. Increased challenge on Procurement by CMT | | |
| b) | Members do not embrace the changes and resist proposals | | | Members Change Steering Group. | | |
| c) | Lack of clarity on the programme of changes to fit the future | | | Hub reports to CMT | | |
| d) | Staff are not supported on changes implemented from the Budget Review programme | | | Staff briefings. Budget Review Programme - communications strategy. Unison Forum. Members induction programme. Staff care & support plan. Reports to Leads group. | | |
| e) | Failure to address the issues arising from the 2010 Staff Survey | | | Organisation Development plan. H & S committee consultation. | | |
| 2 | The growth agenda is not delivered | Joy Wishlade / Tim Burton | <ul style="list-style-type: none"> • Loss of external funding • Reputation damaged • Inappropriate development (in the wrong places) • TDBC becomes a dormitory region - with residents working and finding recreational activities outside of the Deane • Local economy does not develop - lack of quality jobs created / redundancies • Transport infrastructure becomes more gridlocked • TDBC will not be able to compete with other regions in terms of attracting business growth | | Major | Feasible |
| a) | Failure to deliver a sound Core Strategy within reasonable timescales | | | Core Strategy work programme. Specialist team in place | | |
| b) | Unsustainable development proposals permitted due to lack of 5 year land supply | | | 5 year review period | | |
| c) | Community resist growth agenda | | | Briefings with the community / business community / Members. Monkton Heathfield community engagement panel | | |
| d) | TDBC organisationally is not resourced to support this growth and the place shaping agenda | | | Memorandum of understanding' with developers | | |
| e) | Failure to exploit opportunities from Local Enterprise Partnerships (new funding, & making our case nationally for regional infrastructure) | | | TDBC heads up Local Investment Plan process. Employment land working group. Leading role with Local Development Partnership | | |
| f) | Lack of market appetite for growth | | | | | |

| Risk No. | Risk & descriptions | Responsible CMT Member | Consequences | Existing Control Measures | Current Score | |
|----------|---|------------------------|---|---|--------------------|-----------------|
| | | | | | Impact | Probability |
| 3 | Failure to deliver the corporate aims ('TRAC') | Penny James | | <ul style="list-style-type: none"> • Development of 'Corporate Aims Delivery Plans (CAD plans). • Budget Review Programme - Councillor's Priorities workstream. | Significant | Feasible |
| a) | Tackling Deprivation & Sustainable Community Development - Failure to produce coherent programme / lack of strategic vision & planning to address/mitigate deprivation - Lack of awareness (outside of 2 areas in Taunton) of the other "rising hotspots" within the Deane | Brendan Cleere | <ul style="list-style-type: none"> • Areas of deprivation remain • Communities in these areas are not given the support and priority they need to improve and activity may be misdirected • Potential for further areas to slip into deprivation | Priority Areas Strategy' - project team in place. Engagement with Multi-Agency Groups. TD Partnership 'buy-in' | | |
| b) | Regeneration - Failure to produce coherent strategy and delivery plan | Joy Wishlade | <ul style="list-style-type: none"> • Failure to deliver sustainable economic and housing growth targets | Taunton Advisory Board. Regeneration Steering Group | | |
| c) | Affordable Housing - Failure to produce coherent strategy and delivery plan | Shirlene Adam | <ul style="list-style-type: none"> • Failure to deliver Affordable Housing targets | Affordable Housing Steering Group | | |
| d) | Climate Change - Failure to have coherent programme to address impact of climate change - No plans in place to reduce carbon footprint of the organisation or the community - Failure to gain LSP partners' support | Kevin Toller | <ul style="list-style-type: none"> • Carbon footprint continues to grow • No community leadership on green issues (energy management/recycling improvements/sustainable buildings) | Climate Change Steering Group. '10% less' energy campaign. Carbon Management Action Plan | | |
| e) | Failure to effectively deploy resources to deliver priorities (capacity) - Insufficient resources to meet expectations - Inappropriate use of resources | Penny James | <ul style="list-style-type: none"> • Council priorities not delivered • Negative impact on delivery of corporate priority outcomes | Budget Review Programme | | |
| f) | Lack of engagement with staff & partners and poor visibility / low priority given to Corporate Aims | Penny James | | | | |

| Risk No. | Risk & descriptions | Responsible CMT Member | Consequences | Existing Control Measures | Current Score | |
|----------|--|------------------------|---|--|-----------------|-----------------|
| | | | | | Impact | Probability |
| 4 | Failure to agree sustainable MTFP | Shirlene Adam | <ul style="list-style-type: none"> • Potential budget shortfall in 2012/13 • Potential adverse impact on Council's limited reserves & financial standing • Potential loss of staff & knowledge in key service areas • Potential service closure / reduced service quality • Inability to deliver customer expectations • Adverse impact on remaining staff • Adverse impact of local elections in 2011 • Adverse impact of HRA self-financing not finalised • Adverse impact of Partner's budget changes • Members will be required to make difficult budget decisions | Budget Strategy / Budget Review Programme. Core Council Review (Themes 3 & 5). Housing self-financing. | Critical | Likely |
| a) | Less Central Government funding | | | | | |
| b) | Insufficient capital resources to fund Corporate Strategy objectives | | | | | |
| c) | Impact of Project Taunton on revenue streams from car parks to be resolved | | | | | |
| d) | Unclear on impact of economic downturn on Council's finances, including arrears position | | | | | |
| e) | Failure to exploit new funding & borrowing opportunities | | | | | |
| f) | Failure to have coherent plan for dealing with Council's assets moving forward | | <ul style="list-style-type: none"> • Insufficient management information on Council's assets and the influence they have on corporate priorities • No clear property strategy for TDBC public buildings and depots | Asset management Group / Asset Management Plan. Budget Review Programme - Capital / Asset review workstream | | |
| 5 | Failure to effectively manage the impact of Government Reforms | Simon Lewis | <ul style="list-style-type: none"> • Elected Members & staff unsighted on changes ahead • Potential intervention / action by Central Govt • Community not engaged in conversations re service changes • Increased demand & pressure on resources • Increased referendums & legal work • Increased role of the community / impact on elected Members' role? • Different role for LAs when dealing with welfare support | Hub reports. Strategy Team / Theme & Service managers are monitoring changes. Links to Budget review Programme. TDBC involvement in consultation on changes & reforms. Attendance to briefings / network events - reports to CMT. | Major | Feasible |
| a) | Failure to be aware of, understand and adequately address the implications on Services, the Community, & Partners from Govt policy reform, including: <ul style="list-style-type: none"> • New Homes Bonus • Homes & Community Agency • Supporting People programme • Rents reforms • Welfare reforms • HRA reforms • Localism Bill • Health white paper • Open Public Services white paper | | | | | |

| Risk No. | Risk & descriptions | Responsible CMT Member | Consequences | Existing Control Measures | Current Score | |
|----------|--|------------------------|---|---|---------------|---------------|
| | | | | | Impact | Probability |
| b) | Failure to adequately address the implications or exploit opportunities of increased working with the 'Third Sector' | | <ul style="list-style-type: none"> Voluntary organisations unable or unwilling to deliver increased outcomes TDBC expected to close gaps left from Partners' cuts | | | |
| 6 | Key partnerships fail to deliver Council's objectives (SW1, TLL, SWP) | Richard Sealy | <ul style="list-style-type: none"> Potential breakdown in relationships between partners Impact on customers of service failure Contract renegotiation Financial implications (inc imposing penalties) Impact on staff | <ul style="list-style-type: none"> Governance processes in place for different partners Client Team monitor partner Contractual arrangements in place Regular Member scrutiny | Major | Likely |
| a) | Differing priorities by Administrations at TDBC & SCC | | | | | |
| b) | Partners fail to deliver required performance levels | | | | | |
| c) | Lack of clarity on objectives | | | | | |
| d) | Changes instigated by SCC | | | | | |
| 7 | Failure to have comprehensive & effective Business Continuity Plans & arrangements in place for TDBC | James Barrah | <ul style="list-style-type: none"> Negative impact on corporate support services (eg: IT; Communications; Data Security) Essential services may be reduced / not delivered General services may be reduced / not delivered May not be compliant with civil contingencies requirements / obligations on TDBC Failure to respond effectively to local/major civil emergency or incident Adverse impact on Council reputation Unable to deliver IT support during emergencies | <ul style="list-style-type: none"> CMT rota in place Recent Rest Centre exercise Draft BCPs in place Progress monitored with service BCPs (near 100%) Housing & DLO rotas in place Contractual arrangements in place (Sw1, TLL) Kilkenny has reciprocal arrangements with other authorities Somerset Civil Contingencies partnership DLO in discussions with Sedgemoor re shared depot | Major | Slight |
| a) | No detailed plan for how the Council would operate in terms of major emergencies | | | | | |
| b) | No awareness of plan by staff / management / members | | | | | |
| c) | Inadequate IT disaster recovery plan | | | | | |
| 8 | Inadequate Health & Safety arrangements in place | Kevin Toller | <ul style="list-style-type: none"> Loss of life H & S incidents occur that could have a negative impact on the Council's reputation, management and staff involved. Negative impact on relationship with Unison & staff. Financial loss | <ul style="list-style-type: none"> H & S committee Reports to Corp Gov Cttee Safety Reps H & S training programme in place Dedicated H & S advisory resource IOSHH qualified competent persons at Depot H & S action plan (& quarterly monitoring) | Major | Slight |

Score

15

12

Score

9

Score

10

12

Score

16

8

8

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 14th March 2011

INTERNAL AUDIT – REVIEW OF INTERNAL AUDIT CHARTER

REPORT OF THE GROUP AUDIT MANAGER (South West Audit Partnership)

EXECUTIVE SUMMARY

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

Purpose of the Report

To obtain endorsement from members for the Internal Audit Charter.

Background

The internal audit service, provided by the South West Audit Partnership (SWAP), works to a Charter that defines its roles and responsibilities and the roles and responsibilities of the Borough Council's managers as they relate to internal audit. Best practice in corporate governance requires that the Charter be reviewed and approved annually by the Corporate Governance Committee. The Charter was last reviewed by this Committee at their meeting on 15th March, 2010.

This year the Charter has been updated to reflect the move away from an historic 4 year strategic audit plan;

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

Recommendation

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

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Taunton Deane Borough Council - Internal Audit Charter

Purpose

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

Approval

This Charter was approved by the Corporate Governance Committee on 25th September 2006 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Corporate Governance Committee on 15th March, 2010.

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership (SWAP) on a 5 year contract expiring on 31 March, 2015. This charter should be read in conjunction with the Trading Agreement, which forms part of the legal agreement between the SWAP partners.

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

Role of Internal Audit

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

Responsibilities of Management and of Internal Audit

Management

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

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

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

Internal Audit

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

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors. Internal Audit also complies with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

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

Relationship with the External Auditors/Other Regulatory Bodies

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

Status of Internal Audit in the Organisation

The Head of the Internal Audit Partnership is responsible to the SWAP Management Board and the Partnership Board. The Head of Internal Audit Partnership and the Group Audit Manager also report to the Strategic Director, as Section 151 Officer, and report to the Corporate Governance Committee as set out below.

Appointment or removal of the Head of Internal Audit Partnership is the sole responsibility of the Partnership Board.

Scope and authority of Internal Audit work

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

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

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraising the effectiveness and reliability of the enterprise risk management framework and recommending improvements where necessary;
- assisting management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Taunton Deane Borough Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the Council in support of the Council's anti-fraud and corruption policy.
- at the specific request of management, internal audit may provide consultancy services, provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

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

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

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

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

The Group Audit Manager will submit an annual report to the Corporate Governance Committee providing an overall opinion of the status of risk and internal control within the Council, based on the internal audit work conducted during the previous year.

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

Revised 14th March 2011 version 5.0

Taunton Deane Borough Council

CORPORATE GOVERNANCE COMMITTEE – 14 MARCH 2011

INTERNAL AUDIT PLAN 2010/11– PROGRESS REPORT

Report of the Group Audit Manager – Chris Gunn - (South West Audit Partnership)

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

1. Executive Summary

This report reports the current position of the Internal Audit Plan for 2010/11. This report also highlights significant findings and recommendations that have occurred since the Committee last considered the detailed findings of Internal Audit reports in September 2010.

2. Background

To provide members with an update on the activities of the Internal Audit team for the period October 2010 to March 2011.

3. Audits Completed and Progress against Plan

Please see attached report.

5. Finance Comments

N/a

6. Legal Comments

N/a

7. Links to Corporate Aims

Internal Audit's role is to assure Members and managers that adequate controls are in place and to issue reports and recommendations to address weaknesses in internal control. The Corporate Governance Committee has a key role to play in monitoring the Council's Corporate Governance arrangements. CiPFA defines part of its core function as including the review of summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where

necessary. This contributes to the Corporate Health priority, which underpins all the Council's priorities.

8. Environmental and Community Safety Implications

N/a

9. Equalities Impact

N/a

10. Risk Management

N/a

11. Partnership Implications

N/a

12. Recommendations

The Committee should note the content of this report.

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Taunton Deane Borough Council

Report of Internal Audit Activity
Quarter 3/4, 2010/11

Contents

The contacts at SWAP in connection with this report are:

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Our audit activity is split between:

- **Operational Audit**
- **Managed Audit**
- **Governance, Fraud & Corruption**
- **Special Reviews**

Role of Internal Audit

The Internal Audit service for Taunton Deane Borough Council is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Corporate Governance Committee at its meeting on 15th March 2010. Internal Audit provides an independent and objective opinion on the Council's control environment by evaluating its effectiveness. Primarily the work includes;

- Plan of Operational Reviews
- Annual Review of Key Financial System Controls (Managed Audits)
- Annual review of Key Governance and Fraud Controls

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to the Corporate Governance Committee at its meeting in March 2010.

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

Quarter 3/4 Outturn:

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

Internal Audit Work Programme

The schedule provided at [Appendix A](#) contains a list of all audits as agreed in the Annual Audit Plan 2010/11. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “control assurance” opinions together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in [Appendix C](#).

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent a less than significant risk to the Council’s operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Quarter 3/4 Outturn:

Completed Audit Assignments In The Period

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.

During the period since the September report we have completed four audits :

- Customer Services
- Debtors
- Creditors
- Housing Benefit Fraud.

The audit on Main Accounting is at discussion document stage. The audits of Partnership Arrangements and S106 are currently in progress.

Following agreement with the client the audits of Legal Services, Strategic Housing and Core Council Arrangements have been deferred to a later year. An additional audit based upon a review of the TDBC Whistleblowing Policy has been added to the current year's audit plan.

Managed Audits

Managed Audits are completed to assist the External Auditor in their assessment of the Council's financial control environment. There were seven such audits within the 2010/11 Audit Plan and all are normally scheduled to be carried out in Quarter 3.

During the period since the September report all seven Managed Audits have been completed to Draft or Final Reports. The report for Council Tax and NNDR was issued as joint report.

Quarter 3/4 Outturn:

Completed Audit Assignments In The Period

Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level.

During the period since the September report an additional six governance audits have been completed to draft or final report stage these being :

- Equalities and Diversity (Impact Assessments)
- Health and Safety
- N179 Efficiency Statements
- N188 Use of Natural Resources
- Procurement (Category Management)
- Risk Management (Risk Registers including Major Projects)

The remaining two audits which are Business Continuity (Major Partnerships and Contractors) and Income Collection will be completed by the year end.

Special Reviews

There have been no further special reviews carried out since the Quarter 2 Outturn report.

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

Future Planned Work

This is detailed in [Appendix A](#) and is obviously subject to any changes in agreement with the S151 officer.

Conclusions

For those audits still required by the client SWAP are on target to complete those audits as planned. For the audits completed to report stage each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the Categorisation of recommendations section in [Appendix C](#).

SWAP have recently implemented a change to the audit process for operational reviews whereby an assessment on the management of each risk is included in reports. Any risks where the auditor's assessment of risk to the organisation is "Very High" will be reported to the Audit Committee.

Audit report findings which have priority scores 4 or 5 are highlighted in [Appendix B](#) together with recommendations and management responses.

TDBC management have responded positively to internal audit suggestions for improvements and corrective action has

Appendix A

| Directorate/Service | Audit Area | Quarter | Audit Days | Status | Opinion | No. of recs | 1 = Minor → 5 = Major | | | | |
|--------------------------------|---|---------|------------|--------------|---------------|-------------|-----------------------|---|---|---|---|
| | | | | | | | Recommendations | | | | |
| | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Operational Audits | Building Control | Apr-10 | 15 | Final Report | Reasonable | 8 | 0 | 0 | 6 | 2 | 0 |
| Operational Audits | Property Services | Apr-10 | 20 | Removed | | | 0 | 0 | 0 | 0 | 0 |
| Operational Audits | Customer Services | Apr-10 | 20 | Final Report | Reasonable | 8 | 0 | 1 | 6 | 1 | 0 |
| Operational Audits | Choice Based Lettings | Apr-10 | 15 | Removed | | | 0 | 0 | 0 | 0 | 0 |
| ICT - Policy | SWAP Information Security Group - SISG | Apr-10 | 4 | In Progress | Non Opinion | | 0 | 0 | 0 | 0 | 0 |
| ICT - Security | Threat Protection | Apr-10 | 8 | Deferred | | | 0 | 0 | 0 | 0 | 0 |
| Governance, Fraud & Corruption | Data Quality - Performance Indicators | Apr-10 | 8 | Final Report | Comprehensive | 0 | 0 | 0 | 0 | 0 | 0 |
| Governance, Fraud & Corruption | Procurement (Category Management) | Apr-10 | 10 | Draft Report | Partial | 11 | 0 | 0 | 5 | 6 | 0 |
| Governance, Fraud & Corruption | Risk Management (Risk Registers including Major Projects) | Apr-10 | 10 | Final Report | Reasonable | 2 | 0 | 0 | 2 | 0 | 0 |
| Client Support | Special Review - DLO Due Diligence | May-10 | 35 | Draft Report | Non Opinion | | 0 | 0 | 0 | 0 | 0 |
| Operational Audits | Creditors | Jul-10 | 20 | Final Report | Partial | 15 | 0 | 0 | 3 | 9 | 3 |
| Operational Audits | Debtors | Jul-10 | 20 | Final Report | Partial | 12 | 0 | 3 | 9 | 0 | 0 |
| Operational Audits | Main Accounting | Jul-10 | 20 | In Progress | | | 0 | 0 | 0 | 0 | 0 |
| ICT - Security | Corporate back up routines | Jul-10 | 8 | Final Report | Reasonable | 1 | 0 | 0 | 1 | 0 | 0 |
| Governance, Fraud & Corruption | Equalities and Diversity - Impact Assessments | Jul-10 | 8 | Final Report | Partial | 5 | 0 | 0 | 5 | 0 | 0 |
| Governance, Fraud & Corruption | Health and Safety | Jul-10 | 5 | Final Report | Partial | 7 | 0 | 0 | 7 | 0 | 0 |
| Governance, Fraud & Corruption | Performance - NI 179 Efficiency Statements | Jul-10 | 5 | Completed | | | 0 | 0 | 0 | 0 | 0 |
| Governance, Fraud & Corruption | Performance - NI 188 Use of Natural Resources | Jul-10 | 5 | Final Report | Comprehensive | 0 | 0 | 0 | 0 | 0 | 0 |
| Client Support | Special Review - Parking Services Stock | Jul-10 | 8 | Final Report | Non Opinion | 0 | 0 | 0 | 0 | 0 | 0 |
| Client Support | Special Review - Licensing Cash Handling | Aug-10 | 12 | Final Report | Non Opinion | 0 | 0 | 0 | 0 | 0 | 0 |
| Operational Audits | Housing Benefits Fraud | Oct-10 | 15 | In Progress | | | 0 | 0 | 0 | 0 | 0 |
| Operational Audits | Review of Core Council Arrangements | Oct-10 | 15 | Removed | | | 0 | 0 | 0 | 0 | 0 |
| Client Support | Whistleblowing Policy | Jan-11 | 5 | In Progress | | | | | | | |
| Managed Audits | Capital Accounting | Oct-10 | 5.5 | Final Report | Reasonable | 4 | 0 | 4 | 0 | 0 | 0 |
| Managed Audits | Council Tax | Oct-10 | 11 | Draft Report | Partial | 16 | 0 | 6 | 9 | 1 | 0 |

| | | | | | | | | | | | |
|--------------------------------|--|--------|-----|--------------|---------------|----|---|---|---|---|---|
| Managed Audits | Housing Benefits | Oct-10 | 11 | Final Report | Comprehensive | 3 | 0 | 3 | 0 | 0 | 0 |
| Managed Audits | Housing Rents | Oct-10 | 11 | Draft Report | Partial | 13 | 0 | 1 | 9 | 3 | 0 |
| Managed Audits | NNDR | Oct-10 | 8 | Draft Report | Partial | 16 | 0 | 6 | 9 | 1 | 0 |
| Managed Audits | Payroll | Oct-10 | 11 | Draft Report | Reasonable | 5 | 0 | 3 | 1 | 1 | 0 |
| Managed Audits | Treasury Management | Oct-10 | 5.5 | Final Report | Reasonable | 4 | 0 | 2 | 2 | 0 | 0 |
| Operational Audits | Legal Services | Jan-11 | 15 | Removed | | | 0 | 0 | 0 | 0 | 0 |
| Operational Audits | Deane Helpline Income | Jan-11 | 15 | In Progress | | | 0 | 0 | 0 | 0 | 0 |
| Operational Audits | Partnership Arrangements | Jan-11 | 15 | In Progress | | | 0 | 0 | 0 | 0 | 0 |
| Operational Audits | Section 106 Agreements | Jan-11 | 15 | In Progress | | | 0 | 0 | 0 | 0 | 0 |
| Operational Audits | Strategic Housing | Jan-11 | 20 | Removed | | | 0 | 0 | 0 | 0 | 0 |
| Governance, Fraud & Corruption | Business Continuity (Major Partnerships and Contractors) | Jan-11 | 8 | In Progress | | | 0 | 0 | 0 | 0 | 0 |
| Governance, Fraud & Corruption | Gifts & Hospitality - Register of Interests - Members | Jan-11 | 3 | Final Report | Reasonable | 7 | 0 | 3 | 4 | 0 | 0 |
| Governance, Fraud & Corruption | Gifts and Hospitality - Register of Interests | Jan-11 | 3 | Final Report | Reasonable | 8 | 0 | 4 | 4 | 0 | 0 |
| Governance, Fraud & Corruption | Fees and Charges | Jan-11 | 5 | Final Report | Reasonable | 3 | 0 | 0 | 3 | 0 | 0 |
| Governance, Fraud & Corruption | Income Collection (Analytical Review including Budgets and Methods of Payment) | Jan-11 | 8 | In Progress | | | 0 | 0 | 0 | 0 | 0 |

| Finding | Recommendation | Priority Rating | Management Response | Responsible Officer | Implementation Date | |
|---|--|--|---------------------|--|---------------------|------------|
| CREDITORS | | | | | | |
| Objective: To ensure key system controls are operating effectively and that fraud, error or corruption is minimised. To process invoices promptly and accurately | | | | | | |
| 1. Risk: Transaction or event has not occurred or does not relate to the audited body | | | | | | |
| 1.1a | Invoices/PRF's are paid as long as they are signed. The signatories are not verified against an approved list. | I recommend that the Section 151 Officer monitors the level of PO compliance and encourages three-way matching. | 5 – High | Agreed. Action is being taken to improve the use of 3 way matching. The Performance and Client Lead will drive a project to improve compliance. | S151 Officer | Immediate |
| 1.1b | 10 of the 22 invoices sampled were paid between 3-115 days late. | I recommend that the Section 151 Officer ensures that staff within the Council are reminded to deal with webcycles promptly. | 4 – Medium/ High | Agreed. The reports from the system on this need to provide more detail to help us achieve this. The Performance and Client Lead will liaise with SW1 to progress this. See 4.2 b | S151 Officer | April 2011 |
| 1.1c | Direct input bypasses main system authorisation controls. | I recommend the Section 151 Officer ensures guidance is issued to staff on when the Direct Input payment method is used. | 5 – High | Agreed. We are currently investigating the levels of direct input across each department and will work with Theme Managers to reduce this if appropriate. The Strategic Finance Officer and The Performance and Client Lead are leading on this. | S151 Officer | April 2011 |

| Finding | Recommendation | Priority Rating | Management Response | Responsible Officer | Implementation Date |
|---|---|-----------------|--|---------------------------|---------------------|
| 1.1d VAT invoices not held for payments where VAT is applicable. | I recommend that the Section 151 Officer ensure that where applicable a VAT invoice is received from suppliers. | 4 – Med/High | Agreed – this will be resolved. The Strategic Finance Officer is leading on this. | S151 Officer | April 2011 |
| 2. Risk: Fraudulent or duplicate payments are made | | | | | |
| 2.1a Duplicate supplier records still exist on the system. | I recommend that the Shared Accounting Manager ensures that a decision is made on whom is responsible for disabling duplicate supplier records from the system and that this task is performed as soon as possible. | 4 – Med/High | Agreed Southwest One is developing a strategy for the cleansing of the vendor database | Shared Accounting Manager | 1 May 2011 |
| 2.2a Numerous duplicate payments continue to be processed through the creditors system. | I recommend that the Shared Accounting Manager determines why duplicate payments continue to occur and from this reviews the effectiveness of appropriate duplicate controls. | 5 – High | Agreed - New prepayment duplicate controls are being introduced in early 2011, these are designed to supplement the basic controls in SAP. Data on the cause of these duplicates will be used to educate users | Shared Accounting Manager | 28 February 2011 |

| Finding | Recommendation | Priority Rating | Management Response | Responsible Officer | Implementation Date |
|---|--|-----------------|--|--------------------------------|---------------------|
| 2.3a A detailed check was not undertaken prior to a suppliers bank details being amended. | I recommend that the Head of Procurement Operations ensures that a procedure is written to deal with any requests for change in supplier bank details. This should include a formal check via telephone or email from an approved source to ensure that the details of the request are legitimate. | 4 – Med/High | A Project Group is being created to address the issue of vendor creation, part of which is guidance and processes required on duplicate payments. In addition it is not best practice to contact every supplier who is set up on the system re: bank details. SCC requested over 1000 suppliers be created in the last 5 month period. We would prefer to see a banding of suppliers in relation to spend and place a series of checks in place determined by the level of spend we will conduct with said supplier. Additionally most fraud attempts have been via change to bank details and text for this has been drafted previously however, until the project team is established to review this then it will not be released yet. | Head of Procurement Operations | 30 Sept 2011 |
| 3.1b Staff are not adequately trained in the use of SAP. | I recommend that the Section 151 Officer reviews the current training arrangements for new staff and decides whether these are adequate for all levels of operational staff and management. | 4 – Med/High | I disagree that staff aren't adequately trained. We have invested heavily in this. We do have SAP Champions across the organisation and new joiners are picked up through this route. | N/A | |

| Finding | Recommendation | Priority Rating | Management Response | Responsible Officer | Implementation Date |
|--|--|-----------------|--|---------------------|---------------------|
| 4. Risk: Staff training and user confidence is negative | | | | | |
| 4.1a Contingency arrangements are not documented. | I recommend that the Accounts Payable Manager outlines contingency arrangements for the key risk areas and that these are documented and made available to appropriate key staff within the Creditors Team. | 4 – Med/High | Disagree – the SW1 Finance business continuity plan outlines the steps to be taken in the event of reduced staff numbers, secondly the use of repetitor means that we are not reliant on human intervention to automatically post invoices for payment | N/A | N/A |
| 4.2a Contingency arrangements for absent staff has not been determined. | I recommend that the Section 151 Officer ensures that the new 'requisitioners' complete weekly 100% checks against all outstanding web cycles for their service to help reduce the risk of delay in payment. | 4 – Med/High | Agreed – more regular review of the web cycle listings will take place.. | S151 Officer | April 2011 |
| 4.2b Delays in payment of invoices occurred due to the number of outstanding web cycles. | I recommend that the Section 151 Officer ensures that the new 'requisitioners' complete weekly 100% checks against all outstanding web cycles for their service to help reduce the risk of delay in payment. | 4 – Med/High | Agreed – The Performance and Client Lead will drive this improvement. | S151 Officer | April 2011 |

| Finding | Recommendation | Priority Rating | Management Response | Responsible Officer | Implementation Date |
|---|--|-----------------|--|---------------------|---------------------|
| 4.2c There is no list of requisitioners in place for the resolution team to verify against. | I also recommend that the Section 151 Officer ensures that an updated list of requisitioners is made available to the resolution team and that they use this as the first contact point for web cycle enquiries. | 4-Med/High | Agreed – The Strategic Finance Officer to provide. | S151 Officer | April 2011 |

Audit Framework Definitions

Control Assurance Definitions

| | | |
|----------------------|-------|---|
| Comprehensive | ▲ ★★★ | I am able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed. |
| Reasonable | ▲ ★★ | I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives. |
| Partial | ▲ ★ | I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives. |
| None | ▲ | I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives. |

Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

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

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 14th MARCH 2011

Annual Audit Plan 2011/2012

Report of the Strategic Director (Shirlene Adam).

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

Executive Summary

This report introduces the Internal Audit Plan for 2011/12. This is a flexible plan that may be amended during the year to deal with shifts in priorities.

1. Background

- 1.1 The Internal Audit service for Taunton Deane Borough Council is delivered by South West Audit Partnership (SWAP).
- 1.2 The internal audit plan for 2011/12 is set out in the attached report from SWAP. I am satisfied that this plan is focussed on key risks areas, and will help provide me with assurance on internal controls.

2. Financial Issues / Comments

- 2.1 The plan will be delivered within the agreed budget for internal audit.

3. Legal Comments

- 3.1 There are no legal implications from this report.

4. Links to Corporate Aims

- 4.1 No direct implications.

5. Environmental and Community Safety Implications

- 5.1 No direct implications.

6. Equalities Impact

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

7. Risk Management

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

8. Partnership Implications

- 8.1 The Strategic Director and the Internal Audit Team (SWAP – South West Audit Partnership) meet regularly to review the progress against plan. Quarterly updates are provided to this Committee.

9. Recommendation

9.1 The Corporate Governance Committee is requested to approve the Internal Audit Plan for 2011/12.

Contact Officers:

| | |
|---|--|
| Shirlene Adam Strategic Director 01823 356310 s.adam@tauntondeane.gov.uk | Maggie Hammond Strategic Finance Officer 01823 358698 m.hammond@tauntondeane.gov.uk |
|---|--|



Taunton Deane Borough Council

Annual Audit Plan

2011/12

The contacts at SWAP in connection with this report are:

Gerry Cox

Head of Internal Audit Partnership
Tel: 01935 462371
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Chris Gunn

Group Audit Manager
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Tony Brown

Audit Manager
Tel: 01823 355590
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Summary /Background 2

Annual Audit Plan 3

Schedule for Annual Audit Plan Appendix 1

Our audit activity is split between:

- **Operational Audit**
- **Governance, Fraud & Corruption**
- **Key Financial System Control Reviews**

Role of Internal Audit

The Internal Audit service for Taunton Deane Borough Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for internal audit.

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

- Operational Audit Reviews
- Governance Reviews
- Annual Reviews of Key Financial System Controls
- Follow Up Reviews

Background

It is recommended by the Audit Commission and is recognised best practice that an appropriate Committee of Council scrutinises and approves the annual internal audit plan. The plan presented in this report represents all proposed internal audit activity for the year 2011/2012.

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

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

The annual internal audit plan has been developed with the co-operation and approval of the Section 151 Officer. The plan is risk based and is co-ordinated, where possible, with the audit plans of the other members of the South West Audit Partnership (SWAP). Joint audits of this kind derive real benefits in both reducing the overall time taken and in the shared lessons that can be learnt by all the partners.

Annual Audit Plan

The Annual Audit Plan

The audit plan is broken into four main areas of activity as detailed below. The operational reviews are comprehensive in nature and cover the entire range of risks and controls. A detailed report is issued at the end of the audit review and an agreed action plan devised.

Key control reviews are carried out in support of the work done by the Audit Commission and focus on financial control. These reviews are carried out annually between October and December. A report is issued for each review providing an assessment of the robustness of the key system controls and recommending improvements, where appropriate. Where a full operational audit is planned for one of the areas normally covered under the key control review, then the work is combined and co-ordinated.

Governance, Fraud and Corruption audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than service specific level. They also provide an annual assurance review of areas of the Council that are inherently higher risk. Internal audit use the findings of these reviews to support the assurance we are required to provide as part of the Council's Annual Statement on Governance.

It has also been agreed that where an audit opinion has been judged to have been Partial that a follow-up review is performed in the following year to obtain assurance that the actions agreed have been implemented.

Progress of agreed actions is monitored by the Performance Officer as well as through regular reports to the Corporate Governance Committee.

In addition to our core audit work, as described above, internal audit also provides other services including advice and special investigations.

The schedule provided at Appendix 1 details the Annual Plan for 2011-12.

Appendix 1

Taunton Deane Borough Council

Annual Audit Plan

2011/12

Key Control Audits

Capital Accounting
Council Tax
Creditors
Debtors
Housing Benefits
Housing Rents
Main Accounting
NNDR
Payroll
Treasury Management

Governance, Fraud & Corruption

Annual Governance Statement Review
Contract Management Monitoring
Equalities and Diversity
Health and Safety- Internal
Information Governance
Managing Complaints
Maximising Income Opportunities
Safeguarding of Children and Vulnerable Adults
Scheme of Delegation
Service Planning
Threat from Fraud and Corruption (Analytical Review)

ICT Audits

CoCo
IT Strategy

Operational Audits

Car Parks Income
Choice Based Lettings
DLO Stores (External Sales)
Economic Development
Heritage and Landscape Services
Housing Benefit Subsidy
Housing Property Services (Contract Allocation and Monitoring)
Leases Rents Receivable
Legal Services
Licensing Income

Appendix 1

Planning Fees
Supporting People
Waste and Recycling

Other

Corporate Advice
General Advice
National Fraud Initiative
Special Reviews
External Audit Liaison

Taunton Deane Borough Council

Corporate Governance Committee – 14 March 2011

International Financial Reporting Standards Update

Report of the Financial Services Manager

(This matter is the responsibility of Executive Councillor Williams)

1. Executive Summary

- 1.1. The purpose of this report is to inform the Committee of the progress being made on the implementation of International Financial Reporting Standards (IFRS). This relates to changes to the technical accounting rules that the Council uses for its financial reporting, and are being implemented for the 2010/11 Statement of Accounts.
- 1.2. The transition to IFRS requires a number of changes to be made to the recording of costs, income, assets and liabilities in the Council's financial statements. This requires a significant amount of work to be undertaken, predominantly by Southwest One finance and property teams, to implement.
- 1.3. This report aims to provide assurance to Members that officers are working through the required changes and expect to successfully implement the required changes on time for the approval of the 2010/11 Statement of Accounts.

2. Background

- 2.1. International Financial Reporting Standards (IFRS) are the accounting standards issued by the International Accounting Standards Board. These replace UK GAAP standards, which is the set of 'Generally Accepted Accounting Principles' under which the Council meets its statutory obligations in the preparation of its financial statements.
- 2.2. The "International Financial Reporting Standards" report to Corporate Governance Committee in May 2011 provided background information on the impact of IFRS, and highlighted that the most significant areas of change are:
 - Accounting policies
 - Format of the main Financial Statements and supporting Notes
 - Accounting for leases
 - Accounting for fixed assets, including component accounting
 - Accounting for Employee Benefits
 - Segmental reporting
 - Group Accounts

- 2.3. It is a statutory requirement for all local authorities to report on an IFRS basis from 2010/11. This will include the restatement of 2009/10 accounts for comparative purposes.
- 2.4. CIPFA/LASAAC issued transitional guidance around 18 months ago. This provided finance officers with an overview of the implications of IFRS, and enabled an early assessment of its impact. Since that time, some initial areas of uncertainty have been consulted upon and clarified by CIPFA, and this resulted in the formal publication of the Code of Practice on Local Authority Accounting ('the Code'). This is supported by detailed Guidance for Practitioners ('Code Guidance') which was received in January 2011.

3. Implementation Progress Update

- 3.1. The Council initially set an implementation timetable in line with early guidance issued by CIPFA, which intended to give local authorities plenty of time to plan and prepare for the changes. It is fair to acknowledge that the timetable has been revised to accommodate revised expectations.
- 3.2. Southwest One finance had to prioritise resources to the completion of the 2009/10 final accounts and to support the audit of those accounts. This took up a significant amount of the team's capacity right through to the end of September 2010. Whilst this meant that actions to implement IFRS are later than initially planned, good recent progress has been made and further prioritisation of finance officers' time during March will 'catch up' on the plan. Appendix A provides Members with a summary of progress to date.

4. Key Milestones to Complete Implementation

- 4.1. The following are the proposed key milestone dates to complete the implementation of IFRS and the 2010/11 financial statements (subject to agreement by the Strategic Director):

| Heading | Target |
|--|-------------------|
| Restatement of 2009/10 Comprehensive Income and Expenditure Statement | 31 March 2011 |
| Restatement of 31 March 2009 and 31 March 2010 Balance Sheets | 31 March 2011 |
| Draft 2010/11 Unaudited Statement of Accounts (on IFRS basis) approved by S151 Officer | 15 June 2011 |
| Corporate Governance Committee approve 2010/11 Statement of Accounts | 27 June 2011 |
| External audit provide Audit Opinion on 2010/11 Statement of Accounts | 30 September 2011 |

5. Finance Comments

- 5.1. IFRS implementation could influence the reported 'Surplus or Deficit on the Provision of Services'. This is an equivalent of the 'outturn' that is reported externally within the Statement of Accounts. However, accounting regulations mean that adjustments are included within the overall accounts so that the implementation of IFRS has no impact on the requirement to raise income through Council Tax.

- 5.2. In terms of project resources, the Council has no specific budget for the cost of IFRS implementation, and at this stage no additional expenditure has been incurred. Southwest One are taking all reasonable steps to prioritise existing resources to this priority area of work.

6. Legal Comments

- 6.1. The Council's financial accounts are produced in line with relevant statute and accounting regulations. These requirements are reflected in the requirements of the Code and will be met through the proper accounting arrangements in place for this Council.

7. Links to Corporate Aims

- 7.1. Accounting for the Council's financial performance and position, updated through the implementation of IFRS as required, forms a key element of the Council's corporate governance arrangements.

8. Environmental and Community Safety Implications

- 8.1. Not relevant for the purposes of this report.

9. Equalities Impact

- 9.1. There are no equalities issues associated with this report.

10. Risk Management

- 10.1. Successful implementation is important in terms of compliance with statutory accounting requirements. Unsuccessful implementation could lead to the Statement of Accounts being prepared late or with material errors with the potential for qualification by the External Auditor.
- 10.2. The Financial Services Manager is managing this risk and Statement of Accounts are expected to be completed accurately and on time.

11. Partnership Implications

- 11.1. There is a significant partnership impact in relation to additional burden placed on Southwest One services, significantly in Finance and Property. Impact upon resources will be monitored, but Members are advised delivering the implementation and ongoing statutory financial reporting requirements under IFRS will have a significant impact on staff time.
- 11.2. The Council also needs to ensure that information is available from key partners in order to produce the financial statements, including Group Accounts, under IFRS.

12. Recommendations

- 12.1. Members are requested to note the contents of this report.

Contact: Paul Fitzgerald, Financial Services Manager
01823 358680
p.fitzgerald@somerset.gov.uk

APPENDIX A

Summary of Progress on IFRS Implementation

| No. | Heading | Progress | Status |
|-----|------------------------|--|--------|
| 1 | Accounting Policies | <ul style="list-style-type: none"> • Draft accounting policies have been produced and reviewed by the S151 Officer and External Audit. • These are virtually complete and largely follow the exemplar policies as set out in the Code Guidance. • Final policies will be completed imminently and will be approved by the S151 Officer by the end of March. | Green |
| | Fixed Assets | <ul style="list-style-type: none"> • There are significant changes required for accounting for fixed assets. • Work has been undertaken to update the 'Master Data' in SAP so that required new accounting codes have been set up. • Classification of assets has been reviewed by the Valuer, resulting in some assets being reclassified. The finance team need to calculate the necessary accounting entries to reflect the reclassification, and this is scheduled to be completed during March. • This could be a potentially significant piece of work, and further valuation information may be required. | Amber |
| | Asset Componentisation | <ul style="list-style-type: none"> • The implementation of componentisation requires changes to the SAP system. The impact of the changes has been assessed and these are scheduled to be implemented during March. • Draft accounting policies have been agreed to set a 'de minimus' threshold for componentisation. • Componentisation predominantly applies to new assets or revalued assets since 1 April 2010 (apart from leased assets – see below). Valuer instructed to provide component values as part of the year end activity in April. | Green |

| No. | Heading | Progress | Status |
|-----|--|---|--------------|
| | Asset Componentisation – Council Dwellings | <ul style="list-style-type: none"> • CIPFA and CLG have recently issued guidance regarding the accounting treatment for Council Houses. • This could have significant impact on the accounting arrangements for the housing stock assets, and urgent discussion is required with external audit to agree approach for TDBC. | Amber |
| | Leases | <ul style="list-style-type: none"> • Analysis was undertaken in April/May 2010 to assess the impact of IFRS on our leases. At that stage, no accounting changes were required. • This analysis will be reviewed as part of the 2010/11 year end activity, to confirm this assessment, and identify any accounting requirements for any lease acquisitions or disposals during the current financial year. | Green |
| | Capital Grants & Contributions | <ul style="list-style-type: none"> • IFRS has introduced changes to the accounting of capital grants and contributions income receivable by the Council. • 2009/10 balances and movements have been restated and are ready to be incorporated into the Restated Accounts. | Green |
| | Employee Benefits | <ul style="list-style-type: none"> • Sample data related to unused leave balances was collected as at 31 March 2009 and 31 March 2010. • The Finance Team will during March 2011 calculate the values of untaken leave balances and assess impact to restate accounts. • Process to collect data as at 31 March 2011 is in place. | Green |
| | Segmental Reporting | <ul style="list-style-type: none"> • IFRS has introduced the requirement for additional Notes in the Statement of Accounts related to operating ‘segments’ (e.g. Portfolios for TDBC) and ‘subjective analysis’ (i.e. costs analysed by staff, premises, supplies & services, etc). • Report templates will be developed as part of the year end activity, in order to produce the notes. • Finance officers are exploring potential to develop reporting within SAP to produce this information easily. | Green |
| | Group Accounts | <ul style="list-style-type: none"> • IFRS has introduced an updated basis of assessing nature of local authorities’ relationships with other entities. • The process for making this assessment will be updated during March/April. However, this is not expected to lead to a change in accounting requirements. | Green |

| No. | Heading | Progress | Status |
|-----|---|---|--------------|
| | Restatement of 2009/10 Comparatives and 31 March 2009 Balance Sheet | <ul style="list-style-type: none">• There is a dependency on the completion of the above analyses in order to finalise the restatement of the Accounts.• Whilst the plan is for this to be completed before the end of March, this is a tight timescale and any unplanned delays could impact on this target date. This has been flagged as amber as this would be a concern for external audit. | Amber |

14/03/2011, Report:Health and Safety Update Report

Reporting Officers:David Woodbury

14/03/2011, Report:Corporate Governance Action Plan Update

Reporting Officers:Dan Webb

14/03/2011, Report:Risk Management Update

Reporting Officers:Dan Webb

14/03/2011, Report:Internal Audit Charter

Reporting Officers:Chris Gunn

14/03/2011, Report:Internal Audit Plan 2010/2011 - progress report

Reporting Officers:Chris Gunn

14/03/2011, Report:Internal Audit Plan 2011/2012

Reporting Officers:Shirlene Adam

14/03/2011, Report:Update on Implementation of Internal Financial Reporting Standards

Reporting Officers:Paul Fitzgerald

23/05/2011, Report:SAP Controls update

Reporting Officers:Maggie Hammond

23/05/2011, Report:Governance of Partnerships

Reporting Officers:Tonya Meers

23/05/2011, Report:Section 106 Agreements

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

Reporting Officers:Shirlene Adam

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

Reporting Officers:Paul Fitzgerald

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

Objectives:For information

Reporting Officers:Brian Bethell

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

Reporting Officers:Shirlene Adam

25/07/2011, Report:Internal Audit Service - Review of Effectiveness

Reporting Officers:Shirlene Adam

25/07/2011, Report:Whistleblowing Policy update

Reporting Officers:Shirlene Adam

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

Reporting Officers:Tonya Meers

25/07/2011, Report:Standards Committee - Review of 2010/2011

Reporting Officers:Anne Elder

25/07/2011, Report:Annual Report of SWAP

Reporting Officers:Gerry Cox

25/07/2011, Report:Debt Recovery Update

Reporting Officers:Paul Harding

25/07/2011, Report:Internal Audit Plan - progress report

Reporting Officers:Chris Gunn

25/07/2011, Report:Corporate Governance Action Plan update

Reporting Officers:Dan Webb

25/07/2011, Report:Risk Management update

Reporting Officers:Dan Webb

25/07/2011, Report:Health and Safety update report

Reporting Officers:David Woodbury

25/07/2011, Report:Financial Controls Report

Reporting Officers:Rachel Bishop

25/07/2011, Report:Draft Annual Accounts

Reporting Officers:Paul Fitzgerald

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

Reporting Officers:Paul Fitzgerald

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

Reporting Officers:David Woodbury

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

Reporting Officers:Shirlene Adam

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

Reporting Officers:Chris Gunn

26/09/2011, Report:Risk Management update

Reporting Officers:Dan Webb

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

Reporting Officers:Dan Webb

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

Reporting Officers:David Woodbury

12/12/2011, Report: Audit Commission - Annual Audit Letter 2010/2011
Reporting Officers: Shirlene Adam

12/12/2011, Report: Internal Audit Plan - progress report
Reporting Officers: Chris Gunn

12/12/2011, Report: Risk Management update
Reporting Officers: Dan Webb

12/12/2011, Report: Corporate Governance Action Plan update
Reporting Officers: Dan Webb

12/12/2011, Report: Debt Recovery update
Reporting Officers: Paul Harding

Corporate Governance Committee – 14 March 2011

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

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

Also Present: Councillors Morrell and Stuart-Thorn

(The meeting commenced at 6.15 pm)

12. Apologies/Substitutions

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

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

13. Declaration of Interests

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

14. Health and Safety Update

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

Resolved that the report be noted.

15. Corporate Governance Action Plan

Considered report previously circulated, giving details of the progress made
against the Corporate Governance Action Plan.

Each year the Council received a number of reports and assessments which
resulted in recommendations for improvement. Individual action plans had
proved challenging to manage and monitor and, therefore, an aggregated plan
provided the details of the scale of improvements required and progress
against them in one place.

The Corporate Governance Action Plan had undergone a full review and had
been updated to include the most recent audit recommendations. These were

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

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

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

16. Risk Management

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

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

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

Resolved that:-

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

17. Internal Audit – Review of Internal Audit Charter

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

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

Resolved that the Internal Audit Charter be approved.

18. Internal Audit Plan 2010/2011 – Progress Review

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

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

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

Resolved that the report be noted.

19. Annual Audit Plan 2011/2012

Submitted for consideration the Annual Audit Plan 2011/2012.

The Plan had been developed with the co-operation and approval of the Section 151 Officer. It was risk based and, where possible, was co-ordinated with the audit plans of the other members of the South West Audit Partnership (SWAP).

The Plan had been drawn up to reflect the wide range of work undertaken by the Internal Audit Section and comprised four main areas of activity:- Operational Audit Reviews; Governance Reviews; Annual Reviews of Key Financial System Controls and Follow Up Reviews.

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

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

20. International Financial Reporting Standards Update

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

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

The most significant areas of change were:-

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

- Segmental reporting; and
- Group accounts.

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

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

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

Resolved that the report be noted.

21. Corporate Governance Committee Forward Plan

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

Resolved that the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 8.35 pm).