

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 12 March 2012 at 18:15.

Agenda

- 1 Apologies.
- 2 Minutes of the meeting of the Corporate Governance Committee held on 12 December 2011 (attached).
- 3 Public Question Time.
- 4 Declaration of Interests
To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct.
- 5 Health and Safety Report. Report of the Health and Safety Advisor - approx 15 minutes (attached).
Reporting Officer: David Woodbury
- 6 Audit Commission - Audit of Grant Claims. Report from the Audit Commission - approx 10 minutes (attached).
Reporting Officer: Peter Lappin
- 7 Audit Commission - External Audit Plan 2011/2012. Report from the Audit Commission - approx 10 minutes (attached).
Reporting Officer: Peter Lappin
- 8 Risk Management Update. Report of the Performance & Client Lead - approx 30 minutes (attached).
Reporting Officer: Dan Webb
- 9 Section 106 Update. Report of the Community Leisure Officer - approx 15 minutes (attached).
Reporting Officer: Debbie Arscott
- 10 New Standards Regime. Report of the Legal and Democratic Services Manager - approx 20 minutes (attached).
Reporting Officer: Tonya Meers

- 11 South West Audit Partnership Internal Audit Plan 2011/2012 - Progress Report. Report of the Audit Manager - approx 10 minutes (attached).
Reporting Officer: Alastair Woodland
- 12 South West Audit Partnership Internal Audit Plan 2012/2013. Report of the Audit Manager - approx 10 minutes (attached).
Reporting Officer: Alastair Woodland
- 13 South West Audit Partnership Internal Audit Charter. Report of the Group Audit Manager (attached).
Reporting Officer: Chris Gunn
- 14 Corporate Governance Committee Forward Plan - details of forthcoming items to be considered by the Corporate Governance Committee and the opportunity for Members to suggest further items (attached)

Tonya Meers
Legal and Democratic Services Manager

10 September 2012

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

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

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

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

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

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

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

Full Council, Executive, Committees and Task and Finish Review agendas, reports and minutes are available on our website: www.tauntondeane.gov.uk



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



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

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

Corporate Governance Committee Members:-

Councillor A Wedderkopp (Vice-Chairman)

Councillor A Beaven

Councillor S Coles

Councillor E Gaines

Councillor A Govier

Councillor T Hall

Councillor J Hunt

Councillor L James

Councillor R Lees

Councillor V Stock-Williams

Councillor P Tooze

Corporate Governance Committee – 12 December 2011

Present: Councillor Denington (Chairman)
Councillor A Wedderkopp (Vice-Chairman)
Councillors Beaven, Coles, Hall, Hunt, R Lees, Mrs Stock-Williams and Tooze.

Officers: Shirlene Adam (Strategic Director), David Woodbury (Health and Safety Advisor), Paul Harding (Performance and Client Lead), Dan Webb (Client and Performance Lead), Chris Gunn (Internal Audit Manager), Tony Brown (South West Audit Partnership) and Natasha Williams (Admin Officer).

Also Present: Councillor Williams, Peter Lappin (Audit Commission).

(The meeting commenced at 6.15 pm)

61. Apologies

Apologies: Councillors Gaines, Govier, Miss James and Reed.

62. Minutes

The minutes of the meeting held on 26 September 2011 were taken as read.

63. Declaration of Interests

Councillor Tooze declared a personal interest as an employee of the UK Hydrographic Office.

64. Health and Safety Update Report

Considered report previously circulated concerning progress in implementing the health and safety action plan. The Corporate Health and Safety Advisor explained that overall progress was good, with no new significant risks or incidents to report.

There had been an increase in the number of injury accidents to children within the new play areas. This had been recognised as a possible outcome of the revised Play Strategy but each incident needed to be reviewed to ensure that the inspection and maintenance regime was correct.

Resolved that the revised Health and Safety Forward Plan be noted.

65. Annual report of the Standards Committee.

Mrs Anne Elder, Chairman of the Standards Committee, presented the Annual Report of the Standards Committee for 2010/2011.

The Committee had been in operation since 2000. Annual reports in the past and sought to cover only a complete year however it was intended that future reports should cover financial years – between 1 April and 31 March.

Membership of the committee was made up of a majority of independent Members and there was a requirement for the Chairman to be chosen from the independent Members.

In the last year Anne Elder had been re-appointed Chairman of the Standards Committee and Alan Cottrell had been appointed Vice-Chairman.

Members were informed that although Standards were no longer a statutory requirement, Taunton Deane Borough Council could decide to retain its Committee.

Councillors thanked the Standards Committee for their hard work and guidance to all Councillors, both at Borough and Parish level.

Resolved that the report be noted.

66. Audit Commission – Annual Audit Letter 2010/2011

Mr Peter Lappin of the Audit Commission introduced Taunton Deane Borough Council's Annual Audit Letter.

The report set out an overall summary of the Audit Commission's assessment of the Council and outlined the following:-

- A conclusion on the Statement of Accounts and Annual Governance Statement;
- A conclusion on Value for Money;
- The fees charged by the Audit Commission compared to those budgeted;
- Current and future challenges; and
- Action Plan.

Resolved that the report be noted.

67. Internal Audit Plan – Progress Report

Considered report previously circulated, which provided an update on the significant findings and recommendations since September 2011.

The report provided:

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in September 2011; and
- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.

Members discussed the number of identified weaknesses within the internal control environment.

Appendix B would be enhanced and the officer in charge would attend future meetings.

Resolved that the report be noted.

68. Corporate Governance Action Plan Update.

Considered report previously circulated, which provided 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 has 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 Corporate Governance Action Plan currently listed 22 actions, details of which were submitted. The progress monitoring indicated a similar position compared to the previous report in June 2011. Currently, most actions were on course to be completed.

It was noted however that there were five 'High Priority' action items with an 'amber' status. These were:-

- Completing the Business Continuity (BC) and IT Disaster Recovery Planning (including SW1 services);
- Updating the Workforce Strategy and completing and agreeing a new workforce plan;
- Updating the IT strategies and ensuring there were clear links from these to financial planning;

- Determining spending priorities and reducing expenditure to ensure that future budgets were balanced and
- Ensuring that future budgets were balanced by closing the gap between expenditure and projected income.

Resolved that the report be noted.

69. Debt Recovery Report

Considered report previously circulated, detailing how the Council was managing the collection of its invoiced debts at the mid-way point of the 2011/2012 financial year. The report provided a comparison with the corresponding time in 2010 in order for a performance trend to be established.

Southwest One's Accounts Receivable Team provided a key service in managing the sundry debt recovery process on the Council's behalf and since 1 April 2009 the majority of the Council's sundry debts had been administered using the SAP computer system.

The Council's Performance and Client Team regularly monitored the level of sundry debt arrears and the level of sundry debt arrears in SAP was reported quarterly to the Executive and the Corporate Scrutiny Committee as part of the Council's quarterly corporate scorecard.

The audit opinion on how we managed sundry debts was reported in the 'Annual Statement of Governance' published with the annual accounts.

The following tables showed the current Council performance with regard to debt collection compared to the position in the previous financial year:-

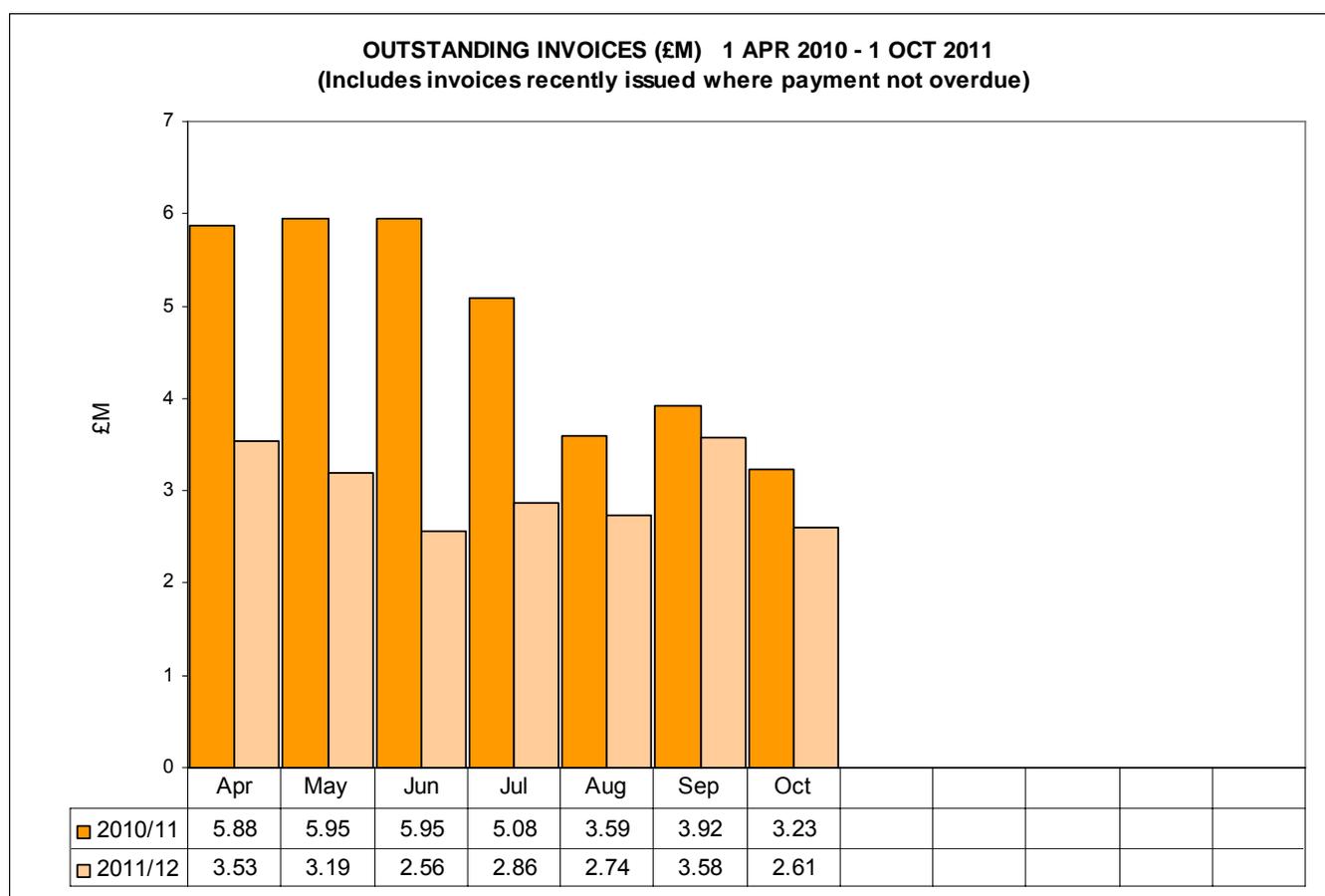
Sundry Debts

| Debt Type | Responsibility | 1 Oct 2010 | 1 Oct 2011 | Performance Trend at mid point 2011/12 |
|----------------------------|---|----------------------------|----------------------------|--|
| Sundry Debts in SAP | Southwest One Accounts Receivable Service and TDBC Services | Overdue: £ 2.64m | Overdue: £ 2.23m | ↑ |

Tables 1 and 2 below provided some further insight into the direction of travel relating to sundry debt collection for the first half of the financial year.

Table 1 showed the overdue balance at the beginning of each month between 1 April 2010 and 1 October 2011.

TABLE1

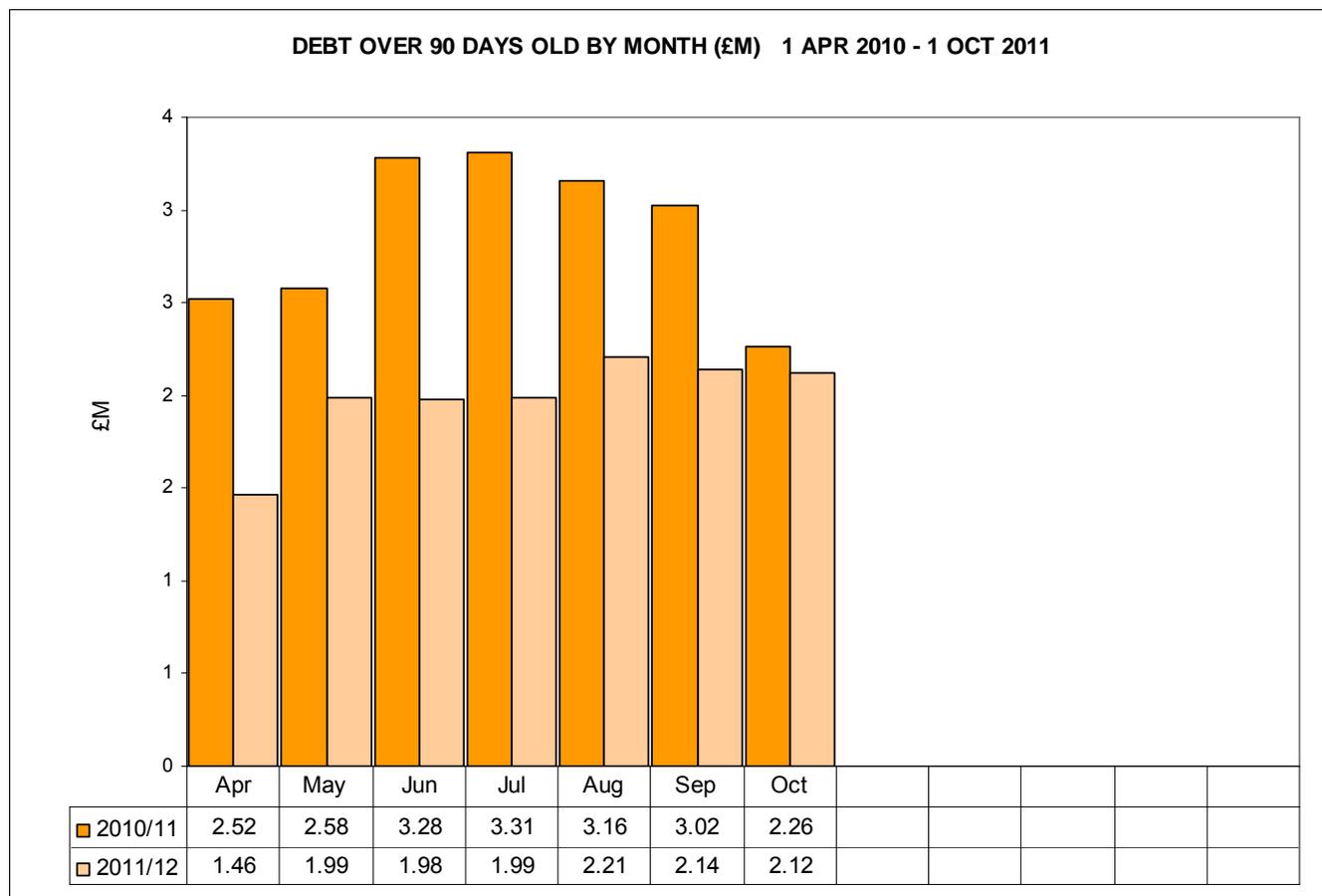


The value of overdue balances at 1 October 2011 was 15% (or £410K) lower than at the corresponding time in 2010. As can also be seen, the overdue sum for each month so far of the 2011/12 year, has been significantly lower than the corresponding month in 2010/11.

Table 2, provided a month by month analysis of the value of debts in SAP which were more than 90 days old.

The latest set of figures available showed that £2.37m was outstanding (£3.25m was due at 1 December 2010).

TABLE 2



The value of debt more than 90 days old at 1 October 2011 was 6% (or £140K) lower than at the corresponding time in 2010.

It could be seen that the level of debt over 90 days old, for each month so far of the 2011/12 year, had been lower than the corresponding month in 2010/11.

The latest set of figures available showed that £1.85m debt over 90 days old was outstanding (£1.51m was due at 1 December 2010).

Council Tax

| Debt Type | Responsibility | 30 Sept 2010 | 30 Sept 2011 | Performance Trend at mid point 2011/12 |
|------------------------------|---|--|--|--|
| Council Tax (In-year) | Southwest One Revenues and Benefits Service | Billed for year: £50,800,667 | Billed for year: £51,556,012 | ↓ |
| | | 63.93% Collected at 30/09/10. | 63.53% Collected at 30/09/11. | |

Council Tax was a key source of income to the Council and consequently Council Tax collection was a key performance indicator within the Southwest One contract. Collection performance at the end of the first half of 2011/12 showed a slight dip from the corresponding point in 2010/11.

The target for the year was 97.8% to be collected at 31 March 2012.

Business Rates

| Debt Type | Responsibility | 30 Sept 2010 | 30 Sept 2011 | Performance Trend at mid point 2011/12 |
|--|---|--|--|--|
| 2. Non-Domestic Rates (In-year) | Southwest One Revenues and Benefits Service | Billed for year: £35,226,078 | Billed for year: £38,141,221 | ↓ |
| | | 64.92% Collected at 30/09/10. | 64.55% Collected at 30/09/11. | |

Reported that unlike with Council Tax, the collection of Non-Domestic Rates had no direct financial impact on Taunton Deane as any shortfall on collection was met by the central Non-Domestic rating pool. However, poor performance would have a negative impact on the Council's reputation. For this reason, Non-Domestic Rate Council collection was a key performance indicator within the Southwest One contract.

The latest set of figures available showed that 78.47% of the years Rates had been collected. The Revenues and Benefits service was confident that based on collection performance so far they would achieve the collection target which had been set.

Collection performance was monitored monthly by the Client and Performance team. The collection target for the year was 98.4% at 31 March 2012.

Recoverable Overpaid Housing Benefit

| Debt Type | Responsibility | 30 Sept 2010 | 30 Sept 2011 | Performance Trend at mid point 2011/12 |
|---|---|---|---|--|
| Recoverable Housing Benefit Overpayments | Southwest One Revenues and Benefits Service | Outstanding 30 Sept 10: £939,482.05 | Outstanding 30 Sept 11: £989,402.34 | ↑ |
| | | Collection rate* 22.5% | Collection rate* 24.33% | |

The overall value of debt outstanding would inevitably increase given that this was a cumulative debt and the maximum weekly amount that could be recovered from individuals still receiving benefit was very limited.

Collection performance was monitored quarterly by the Client and Performance Team through Performance Indicators measuring the recovery of in-year and all year Housing Benefit overpayment debt. The next quarterly figures would be available at end December 2011.

The collection target was 37.5% of all Housing Benefit overpayments to have been recovered within the financial year at 31 March 2012.

2.4 Housing Rent

| Debt Type | Responsibility | 30 Sept 2010 | 30 Sept 2011 | Performance Trend at mid point 2011/12 |
|----------------------------------|-----------------------|---------------------|---------------------|--|
| Housing Rent (current tenancies) | TDBC Housing Services | £333,708.62 Arrears | £391,181.17 Arrears | ← → |
| | | 96.63% collected | 96.59% collected | |

The Target for 2011/12 was to close the year with £300k, or less, in rent arrears. The latest set of figures available showed that rent arrears stood at £348,382. The Housing Estates Team was confident that they would reach the target by the end of financial year.

Resolved that the report be noted.

70. Anti-Fraud and Error Policy Report

Considered report previously circulated, which had been refreshed in line with best practice and continued to clearly outline the Council's position on fraud and error in services administered and delivered by the Revenues and Benefits Service.

Annual expenditure on Housing and Council Tax Benefit in 2010/11 was in excess of £35m. The Council had a duty to protect the public purse and the Anti-Fraud and Error Policy would assist in minimising potential loss to the Council.

In Somerset, the cost of Council Tax collection and fraud investigation was borne by District Councils. The County Council received a larger share of the Council Tax and would therefore receive the greatest part of the additional income that arose from identifying single person discount fraud. However, the County Council did not contribute financially to the cost of identifying any fraud.

Members discussed the importance for employees of the Revenues and Benefits Service to undertake a Criminal Records Bureau check. The Strategic Director, Shirlene Adam, undertook to liaise with auditors in order to determine the risk to staff if a CRB check was not conducted.

Resolved that the report be noted.

40. 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 8:05 pm).

Taunton Deane Borough Council

Corporate Governance Committee – 12 March 2012

Update on the TDBC Health and Safety Forward Plan – Priority issues and accident reports.

Report of the Corporate Health and Safety Advisor

(This matter is the responsibility of the Chief Executive, Leader of the Council, Health and Safety Champion.)

1. Executive Summary

The Committee are asked to note:

- Work continues on the delivery of the H&S priority issues, with an emphasis on the DLO;
- There are no significant risks or incidents to report;
- The SCC/SW One contract renegotiation has implications for the future of the shared H&S business delivery model; however the retained 20% client role ensures that there is no increase in risk to the Council.

2. Background

This update report is a standing agenda item to ensure that the Council's health and safety performance is a priority and remains visible in the Council's considerations and actions.

3. Health and safety forward plan – Priority issues -2011

(**Note:** A new health and safety forward plan is required for 2012)

Priority H&S Issues

1. Review and publish the Council's Health and Safety Management System (H&SMS) on Sharepoint.
 - **Action** to review and simplify all policies and guidance by end 2011.

Update: Current efforts are being directed towards updating the DLO H&S Manual, to assist in their transformation process. This work is making good progress and will in turn help in the delivery of the corporate aim.

2. Mandate that all managers attend the relevant 'H&S Essentials' training sessions and complete their local roles and responsibilities document by end 2011.
 - **Action:** Provide H&S Essential's training sessions when requested by Themes.

Update: The DLO has adopted the ‘Local Manager’s Responsibilities form’ and is using it to clarify and drive an important part of the PRED review process.

3. The introduction of an H&S Competency framework for all levels of employee, held in a central training data base by end 2011.
 - **Action** to produce and populate the framework end August 2011.

Update: The DLO has identified the value of a competency framework and work continues to meet the target date of Council wide implementation by March 31st 2012.

4. Implement a ‘Generic and Dynamic Risk Assessment’ approach for all operational service areas.
 - **Action** Theme Managers to ensure all operations have current risk assessments in place by end 2011.

Update: The Client and Performance lead is continuing to consult on how a single strategic Decision Model could be developed.

5. Provide a structured programme of ‘Byte sized’ training and ‘Tool box’ talks for all employees.
 - **Action** Publish programme and start sessions by end of June 2011.

Update: Programme of short training sessions for the Core Council has been deferred to 2012. Themes may request courses at short notice.

6. **Accident, incident data and lessons implemented**
 - All accident and incident data captured and where appropriate management actions implemented to prevent a re-occurrence:

| TDBC Totals– 1 April 2011 – 31 March 2012 (final adjustment required) | | | | |
|---|--------------|-----------|-----------|-------------|
| Classification | Core Council | DLO | public | Contractors |
| Reportable | 1 | 2 | 3 | No data |
| Non-reportable | 6 | 32 | 4 | – |
| Near Miss | - | 1 | - | - |
| Period total | 7 | 35 | 7* | 0 |

*potential uncertainty in numbers reported by public.

Trends:

- The recent mild weather conditions may have contributed to a reduced number of accidents being reported for the last period.

7 SCC/SW One contract renegotiation

At the time of writing this report a number of uncertainties and options exist with regard to the impact of the SCC and SW One contract renegotiations. However due to the 20/80% split of the Corporate H&S Advisors role, the level of corporate risk and H&S resource available to the Council currently remains largely unchanged.

End of report:

-
- 4. Finance Comments**
Unchanged -Any emerging issues or additional training will have to be funded from existing budgets. Line managers are expected to prioritise and refer any difficulties to CMT.
 - 5. Legal Comments**
Unchanged -Failure to meet or maintain minimum legal compliance will increase Corporate and individual risk, with the potential for criminal and civil actions
 - 6. Links to Corporate Aims**
Unchanged- Competent employees working safely in the delivery of the Council's services form an essential contribution to the Corporate Aims.
 - 7. Environmental and Community Safety Implications**
Unchanged- As in 6 above
 - 8. Equalities Impact**
Unchanged- There are no equalities impact over and above those already identified in the Theme delivery plans and existing arrangements.
 - 9. Risk Management**
Unchanged- Failure to meet minimum H&S statutory requirements has been identified in the Corporate Risk Register.
 - 10. Partnership Implications**
There are partnership implications with respect to the SCC/SW One contract renegotiations, mentioned in this report.
 - 11. Recommendations**
The Committee are asked to note there are no significant risks or incidents to report.

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TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 12 MARCH 2012

Report of the Strategic Director (Shirlene Adam).

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

GRANT CLAIMS REPORT 2010/11

Executive Summary

This report introduces the Certification of Claims and Returns report 2009/10 – prepared by our external auditors, the Audit Commission (and set out in an Appendix to this report).

The report, which will be presented by the Audit Commission, summarises their findings from their 2010/11 review work.

1. Background

- 1.1 The Audit Commission has finalised its review of the Councils arrangements to prepare grant claims.
- 1.2 Their full report, along with the detailed recommendations is set out in Appendix 1.

2. Financial Issues / Comments

- 2.1 The claims reviewed by the Audit Commission totalled £76m. This is clearly a significant income stream to the authority and we must make sure that proper arrangements are in place to meet the “conditions” of the grants.
- 2.2 The report highlights several areas where improvements can be made and the action plan reflects this. The action plan will be monitored to ensure the issues are progressed.

3. Legal Comments

- 3.1 There are no legal implications from this report.

4. Links to Corporate Aims

- 4.1 No direct implications.

5. Environmental and Community Safety Implications

- 5.1 No direct implications.

6. Equalities Impact

- 6.1 No implications.

7. Risk Management

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

8. Partnership Implications

8.1 The Strategic Director and the Internal Audit Team (SWAP – South West Audit Partnership) will take the findings of this report into account when identifying the areas of risk to be audited next year.

9. Recommendation

9.1 Members are requested to note the Certification of Claims and Returns report from the Audit Commission.

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 |
|---|--|

Certification of claims and returns - annual report

Taunton Deane Borough Council

Audit 2010/11



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Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements and I was not required to undertake work;
- for claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

Summary of 2010/11 certification work

The Council should improve the arrangements for compiling its returns, particularly those related to housing.

My work gave rise to amendment of five of the six claims and returns for the year ended 31 March 2011 that the Council was required to submit for certification.

Table 1: **Summary of 2010/11 certification work**

| | |
|---|-------------|
| Number of claims and returns certified | |
| Total value of claims and returns certified | £76,640,913 |
| Total number of claims and returns certified | 6 |
| Number of claims and returns amended due to errors | 5 |
| Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with. Following correspondence with CLG the housing base data return had its qualification withdrawn. | 1 |
| Total cost of certification work – page 18 for detail | £31,997 |

Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

Table 2: Claims and returns above £500,000

| Claim or return | Value of claim or return presented for certification (£) | Was reliance placed on the control environment? | Value of any amendments made | Was a qualification letter issued? |
|--|--|---|----------------------------------|--|
| Housing finance base data return | N/a | No | N/a – see detail for explanation | No – initial qualification was withdrawn |
| Housing and council tax benefit scheme | £35,554,682 | Not applicable – tests are prescribed | £1,924 | Yes |
| Pooling of housing capital receipts | £811,690 | Yes | £10 | No |
| HRA subsidy | £6,279,802 | No | N/a – see below for explanation | No |
| National non-domestic rates return | £33,735,739 | Yes | £151 | No |

The following summarises the issues that have arisen from the certification work.

Housing finance base data return

The Audit Commission advised auditors to carry out more detailed tests on the data in the form this year because the Department for Communities and Local Government (DCLG) would use it to calculate the self financing settlement for future years.

There were a number of problems with audit of this return.

- The analysis held by the Council's valuer differed from that submitted to the CLG. There were five properties that had been identified for demolition which the Council had incorrectly included in the return. The form was amended but it indicates that the Council is not reconciling its return with information held by the valuer.
- The CLG requires some of the dwellings to be classified by usable area (small or large terrace). The Council did not have records to support this analysis. Instead the housing officer provided a floor plan and wrote down approximate measurements. This meant that of my sample of 20 properties, seven were incorrectly classified and called into question the analysis of the other 670 properties. However, the Council's surveyors then visited the seven properties and confirmed that the approximate measurements were incorrect. Subsequently the Council found the measured floor plans in the DLO. The Council was finally able to provide the evidence to support its return to the CLG.
- Voids – the guidance in the completion of this form required that voids arising from major works on the dwellings should be excluded from the analysis. From my sample of 20, I identified capital works associated with 13 of the dwellings (the rent for which was incorrectly included in the void total). The Council then worked through all the voids and identified whether the period was due to major works. The Council amended the figure for total rent loss due to voids from £252,142 to £216,294.
- The Council included three hostels within its housing stock figures as at 1 April 2011. In fact none of these properties were to be used as hostels from 1 April 2011. Two had been leased to Somerset County Council and the other property had been converted into an office. The form was amended to remove these properties from the return.
- The Council had entered a nil entry for capital contributions the Council has agreed to make towards new build schemes funded by Homes and Communities Agency grant. An e-mail in the Council's file to suggest that this was not correct. The Council amended the form to disclose £617,000 of capital contributions. There was initially a qualification of this entry, however DCLG then amended the entry to zero as it confirmed that the interpretation of the guidance only required expenditure where the Council was responsible for the maintenance of the properties.

The audit certification was due to the CLG on 10 October. In the afternoon of the 10 October the Council requested an extension to ascertain the correct entries for:

- voids;
- notional average weekly rent;

- capital contributions; and
- stock analysis.

DCLG granted an extension to 14 October by which time the uncertainties around stock analysis (floor area), voids and notional average weekly rent were resolved.

However, there was significant additional work for both the audit team and for the Council because of the inadequate evidence to support the entries in Council's initial return and the number of amendments to the return.

Recommendations

- R1** The Council should ensure that it reconciles all its information on housing stock numbers to ensure that an accurate number can be determined.
 - R2** In determining figures for voids the Council should ensure that any periods due to major works are removed.
 - R3** The Council should ensure that its housing stock numbers and available bed spaces are correct.
-

Housing benefit and council tax benefit subsidy

The certification instruction is issued by the Audit Commission with the agreement of the relevant paying department (in this case the Department for Work and Pensions). It sets out the number of benefit cases that we are required to test in our initial sample. For Taunton Deane Borough Council the initial sample was 80 cases.

The certification instruction also prescribes additional testing when errors have been found in the initial sample or when errors found in previous years audit testing suggest a high-risk of error in the current year. My audit team found errors in these initial samples and an additional 80 cases were tested by the Council.

My audit team selected the additional sample and passed the cases to the Council to check. We reviewed the findings and we identified instances where claims were marked as correct by the Council when in fact they were incorrect. A further second review was then required of all claims by both the Council and by us. The same issue was also identified in 2009/10 and included in my grant report.

The following issues were identified from the audit.

- Incorrect classifications of overpayments for two of the four Benefit types. (Rent Allowance and Council Tax Cases).
- Incorrect input of change of rent for four Non HRA Rent Rebate claims resulting in one claimant overpaid.

- Incorrect netting of overpayments against underlying entitlement for 2 Non HRA Rent Rebate claims resulting in under statement of subsidy.
- Incorrect classification of one claim under Modified Scheme case, when it should be normal entitlement. Impact of this error is under statement of subsidy.

This year as a result of the issues identified the claim was amended by the Council and a qualification letter issues to the grant paying department. A qualification letter has been issued for the past five years. To put this into context, this is a highly complex claim, and a large number of qualification letters are issued by auditors annually on the benefit claim.

The claim was amended by £1,924, reducing the amount the Council owes to the Department for Work and Pensions.

Recommendations

- R4** Ensure that assurances from the Benefits team that the claims that they have reviewed and are correct have been performed properly
 - R5** Review all Non HRA claims to ensure the correct weekly rents have been used.
 - R6** Review non HRA claims to ensure that overpayments have been correctly netted against underlying entitlement.
 - R7** Verify that all modified scheme cases are in receipt of a war pension
-

Pooling of housing capital receipts

The Council had incorrectly calculated the interest due on late payments.

The Council omitted a pooled receipt in the quarter 1 (to June 2010) return to DCLG. This was then paid across within the next return. However as the payment to the pool was late, interest accrued on this payment, and the interest itself was not paid across until the quarter 4 payment. Also the amount of interest calculated was incorrect as it should have taken into account not only the fact that the initial payment was late, but that the subsequent interest payment was late as well.

Whilst the amount involved is small, the Council was unable to provide working to support the initial amount included in the return. The Council had to recalculate the Interest and then the error was identified.

The Council amended the return to show the correct amount of interest due and total amount payable to the Pool. The claim was certified without qualification.

Recommendation

R8 The Council should ensure that any interest penalty payments are correctly calculated and paid on time.

HRA Subsidy

The claim was submitted for audit before the deadline.

My review of this claim identified issues with this return where incorrect entries had been made on the form. These were due to changes in housing stock numbers which resulted from amendments made to the base data return.

In addition, the Council had not correctly calculated the average borrowing amount in 2010/11 or the average costs of interest on that borrowing. Average external borrowing used the incorrect loan period in 2010/11 and one loan was omitted from the calculation. The impact of this is that the average external borrowing figure was amended from £18,031,000 to £16,427,000.

Also the amount calculated within the accounts to determine the CRI is incorrect. The annual accounts used a figure of £17,231,000, which again was incorrect for the above reasons. The Council should ensure that the average rate of interest payable is based upon all external borrowing the Council had during 2010/11 and is based upon the correct loan period outstanding in 2010/11.

This also has an impact upon the Council's financial statements as the incorrect amount of HRA subsidy is recorded. The impact of the audit adjustments is additional subsidy payable by the Council of £33,000.

Following these amendments, the claim was certified without qualification.

Recommendations

R9 The Council should ensure that the average external borrowing is based upon all external borrowing.

R10 The average rate of interest payable should use the correct loan period outstanding.

R11 The Council should check that the correct consolidated rate of interest is used. The accounts and the subsidy return should be consistent.

National non-domestic rates return

The NNDR3 return did not take into account the movements on the Council's previous NNDR3 system.

The Council prepared a replacement and the claim was certified without qualification.

Recommendation

R12 The Council should ensure that all movements in the financial year are reflected in the national non-domestic rates return.

Table 3: **Claims between £125,000 and £500,000**

| Claim or return | Value of claim or return presented for certification (£) | Value of any amendments made | Qualification letter |
|---------------------|--|------------------------------|----------------------|
| Disabled facilities | £259,000 | N/A | No |

Disabled Facilities Grant

The Council took some time to identify the records to support the entries contained with claim. However once the information was received, the review identified no issues and was certified without amendment or qualification.

Other grant matters

The Council requested that the 2008/09 pooling of housing capital receipts return was re-opened due to an overpayment to the pool. The return had been certified in September 2009 but in July 2010 the Council received notification from a vendor's solicitor that the Council had been incorrectly paid a discount of £14,280. The Council reimbursed the vendor.

Consequently, the Council had overpaid £10,710 (75 per cent of the receipt £14,280) to the national pool in respect of the 2008/09 Pooling of Housing Capital Receipts Liability. At the request of the Council, I wrote a letter to the Department of Communities and Local Government to state these facts so that the Council could recover its overpayment from the Department.

Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

Table 4: Summary of progress made on recommendations arising from certification work undertaken in earlier years

| Agreed action | Priority | Responsible officer | Current status | Comments |
|---|----------|---------------------|-----------------|--|
| Extra testing will be completed in accordance with the recommendation. | Medium | Performance Manager | Not implemented | As with 2009/10, from the review I identified instances where claims were marked as correct by the Council when in fact they were incorrect. A further second review was then required of all claims by both the Council and by my team. |
| Introduced a quarterly sample check on cases where the 'first day of entitlement' is not a Monday. Assessment staff received refresher training on 'start dates' in July 2010. | Medium | Performance Manager | Implemented | Review of a sample of claims in 2010/11 did not identify any errors of this nature. |

| Agreed action | Priority | Responsible officer | Current status | Comments |
|--|----------|------------------------------|----------------|---|
| The Council should review all Modified Scheme claims to ensure the claims are supported by proof of the War Pension and the correct income amount has been used to calculate entitlement. This should be completed before submission of the BEN01 claim to the DWP, or at least before start of the audit. | Medium | Performance Manager | Implemented | Review of a sample of claims in 2010/11 did not identify any errors of this nature. |
| We have already introduced a quarterly sample check on overpayments to check they have been correctly classified. | High | Performance Manager | Implemented | Incorrect classifications of overpayments were identified in 2010/11 for two of the four benefit types (Rent Allowance and Council Tax Cases). |
| In addition to introducing sample checks of these claims, staff will receive refresher training on how to take Tax Credit income into account for HB& CTB in May 2011. | High | Benefits Manager | Implemented | Review of a sample of claims in 2010/11 did not identify any errors of this nature. |
| The administration of DFGs will be undertaken by the Somerset West Private Sector Housing Partnership (SWPSHP) from 2010/11 onwards. The Strategy Lead and Housing Accountant will ensure there is a regular and full reconciliation to TDBC's financial accounting records. | Medium | Strategy Lead/SWPSHP Manager | Implemented | For 2010/11, the records used to maintain the disabled facilities grants enabled a reconciliation between the amount of allocation spent in the year and the amounts recorded in the grant claim. |

| Agreed action | Priority | Responsible officer | Current status | Comments |
|---|---------------|-----------------------------|-------------------------------|----------|
| <p>The Principal Accountant (SWONE Finance Advisory) will review claims as part of supervisory process. Responsibility for claims accuracy ultimately lies with the certifying officer.</p> | <p>Medium</p> | <p>Principal Accountant</p> | <p>Partially implemented.</p> | |

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 5: Summary of recommendations arising from 2010/11 certification work

| Recommendation | Priority | Agreed action | Date for implementation | Responsible officer |
|---|----------|---|-------------------------|---------------------|
| R1 The Council should ensure that it reconciles all its information on housing stock numbers to ensure that an accurate number can be determined. | High | The council accepts this recommendation and acknowledges the improvement required in relation to data management in this case. New systems will be implemented to give the council confidence in its data quality and accessibility, which will be in place by 31/3/2012. | 31 March 2012 | James Barrah |
| R2 In determining figures for voids the Council should ensure that any periods due to major works are removed. | High | The council accepts this recommendation and acknowledges the improvement required in relation to data management in this case. New systems will be implemented to give the council confidence in its data quality and accessibility, which will be in place by 31/3/2012. | 31 March 2012 | James Barrah |

| Recommendation | Priority | Agreed action | Date for implementation | Responsible officer |
|--|----------|---|-------------------------|---------------------|
| R3 The Council should ensure that its housing stock numbers and available bed spaces are correct. | High | The council accepts this recommendation and acknowledges the improvement required in relation to data management in this case. New systems will be implemented to give the council confidence in its data quality and accessibility, which will be in place by 31/3/2012. | 31 March 2012 | James Barrah |
| R4 Ensure that assurances from the Benefits team that the claims that they have reviewed and are correct have been performed properly. | High | We will continue to carry out checking on any additional sample cases selected. | Immediate | Performance Manager |
| R5 Review all Non HRA claims to ensure the correct weekly rents have been used. | Medium | We will review all Non HRA claims to ensure the correct weekly rents have been used. | Immediate | Performance Manager |
| R6 Review non HRA claims to ensure that overpayments have been correctly netted against underlying entitlement. | Medium | We will review non HRA claims to ensure that overpayments have been correctly netted against underlying entitlement. | Immediate | Performance Manager |
| R7 Verify that all modified scheme cases are in receipt of a war pension. | Medium | We will ensure all modified scheme cases are in receipt of a war pension. | Immediate | Performance Manager |

| Recommendation | Priority | Agreed action | Date for implementation | Responsible officer |
|--|----------|---|-------------------------|----------------------------|
| R8 The Council should ensure that any interest penalty payments are correctly calculated and paid on time. | Low | This was an isolated 'human error'. Procedures have been reviewed and confirmed to produce accurate calculations. Work scheduling has also been updated to avoid penalty payments in future. | Completed | Financial Services Manager |
| R9 The Council should ensure that the average external borrowing is based upon all external borrowing. | High | Working papers have been redesigned to ensure method for calculating borrowing and interest is accurate in future. A copy of the revised working papers has been sent to the auditor for comment. | Completed | Financial Services Manager |
| R10. The average rate of interest payable should use the correct loan period outstanding. | High | Refer to R9 | Completed | Financial Services Manager |
| R11 The Council should check that the correct consolidated rate of interest is used. The accounts and the subsidy return should be consistent. | High | Refer to R9 | Completed | Financial Services Manager |
| R12 The Council should ensure that all movements in the financial year are reflected in the national non-domestic rates return. | Medium | We will ensure this recommendation is carried out. | Immediate | Performance Manager |

Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 6: Summary of certification fees

| Claim or return | 2010/11 fee | 2009/10 fee | Reasons for changes in fee greater than +/- 10 per cent |
|--|-------------|-------------|---|
| Housing and council tax benefit scheme | £18,818 | £25,044 | Level of additional testing required in 2010/11 reduced from 2009/10 as a result of fewer errors being identified in the initial sample. Taunton Deane benefits team completed the additional testing. |
| Pooling of housing capital receipts | £1,425 | £1,224 | Fee for 2010/11 includes time spent on the follow up of 2008/09 Pooling return. |
| HRA subsidy | £1,152 | £908 | Amendments to return in 2010/11. Further discussion and investigations required. |
| Housing finance base data return | £7,078 | £2,606 | Increased level of testing required in 2010/11 due to the base date return informing the self financing settlement for the HRA. Errors already outlined in this report. |

| Claim or return | 2010/11 fee | 2009/10 fee | Reasons for changes in fee greater than +/- 10 per cent |
|------------------------------------|----------------|----------------|--|
| National non-domestic rates return | £1,506 | £1,747 | Greater reliance upon the control environment for 2010/11. As a result the amount of testing could be reduced. |
| Disabled facilities | £514 | £868 | Problems reconciling figures in 2009/10. |
| Grant planning & reporting | £1,376 | £1,486 | |
| TOTAL | £31,869 | £33,883 | |

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 12 MARCH 2012

Report of the Strategic Director (Shirlene Adam).

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

AUDIT COMMISSION AUDIT PLAN 2011/12

Executive Summary

This report introduces the Audit Commissions Audit Plan for 2011/12. This is prepared by our external auditors, the Audit Commission (and set out in an Appendix to this report).

The report, which will be presented by the Audit Commission, summarises their approach to the main audits and sets out their indicative fee position.

1. Background

- 1.1 The Audit Commission has finalised its Audit Plan for 2011/12 – as set out in Appendix 1.

2. Financial Issues / Comments

- 2.1 The indicative audit fee of £135,128 is within the Councils budget for 2012/13.
- 2.2 The report highlights what the Audit Commissions view as “risk areas” for the Council – and these will not be a surprise for Members. The Councils Corporate Risk Register, and Internal Audit Plan for 2012/13 also reflect these issues.

3. Legal Comments

- 3.1 There are no legal implications from this report.

4. Links to Corporate Aims

- 4.1 No direct implications.

5. Environmental and Community Safety Implications

- 5.1 No direct implications.

6. Equalities Impact

- 6.1 No implications.

7. Risk Management

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

8. Partnership Implications

- 8.1 The Strategic Director and the Internal Audit Team (SWAP – South West Audit Partnership) will take the issues flagged in this report into account when identifying the areas of risk to be audited next year.

9. Recommendation

- 9.1 Members are requested to note the Audit Plan 2011/12 from the Audit Commission.

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 |
|---|--|

Audit plan

Taunton Deane Borough Council

Audit 2011/12



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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Corporate Governance Committee, as those charged with governance, of their responsibilities.

Accounting statements and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Council to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering the financial performance of the Council;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Council's information systems.

Identification of audit risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below. I have identified one significant risk and one specific risk.

Table 1: **Audit risks**

| Risk | Audit response |
|--|---|
| <p>Significant risk</p> <p>The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off settlement payment to or from central government on or before 28 March 2012 when Taunton Deane estimates that it will need to borrow a further £85 million.</p> <p>Due to the complexity, magnitude and timing of the HRA reform there is risk that the financial statements will be materially misstated.</p> | <p>Review of management oversight of HRA reforms and transactions required by the Council.</p> <p>Tests of detail on the settlement payment or receipt.</p> |
| <p>Specific risk</p> <p>In each of the last two years, I have found weaknesses in financial system controls which have required me to undertake additional audit testing to gain satisfactory assurance that there was no material misstatement. I have recommended improvements to the Council's controls.</p> | <p>I will review the financial system controls to determine whether they are operating.</p> |

Group accounts

The Council produces group accounts to take into account its investment in Tone Leisure. The Council accounts for this relationship as an associate (equity accounting) which means that it shows its proportion of the net surplus/deficit of Tone Leisure in its group accounts. The net surplus/deficit is not material for my opinion. I do not need to ask the auditor of Tone Leisure (AC Mole) to undertake any further audit procedures for the purposes of my opinion.

Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors;
- testing of the operation of key controls (General Ledger) and selected key controls of material systems which we reported in 2010/11 had not operated effectively;
- reliance on the work of other auditors (the auditor of the Somerset CC Pension Fund);
- reliance on the work of experts (Actuary to the Somerset CC Pension Fund and the Council's Valuer for property asset valuation and impairment); and
- some substantive tests of detail of transactions and amounts.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
- maximise the work that can be undertaken before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 2: **Proposed work**

| | Review of internal audit | Controls testing | Reliance on the work of other auditors | Reliance on work of experts | Substantive testing |
|---------------|--|--|--|-----------------------------|--|
| Interim visit | General Ledger and any Internal Audit testing of key controls that had not operated effectively in 2010/11. Review of all Internal Audit reports for all material systems. | General Ledger Selected key controls (which did not operate in 2010/11) for the following systems Purchase ledger Sales ledger DLO | | | To be determined once I am able to assess the level of reliance I can place on the Council's key controls. |

| | Review of internal audit | Controls testing | Reliance on the work of other auditors | Reliance on work of experts | Substantive testing |
|-------------|---------------------------|--|---|--|--|
| | | Car parks Housing benefits Council Tax | | | |
| Final visit | Annual report and opinion | | Pensions assets and liabilities – auditor to the Somerset CC Pension Fund | Pensions liabilities and assets – Somerset CC Pension Fund and our own consulting actuary Valuation of property, plant and equipment – the Council's Valuer | Year end cut-off All material accounts balances and amounts Year-end feeder system reconciliations |

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

Value for money

I am required to reach a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Council's arrangements is based on two criteria, specified by the Commission. These relate to the Council's arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

Identification of significant risks

I have considered the risks that are relevant to my value for money conclusion. I have identified the following significant risk that I will address through my work.

Table 3: **Significant risks**

| Risk | Audit response |
|--|--|
| The Council plans to borrow £85 million on 28 March 2012 for the self financing of the HRA. This is a very significant amount of money in comparison to the total income in the HRA in 2010/11 of £21.2 million. | <p>I will review the key assumptions in the Council's HRA business plan 2012- 2042 and how it has modelled the repayment of this debt. I will also review the assurances that it has obtained from financial and property advisors.</p> <p>I will assess the implications for my conclusion on the Council's financial resilience.</p> |

Key milestones and deadlines

The Council is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 4: **Proposed timetable and planned outputs**

| Activity | Date | Output |
|--|------------------------|--------------------------|
| Opinion: controls and early substantive testing | January – March 2012 | |
| Opinion: receipt of accounts and supporting working papers | June 2012 | |
| Opinion: substantive testing | July to September 2012 | |
| Value for money (VFM) | February – June 2012 | VFM conclusions |
| Present Annual Governance Report at the Corporate Governance Committee | September 2012 | Annual Governance Report |
| Issue opinion and value for money conclusion | By 30 September 2012 | Auditor's report |
| Summarise overall messages from the audit | October 2012 | Annual Audit Letter |

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 5: **Audit team**

| Name | Contact details | Responsibilities |
|-----------------------------------|--|--|
| Stephen Malyn District Auditor | s-malyn@audit-commission.gov.uk 07733 003480 | Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive. |
| Peter Lappin Audit Manager | p-lappin@audit-commission.gov.uk 07909 930437 | Manages and coordinates the different elements of the audit work. Key point of contact for the Strategic Director and Financial Services Manager. |
| Rachel Bishop Team Leader | r-bishop@audit-commission.gov.uk 07966 927718 | Undertakes and supervises day-to-day delivery of audit programme. |

Independence and quality

Independence

One of my team has a relationship with an IT contractor who is working on a project refresh for South West One. The IT contractor is not involved in any finance activity. This member of my audit team will not be involved in any review of the contract with South West One or the IT replacement project.

I am satisfied that this provides an adequate safeguard for me to comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in appendix 1.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The net audit fee payable by the Council is £102,128.

The scale fee for the audit is £111,008, as set out in my predecessor's letter of 8 April 2011. In June 2011, the Audit Commission announced a rebate of 8 per cent or £8,880 bringing the fee down to £102,128.

The audit fee

The Audit Commission has set a scale audit fee of £111,008 which represents a 5 per cent reduction on the planned audit fee for 2010/11 (£116,850).

Apart from the national research and reports by the Audit Commission, the scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financial Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Strategic Director, Shirlene Adam and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee. In the two previous years, I have undertaken additional audit tests because of control weaknesses and this resulted in additional fees. I have not planned for additional fee in 2011/12 although I will re-assess following my review of systems controls.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns;
- responding to representations and objections raised by local government electors; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 6: Fees

| | 2011/12 proposed in the letter of 8 April 2011 | 2010/11 actual | Variance |
|---|--|----------------|---|
| Audit (before rebates) | £111,008 | £116,850 | 5% reduction in audit fee |
| Additional fee for testing of transactions because of weaknesses in controls in non pay expenditure, car park income, DLO expenditure. Additional controls testing following changes to creditor payments | | £10,000 | Additional work reported to the Corporate Governance Committee. |
| Certification of claims and returns | £33,000 | £31,869 | The original estimate for 2010/11 was £34,250. |

| | 2011/12 proposed in the letter of 8 April 2011 | 2010/11 actual | Variance |
|--|--|-----------------|---|
| Total fee for audit and certification of claims | £144,008 | £158,719 | |
| Non-audit work | 0 | £1,785 | Housing challenge |
| Rebates | (£8,880) | (£9,232) | Audit Commission rebates |
| District Auditor time spent on challenge work | | £1,000 | objection from elector to the accounts regarding South West One |
| Total payable to Audit Commission | £135,128 | £152,272 | |

Rebates

As the Audit Commission winds down there have been lower costs. Rebates will be notified to the Council by the Audit Commission..

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 7: **Independence and objectivity**

| Area | Requirement | How we comply |
|---|--|--|
| Business, employment and personal relationships | <p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.</p> | <p>All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.</p> |

| Area | Requirement | How we comply |
|-------------------------------------|---|---|
| Long association with audit clients | The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years. | The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met. |
| Gifts and hospitality | The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment. | All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval. |
| Non-audit work | <p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p> | All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised. |

Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11 and that weaknesses in financial system controls found in the two previous years do not occur in 2011/12.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Council provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements at the time of submitting the statements for audit;
 - other information requested within agreed timescales; and
 - prompt responses to draft reports.
- There are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Council after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion and conclusion.

Annual Governance Statement

The annual report on the Council's systems of internal control that supports the achievement of the Council's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Council. This term includes the members of the Council and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Council must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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



Taunton Deane Borough Council

Corporate Governance Committee – 12th March 2012

Risk Management

Report of the Performance & Client Lead

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

1. Executive Summary

- 1.1 This report provides an update on progress with Corporate Risk Management.
- 1.2 The Corporate Management Team (CMT) have undertaken the scheduled full annual reappraisal and a refreshed Corporate Risk Register for 2012 is now being drafted. Members of the Corporate Governance Committee are invited to contribute to the process of refreshing the Corporate Risk Register by identifying strategic risks.

2. Background

2.1 Introduction

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

2.2 Corporate Risk Management Strategy & Process Guide (see appendix A)

The purpose of the Corporate Risk Management Strategy and Process Guide is to act as a communications tool to ensure that the Corporate Management Team (CMT) has a shared understanding of the responsibilities and process for Risk Management, as well as the measures of *probability* and *impact* for strategic risks.

A summary of the content of the document is as follows:

- Key definitions / Glossary of terms
- Risk Management process steps
- Tools and techniques
- Summary of records and templates
- Scales for estimating probability and impact
- Roles and responsibilities
- Early warning indicators
- Timing of risk management activities

2.3 Roles and responsibilities of the Corporate Governance Committee

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

Members' key tasks in relation to Risk Management are:

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

3. Risk Management progress update

3.1 Corporate Risk Register

3.1.1 The annual reappraisal of strategic risks has been carried out by the Corporate Management Team (CMT) during January and February. The process commenced with a CMT Risk 'workshop' in January to identify external and internal risk factors – a 'brainstorming' approach was used, with reference to a 'Risk Prompt List'. Follow-up meetings were subsequently held with individual risk 'owners' to correctly describe and estimate the probability and impact of each risk.

3.1.2 The next step is to complete the refreshed Corporate Risk Register – this is currently in draft stage pending the input and contribution of members of the Corporate Governance Committee (at this meeting). The 'Strategic Risks Prompt List' is included in Appendix B. This is designed to stimulate thinking about sources of strategic risk from within the organisation, and in the external organisational environment.

3.1.3 'Risk Response Action Plans' for the highest level risks will be developed once the risk identification and assessment stage is complete. These plans will contain:

- details of the actions and controls in place (or planned)
- the 'actionee' (the Officer with responsibility for the action)
- progress monitoring (ie 'Green', 'Amber' or 'Red' status alert)
- Post-response target risk score (where appropriate)

The Performance & Client Lead will monitor progress of the actions, and will update the action plan as part of the on-going Risk Management process.

3.2 Operational Risk Registers

3.2.1 Risk Registers are currently in place for each Theme as part of the 2011/12 service planning process.

3.2.2 Theme / Service Risk Registers are currently being reviewed and refreshed as part of the annual service planning process – to be completed by April 2012. Service Plans for 2012/13 (including Risk Registers) should be discussed with and approved by the relevant Strategic Director and Portfolio / Shadow Portfolio Holders.

3.3 Project Risk Registers

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

| Corporate Project | Owner | Date / version | Notes / Governance |
|--|----------------|-------------------------------|---|
| Welfare & Finance Reform. (New project) | Paul Harding | 1 st draft | Reporting to CMT & Members' Change Steering Group |
| Olympic Torch Relay event | David Evans | | Within Event Management Plan |
| LDF Core Strategy | Simon Lewis | June 2011 | Strategy Unit service plan |
| SAP implementation & re-launch | Richard Sealy | Dec 2011 | Performance & Client team service plan |
| DLO internal transformation | Brendan Cleere | Nov 10 (v1.2) | This is being refreshed in light of the decision to approve the internal transformation (within DLO service plan 2012/13) |
| Procurement transformation | Paul Harding | Client team risk & issues log | monthly review at Procurement Steering Group & Procurement Client Management meetings |
| Priority Areas Strategy | Mark Leeman | Nov 2010 | Risk Management to be used as part of project selection |
| HRA Reform Project | James Barrah | June 2011 | Included within draft Corporate Risk Register |

3.4 Risk Management Action Plan 2012

3.4.1 The key areas of focus to further improve and embed Risk Management during 2012 are shown in the TDBC Risk Management Action Plan (see Appendix C). A Risk Management 'Health Check' and 'Maturity Model' will be used to further develop this action plan during 2012.

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:

- Contribute to the annual refresh of the Corporate Risk Register (ie the risk identification process)
- Note progress with Corporate Risk Management

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APPENDIX A

TDBC Corporate Risk Management Strategy and Process Guide

1. Introduction

This Risk Management Strategy refers specifically to risk management at the corporate / strategic perspective for TDBC.

The purpose of this strategy is to act as a communications tool to ensure that the Corporate Management Team (CMT) has a shared understanding of the responsibilities and process for Risk Management, as well as the measures of *probability* and *impact*.

This Risk Management Strategy has been created for application at a strategic level, where the primary concern is the long-term strategic goals and decision-making which sets the context for decisions at all other levels of the organisation. This should be achieved through the Corporate Strategy and Corporate Transformation / Change Programmes, where Risk Management should be the basis for effective management, objective-setting, and decision-making at all times.

As a guide, the criteria for risks to be included on the Corporate Risk Register is:

- Risks associated with strategic goals and decisions, ie overall long-term 'business' success, vitality and viability
- Risks with organisation-wide and/or significant community impact
- Risks with high priority and/or urgency that require managing at CMT level (for example risks that have been escalated from operational or project risk registers)

Corporate Governance & Internal Control – the UK Corporate Governance Code (2010) states: *“The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems”*.

Some key definitions / Glossary of Terms

RISK – an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives.

THREAT – an uncertain event (risk) that would have a negative impact on objectives if it occurred

OPPORTUNITY - an uncertain event (risk) that would have a positive impact on objectives if it occurred

ISSUE – a relevant event that has happened, was not planned and requires management action. Issues can be problems, benefits, or just situations that have occurred (eg a query or change request).

RISK MANAGEMENT - is the systematic application of principles, an approach and a process to the tasks of identifying and assessing risks, and then planning and implementing risk responses.

RISK CAPACITY – is the maximum amount of risk that an organisation can bear, linked to such factors as its reputation, capital, assets, external regulators/Government.

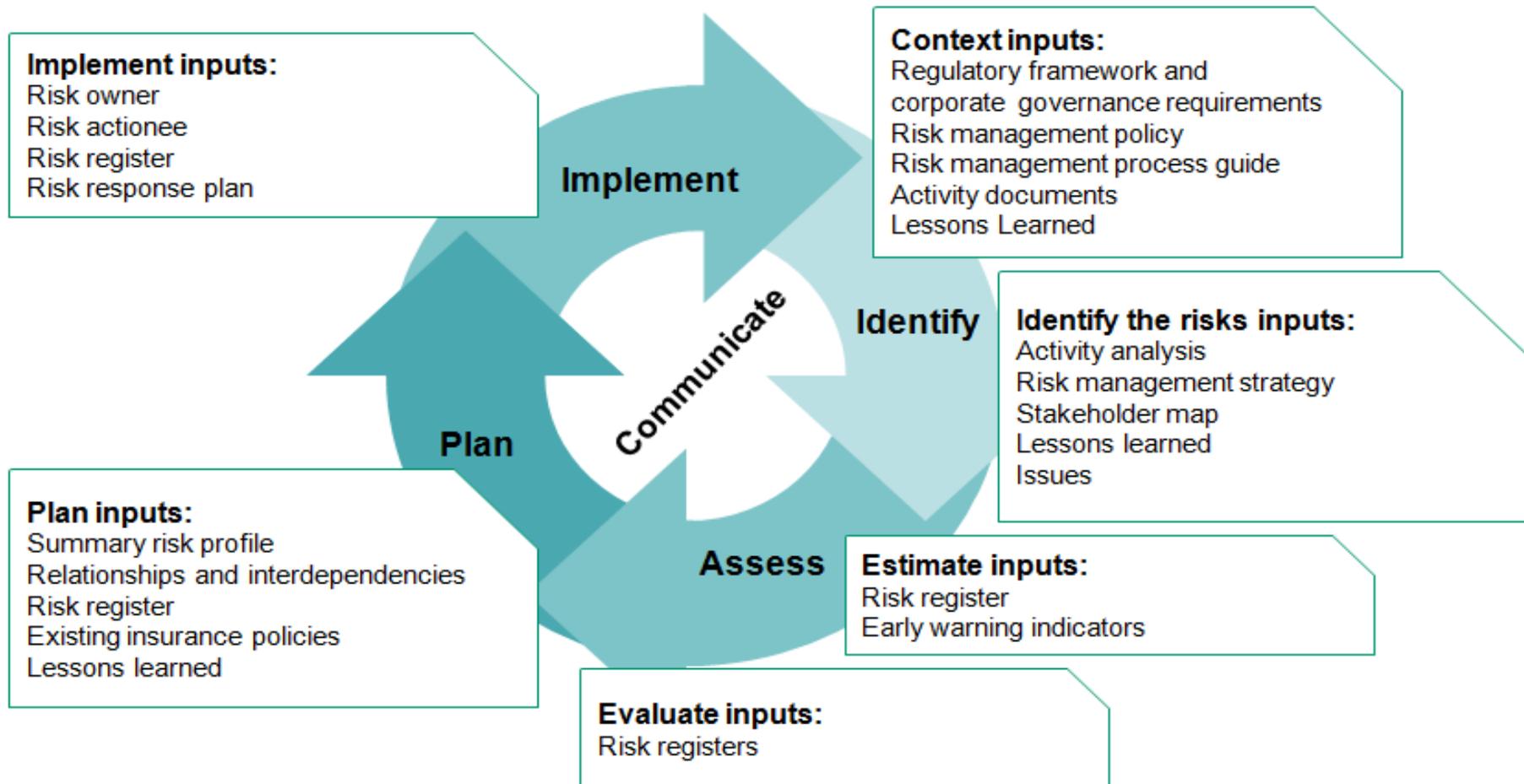
RISK APPETITE – is the amount of risk the organisation is willing to accept, ie the propensity to take risk versus the propensity to exercise control. Risk appetite must be integrated with the control culture of the organisation. The strategic level is proportionately more about risk taking than exercising control.

RISK TOLERANCE – the threshold levels of risk exposure which, when exceeded, will trigger an escalation. Risk tolerances are defined by considering the risk appetite (eg at a strategic level, or for a specific project or service) in the context of the overall organisational risk capacity.

2. Summary of risk management process, tools & techniques

The management of risk process steps

The output of each process step provides most of the inputs to the next process step. The output of the implement step is a Risk progress report.



The primary processes and associated tools & techniques are shown below

| Process | Tools & techniques | Goals and Outputs |
|--|---|--|
| Identify <ul style="list-style-type: none"> • Context • Risks & • Issues | <ul style="list-style-type: none"> • Stakeholder analysis (including RACI diagram) • SWOT analysis / PESTLE analysis • Horizon scanning • Brainstorming • Prompt list • Risk descriptions (ie risk 'event' and 'effect') • Define the Probability Impact grid & scales | <ul style="list-style-type: none"> • Identify Context - to obtain information about the organisation and how it fits into the wider organisation & community • Identify Risks & Issues – to identify risks to & issues affecting the achievement of strategic/corporate objectives with the aim of minimising threats and maximising opportunities • The 1st stage in the preparation of a Risk & Issues Register |
| Assess Estimate & evaluate | <ul style="list-style-type: none"> • Probability assessment • Impact assessment (Cost; People; Operational requirements) • Proximity assessment • Risk evaluation – the overall risk exposure by evaluating the net effect identified threats and opportunities (Summary Risk Profiles) | <ul style="list-style-type: none"> • To prioritise each risk and issue so that it is clear which are most important and urgent • To understand the overall Risk Exposure faced by the organisation • The 2nd stage in the completion of the Risk & Issues Register |
| Plan | Risk & Issue response action planning | <ul style="list-style-type: none"> • The preparation of specific management responses to the risks (threats & opportunities) and issues identified – ideally to remove or reduce threats & to maximise opportunities • Important to identify individuals responsible for the response action and ownership of each risk / issue • The final stage in the completion of the Risk & Issues Register • NB – an additional Risk / Issue Response action plan may be necessary where a more robust & detailed action plan is needed |
| Implement | Ensure that planned risk & issue management actions are implemented and monitored and regularly reviewed | <ul style="list-style-type: none"> • To ensure that the planned management actions are implemented and monitored as to their effectiveness, and corrective action is taken where responses do not match expectations • Update the Risk & Issues Register as necessary with new risks, closed risks, revised risk scores, changes/additions to the response actions |

3. RECORDS & TEMPLATES

3.1 Risk & Issues Register

To help keep things simple, we have produced a template that combines both Risks and Issues onto a single register. The template allows for clear distinction between Risks and Issues.

The Risk & Issues Register template is attached here.



Risk & Issue Register template (Jan 12).xls

This template includes guidance on its completion plus an example of a risk and an issue.

3.2 Summary risk profile

Once the Risk Registers have been completed they will be supplemented with a Summary Risk Profile. This is a simple graphical representation of the total risk to the project, showing all the key risks on one picture. The Summary Risk Profile includes the 'Risk Tolerance Line' and will clearly show all risks that sit above this line indicating the highest priority, therefore requiring the closest management attention.

Example of a Summary Risk Profile

| | | | | | | |
|------------------------|------------------------|------------------------|----------------|----------------------|----------------|-------------------|
| PROBABILITY (A) | Very Likely 5 | | | Risk 2 | | |
| | Likely 4 | | | Risk 1 | Risk 4 | |
| | Feasible 3 | | Risk 3 | | | |
| | Slight 2 | | | | | |
| | Very Unlikely 1 | | | | | |
| | | Insignificant 1 | Minor 2 | Significant 3 | Major 4 | Critical 5 |
| IMPACT (B) | | | | | | |

4. SCALES FOR ESTIMATING PROBABILITY AND IMPACT

4.1 Probability Scale

| Probability | Criteria | Likelihood |
|---------------|----------|--|
| Very likely | >75% | Almost certainly will occur |
| Likely | 51-75% | More likely to occur than not |
| Feasible | 26-50% | Fairly likely to occur |
| Slight | 6-25% | Unlikely to occur |
| Very unlikely | 0-5% | Extremely unlikely or virtually impossible |

4.2 Impact Scales **(NB – this is still under development)**

| | Cost Impact | Internal / Organisational Impact | External / Public Impact |
|----------------------|---------------|---|---|
| Critical | £250k+ | <ul style="list-style-type: none"> • Services: Major impact on ability to provide key / statutory services • Staff - major detrimental impact on staff (eg multiple redundancies). • Legal - significant legal implications (complex &/or costly). • Partners - major detrimental impact on existing partnerships / significant contractual implications. | <ul style="list-style-type: none"> • Reputation - major / irreparable / long-term damage • Service usage - direct or indirect impact resulting in loss or major reduction of services which has significant detrimental effect on high % of community • Equalities - significant impact on multiple groups |
| Major | £100k - £250k | | |
| Significant | £50k - £100k | <ul style="list-style-type: none"> • Service - Significant detrimental impact on ability provide service • Staff - some detrimental impact on staff (eg less favourable T & Cs). • Legal - some legal implications, but resolvable at a cost • Partners - some detrimental impact on existing partnerships / some contractual implications. | <ul style="list-style-type: none"> • Reputation - significant, short or medium-term damage • Service usage - direct or indirect impact resulting in loss or reduction of services which has significant detrimental effect on low %, or minor effect on high % of community • Equalities - significant impact on small number of people / minor impact on high number of people |
| Minor | £10k - £50k | | |
| Insignificant | <£10k | <ul style="list-style-type: none"> • Service - Minor detrimental impact on ability provide service • Staff - minor detrimental impact on staff (eg no, or very few redundancies). • Legal - no, or easy to resolve legal issues • Partners - minor detrimental impact on existing partnerships / no contractual implications. | <ul style="list-style-type: none"> • Reputation - minor / short-term damage • Service usage - direct or indirect impact resulting in reduction of services which has minor detrimental effect on small % of community • Equalities - minor impact |

5. ROLES & RESPONSIBILITIES

All members of CMT are required to follow the Corporate Risk Management Policy, and this Risk Management Strategy.

Chief Executive & Strategic Directors

Will demonstrate commitment to risk management through:

- Being actively involved in the identification and assessment of strategic risks, and helping Theme Managers & Leads understand and appreciate the significance of these throughout the organisation
- Monitor and act on escalated risks
- Encouraging staff to be open and honest in identifying risks, near misses and salvaged situations, and missed opportunities.
- Ensuring that the risk management process is part of all major projects partnerships and change management initiatives.
- Monitoring and reviewing regularly relevant PI's to reduce or control the significant risks.

Portfolio Holder (...insert name...):

To consult with relevant Officers before taking a decision within his or her delegated authority. In doing so, the individual Member must take account of legal and financial liabilities and financial and other Risk Management issues that may arise from the decision.

Theme Managers:

- Ensure Risk Management Strategies exists for their Theme
- Ensure that the Corporate Risk Management Policy is implemented throughout their Theme and ensures participation in the delivery of risk management
- Own and manage escalated risks as appropriate
- Escalate risks (ie to CMT / Strategic Director and/or Portfolio Holder) or delegate risks (eg to Lead Officers)
- Assist their teams in embedding the necessary risk management practices
- Contribute to the identification of key risk areas and ensures that risk registers are in place, with a regular risk review and escalation process
- Establish how risk management will be integrated with performance management and change control within their Theme

Service Manager / Lead Officers:

- Participates in the identification, assessment, planning and management of risks
- Implements the Risk Management Policy within their area of responsibility
- Escalates risks as necessary (eg to Theme Manager)
- Understands the Risk Management Policy & Strategy and how it affects them and their teams

Reporting and escalation

The CMT Structure Chart illustrates the appropriate reporting lines and routes for escalation of Risks and Issues. This is found on the intranet: ([link](#))

6. Early Warning Indicators (EWI)

An EWI is a measure (like a KPI), but should be seen as a leading indicator for an objective. For example, the Theme / Service may have an objective and associated KPI about the level of customer service excellence delivered. An EWI for this objective may be the retention rate of staff within key customer-facing roles.

The following are examples of KPIs and EWIs that should be monitored on a regular basis (minimum quarterly), providing a trend analysis and guidance on the 'health' of the Theme and its services:

- New risks that materialise
- Finance (budget monitoring) – variance to budget
- Staff sickness levels
- Staff turnover
- Accidents and incidents (staff and public)
- Customer satisfaction
- Internal audit results (ie 'Partial' or 'No' opinion, and Priority 4 & 5 recommendations)
- Achievement of 'delivery on time' targets ('inputs')
- Complaints / Feedback data (eg % resolved within 10 days, % upheld, trends/repeated complaints)
- Performance 'outputs' vs. Target (actuals year-to-date, or projected year-end outturn)

The current set of corporate Early Warning Indicators is found in the Corporate Performance Scorecard.

7. Timing of Risk Management activities

Risk Management should be applied continuously with information made available when critical decisions are being made. At the strategic level, the emphasis is on long-term goals; these set the context for decisions at other levels of the organisation. The risks associated with strategic decisions may not become apparent until well into the future. It is, therefore, essential to review these decisions and associated risks regularly.

Risk Management should be the basis for effective management of the organisation at all times, including in support of decision-making when planning the introduction of change to any organisational perspective:
Strategic; Programmes & Projects; Operational

Trigger points should be used to monitor and review risks, for example:

- Changes in organisational structure and/or personnel changes
- Change Management activities
- Introduction of new or changed standards or processes
- Whenever something unexpected occurs or fails within the organisation
- Review / refresh of Corporate Strategy
- Initiation of new partnerships
- Annual Service Planning
- Quarterly monitoring and review of performance & risk
- Programme or Project initiation (and on-going project management & review)
- Inclusion in Council Reports (especially where key decisions are required)

Strategic Risks - Prompt List

APPENDIX B

This prompt list is merely to prompt initial thought and provide stimuli when identifying corporate risks. It is not exhaustive and very unlikely that it will cover every risk category. Please consider both threats and opportunities.

External Factors (National and Local)

A 'PESTLE' analysis is a scan of our *external* environment (with particular reference to the future) and an investigation of the important factors that are changing which may influence and impact on TDBC's objectives from the outside. To be most effective, this PESTLE should be based on the achievement of TDBC's corporate aims ('TRAC') and could be used to help inform the impending review of these aims.

| Risk category | Examples of Risk Factors | Notes (eg specific threats & opportunities to TDBC) |
|---------------|--|--|
| Political | <ul style="list-style-type: none"> • Big Society / Localism / Decentralisation • | |
| Economic | <ul style="list-style-type: none"> • National economic conditions • Local economic conditions • Employment rates • Interest rates • Hinkley Point? • New business registrations / closures | |
| Social | <ul style="list-style-type: none"> • Local demographics • Areas of deprivation • Demand (eg for housing, benefits) • Health • | |
| Technological | <ul style="list-style-type: none"> • Increasing Internet usage (opportunity?) • | |
| Legislation | <ul style="list-style-type: none"> • Planning policy reform • Revs & Bens policy changes • HRA Reform • Govt Housing Strategy • Equalities duty • Health & Safety regs • | |
| Environmental | <ul style="list-style-type: none"> • Climate Change • Flood risks | |

Internal Factors

| Risk category | Examples of Risk Factors | Notes (eg specific threats & opportunities to TDBC) |
|--|--|--|
| Financial | <ul style="list-style-type: none"> • Budget Review / MTFP (Govt Grant cuts) – how & where to make further cuts? • Income risk (car parking, licensing, Building Control, DLO, Deane Helpline) • Financial planning & management • Procurement savings • Treasury Management / Investments • Debt Management • Creditors | |
| Partnerships (& outsourcing / shared service delivery) | <ul style="list-style-type: none"> • SW1 • Tone Leisure • SWP • SWPSHP • Taunton Deane Partnership • Others (eg Brewhouse, VCS) • Supply chain failure | |
| Human Resources | <ul style="list-style-type: none"> • Skills (gaps, loss) • Staff morale & well-being (stress/sickness etc) • Industrial relations / Industrial action • Redundancy process | |
| Health & Safety | <ul style="list-style-type: none"> • Significant hazards resulting in major Accidents & Incidents (eg Empty buildings, Parks & play equipment, reducing CCTV) | |
| Civil Contingencies / Incident & Crisis Management / Business Continuity | <ul style="list-style-type: none"> • BCPs comprehensive & effective? • Ability to cope with major emergencies? • IT disaster recovery planning? | |
| Security | <ul style="list-style-type: none"> • Buildings & contents • Staff • Information governance / data security | |
| Asset Management (AMP) | <ul style="list-style-type: none"> • Deane House (sharing with Police) • Investment potential (opportunity) • Lack of maintenance • IT infrastructure / hardware | |

| | | |
|---|---|--|
| Key Projects & Major Events | <ul style="list-style-type: none"> • Halcon regeneration • Core Strategy • Olympics • Project management experience & competence? | |
| Corporate Governance & Internal Control | <ul style="list-style-type: none"> • High risk Audit recommendations / weaknesses (ie priority 4 & 5) • Financial controls • Fraud & theft | |
| Leadership | <ul style="list-style-type: none"> • CMT restructure / reduction in capacity • Political leadership (no overall control situation / potential for further political leadership change?) • Organisational resilience & continuity • Long-term strategy sidelined due to short-term financial constraints • Managing political and community expectations (& reputation) | |
| Change Management / Transformation Programmes | <ul style="list-style-type: none"> • SAP? • Efficiencies through technology & processes (Fiona Kirkham's project) • DLO Transformation • Transformation / Change Management / Programme Management skills & experience? | |
| Operational / Service Delivery | <ul style="list-style-type: none"> • Serious service failure • Wide-scale under-performance / reducing service quality • Non-compliance with statutory duties • Long-term sustainability of services | |

TDBC RISK MANAGEMENT ACTION PLAN (February 2012)

APPENDIX C

Aim: To embed a Risk Management culture, leadership & systems across the Authority. (P & C service priorities 2011/12)

| Item | Action | Responsible Person | Date for completion /review | Status | Notes |
|------|---|---------------------------------|-----------------------------|---------------|---|
| 1 | Issue new Risk Register template & guidance to Theme Managers | DW | End Dec 11 | ☺ Complete | Included in Service Planning template & guidance |
| 2 | Theme Managers to review Theme / Service risks and update operational risk registers (DW to help facilitate if required) | All TMs | End March 12 | ☺ | On track |
| 3 | Annual review of strategic risks – complete new Corporate Risk Register | CMT | Jan – Feb 12 | ☺ | CMT workshop held 23 Jan. Corporate Risk Register drafted |
| 4 | 6-month review of Corporate Risk Register | CMT | Summer 12 | | Not yet due |
| 5 | Review and revise Risk Management Policy, Strategy & Process Guide. (Report to CMT & Corporate Governance Committee for approval) | DW | Sept 12 | ☺ | Strategy & Process Guide drafted. RM Policy review by Sept. |
| 6 | Conduct Risk Management 'Health-check' (self-assessment) and update RM action plan accordingly | DW | March 12 | ☺ | Health Check completed by DW & SA 18 Jan. |
| 7 | Develop and implement a plan to integrate and join-up Risk Management skills, systems & knowledge, ie Risk management; Health & Safety; Business Continuity / Civil Contingencies | D Webb D Woodbury J Lewis | From Jan 12 | ☹ | Initial meeting held Dec 2011. Proposal for series of Risk workshops in Leads meetings (various topics & scenarios) |
| 8 | Further develop corporate Risk Response action plans & regular monitoring of these | DW & CMT | Quarterly | | Will follow once Corporate Risk Register finalised |
| 9 | Ad-hoc monitoring of appropriate consideration of Risk Management within council reports / decisions | DW | Ad-hoc | ☹ | Not regularly done yet. |
| 10 | Bi-annual RM report to Corporate Governance Committee | DW | March & September | ☺ | Report 12 th March 2012 |
| 11 | Maintain an up-to-date list of Project and Operational Risk Registers (inc latest review dates) | DW | Quarterly | ☹ | Need to collate full set of corporate project risk registers |

Taunton Deane Borough Council

Corporate Governance Committee 12th March 2012

Section 106 Developer Contributions Centralisation

Report of the Community Leisure Officer

(This matter is the responsibility of Executive Councillor Edwards)

1. Executive Summary

This report gives details of the work undertaken to centralise contributions made under Section 106 of the Town and Country Planning Act 1990 as recommended during a 2011 Audit review and detailed in the report to Committee dated 25th July 2011.
The Committee is asked to note the information within the report.

2. Background

- 2.1 Section 106 of the Town and Country Planning Act 1990 allows a local planning authority to enter into a legally binding agreement or planning obligation with a landowner in association with the granting of planning permission. The obligation is termed a Section 106 Agreement.

These agreements are a way of delivering or addressing matters that are necessary to make a development acceptable in planning terms. They are used to support provision of services and infrastructure, such as children's play, recreational open space, village halls and community centres, allotments, affordable housing, arts, highways, education and health.

- 2.2 A 2011 report from Audit, commissioned by Shirlene Adam, advised the Section 106 Agreements for this Authority should be centrally monitored from creation of an agreement through to implementation, collection of contributions and spending of the funds.

Section 106 agreements had until the report been held within a number of different services across the Council.

3. Details of works carried out

- 3.1 A master spreadsheet has been created using Microsoft Excel. The spreadsheet contains a list of signed the Section 106 agreements and Unilateral Agreements across the Authority for either current developments with payments made or sites awaiting development. Historic Agreements for developments which have been built and fulfilled their obligations and where the contributions have been spent have not been included. The start date for the centralisation was August 2011.
- 3.2 The master spreadsheet lists the agreements by site name but has been built to allow a search to be made by planning reference, date agreement signed, or the SAP code. Details of the contributions due or paid for each agreement follow, the amounts may be totalled if required.
- 3.3 Further details for each agreement such as when payment is due, known as a trigger point, where the funds must be spent and the spend by date have been included in each case as a comment and may be found by hovering over the relevant cell under each heading.
- 3.4 The master spreadsheet continues with separate pages for Parks Commuted Sums and On-Site Unresolved Issues. Parks Commuted Sums contains a full list of all sites where commuted sums for Parks maintenance are held and On-Site Unresolved Issues has been compiled with information from both Legal and Parks.
- 3.5 The master spreadsheet and electronic copies of Section 106 Agreements and Unilateral Agreements have been posted on an especially created Sharepoint site. The information may only be amended by one officer although all other officers whose work entails Section 106 may view the Spreadsheet and make any suggestions for changes as necessary
- 3.6 During the course of this work other local authorities have been contacted and visited for comparison. No local authorities have been found to be using Acolaid for Section 106 monitoring. The nearest user found by the manufacturer of Acolaid is Southwark Council.
- 3.7 Visits have been made to both West Somerset District Council and South Somerset District Council both of whom use Microsoft Access to monitor and implement their Agreements. Both Councils have researched Acolaid for Section 106 monitoring and found it to be unsuitable in its present form.

4 What is happening now

- 4.1 Since the start date for centralisation copies of all signed Section 106 Agreements have been sent to the Community Leisure Officer for entry onto the Master Spreadsheet. Details of all payments received or spent are also forwarded for inclusion on the Spreadsheet. The Council is therefore now complying with the recommendations made in the Audit report.

4.2 A meeting is also held once a month where the officers with responsibility for Section 106 get together to exchange information on the current position for each site. Officers from Parks, Community Development, Legal, Affordable Housing and Planning attend.

5. Finance Comments

The creation of a central spreadsheet has led to more control of this key source of external funding.

6. Legal Comments

The use of legal agreements to secure planning obligations is well established with S106 agreements have been in use since 1990.

7. Links to Corporate Aims

As a major source of funding assisting with the delivery of infrastructure improvements, Section 106 Agreements support all the Corporate Priorities.

8. Environmental Implications

Environmental issues can be supported by planning conditions.

9. Community Safety Implications

Planning conditions can be used to support community safety issues

10. Equalities Impact

S106 Agreements provide infrastructure improvements to the benefit of the wider community.

11. Risk Management

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

12. Partnership Implications

There are no partnership implications with respect to the content of this report

13. Recommendations

Members of the Corporate Governance Committee are requested to Note this report and support the changes that have be made.

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Taunton Deane Borough Council

Corporate Governance Committee –12th March 2012

The Localism Act 2011 – The Amended Standards Regime

Report of the Monitoring Officer)

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

1. Executive Summary

This report details the changes to the Standards regime that will be required to comply with the provisions of the Localism Act 2011

2 The Localism Act 2011

The Localism Act 2011 makes fundamental changes to the system of regulation of standards of conduct for elected and co-opted Councillors. The date for implementation of these changes was proposed to be 1st April 2012, however the government have announced just before Christmas that the new regime will come into force on the 1st July 2012.

This report describes the changes and recommends the actions required for the Council to implement the new regime.

3 Duty to promote and maintain high standards of conduct

The authority will remain under a statutory duty to promote and maintain high standards of conduct for its elected and co-opted members.

4 Standards Committee

The Act repeals Section 55 of the Local Government Act 2000, which provides for the current statutory Standards Committee. So, there will be no requirement for a Standards Committee. However, there will still be a need to deal with standards issues and case-work, so it is likely to remain convenient to have a Standards Committee, it will be a normal Committee of Council, without the unique features which were conferred by the previous legislation. As a result –

- 4.1 The composition of the Committee will be governed by proportionality, unless Council votes otherwise with no member voting against. The present restriction to only one member of the Executive on the Standards Committee will cease to apply;
- 4.2 The current co-opted independent members will cease to hold office. The Act establishes for a new category of Independent Persons (see below) who must be consulted at various stages, but provides that the existing co-opted independent members cannot serve as Independent Persons for 5 years. The new Independent Persons may be invited to attend meeting to the Standards Committee, but are unlikely to be co-opted onto the Committee;
- 4.3 The District Council will continue to have responsibility for dealing with standards complaints against elected and appointed members of Parish Councils, but the current Parish Council representatives cease to hold office. The District Council can choose whether it wants to continue to involve Parish Council representatives and, if so, how many Parish Council representatives it wants. The choice is between establishing a Standards Committee as a Committee of the District Council, with co-opted but non-voting Parish Council representatives (which could then only make recommendations in respect of Parish Council members), or establishing a Standards Committee as a Joint Committee with the Parish Councils within the District (or as many of them as wish to participate) and having a set number of Parish Council representatives as voting members of the Committee (which could then take operative decisions in respect of members of Parish Councils, where the Parish Council had delegated such powers to such a Joint Standards Committee).
- 4.4 At the meeting of the Standards Committee on the 24th January 2012, the Parish Council representatives stated that their preferred option was to have a joint committee with voting members of the parish council. The Committee agreed that this would be helpful to enable Parish councils to promote and maintain high standards of conduct.
- 4.5 This report was discussed at the Constitutional Sub-Committee on 9th February and there was discussion as to whether a Standards Committee was needed at all. However if there was a decision to retain the Standards Committee then the role of the parish councillors also needed further discussion as it was fair to say that the views of Constitutional Sub-Committee differed from that of the Standards Committee. Attached at Appendix A are the views of the Standards Committee and Constitutional Sub-Committee.

Issue 1 – The District Council must decide whether to set up a Standards Committee, and if so how it is to be composed.

Suggestion 1 –

- a. **That the Council establish a Standards Committee comprising 8 elected members of the District Council, appointed proportionally;**

- b. That the Leader of the Council be requested to nominate to the Committee only one member who is a member of the Executive;**
- c. That the Parish Councils be invited to nominate a maximum of 3 Parish Councillors to be co-opted as non-voting members of the Committee;
or**
- d. That the Council establishes a joint committee with the Parish Councils and the Parish Council be invited to nominate a maximum of 3 Parish Councillors to be co-opted as voting members of the Committee;**
- e. That the Monitoring Officer maintains a register of complaints.**

5 The Code of Conduct

The current ten General Principles and Model Code of Conduct will be repealed, and members will no longer have to give an undertaking to comply with the Code of Conduct. However, the Council will be required to adopt a new Code of Conduct governing elected and co-opted member's conduct when acting in that capacity. The Council's new Code of Conduct must, viewed as a whole, be consistent with the following seven principles –

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

The Council has discretion as to what it includes within its new Code of Conduct, provided that it is consistent with the seven principles. However, regulations to be made under the Act will require the registration and disclosure of "Disclosable Pecuniary Interests" (DPIs), broadly equating to the current prejudicial interests. The provisions of the Act also require an authority's code to contain appropriate requirements for the registration (and disclosure) of other pecuniary interests and non-pecuniary interests. The result is that it is not possible yet to draft Code provisions which reflect the definition of DPIs which will appear in regulations, but it is possible to give an indicative view of what the Council might consider that it might be appropriate to include in the Code in respect of the totality of all interests, including DPIs, other pecuniary interests and non-pecuniary interests. Accordingly, it might be sensible at this stage to instruct the Monitoring Officer to prepare a draft Code which requires registration and disclosure for those interests which would today amount to personal and/or prejudicial interests, but only require withdrawal as required by the Act for DPIs.

The Act prohibits members with a DPI from participating in authority business, and the Council can adopt a Standing Order requiring members to withdraw from the meeting room.

So the Council's new Code of Conduct will have to deal with the following matters –

- General conduct rules, to give effect to the seven principles. This corresponds broadly with Paragraphs 3 to 7 of the current Code of Conduct. In practise, the easiest course of action would be simply to re-adopt Paragraphs 3 to 7 of the existing Code of Conduct. The Council can amend its Code of Conduct subsequently if the need arises; and
- Registration and disclosure of interests other than DPIs – effectively, replacing the current personal interests provisions. The Act requires that the Code contains “appropriate” provisions for this purpose, but, until the regulations are published, defining DPIs, it is difficult to suggest what additional disclosure would be appropriate.

Issue 2 – The Council has to decide what it will include in its Code of Conduct

Suggestion 2 -

- a. **That the Monitoring Officer be instructed to prepare and present to Council for adoption a draft Code of Conduct. That draft Code should –**
 - i. **equate to Paragraphs 3 to 7 of the current Code of Conduct applied to member conduct in the capacity of an elected or co-opted member of the Council or its Committees and Sub-Committees; and**
 - ii. **require registration and disclosure of interests which would today constitute personal and/or prejudicial interests, but only require withdrawal as required by the Act in relation to Disclosable Pecuniary Interests.**
- b. **That, when the Disclosable Pecuniary Interests Regulations are published, the Monitoring Officer, after consultation with the Chair of Standards Committee, the Mayor and the group leaders add to that draft Code provisions which it is considered to be appropriate for the registration and disclosure of interests other than DPIs.**

6 Dealing with Misconduct Complaints

6.1 “Arrangements”

The Act requires that the Council adopt “arrangements” for dealing with complaints of breach of Code of Conduct both by District Council members and by Parish Council members. Such complaints can only be dealt with in accordance with those “arrangements”. So the “arrangements” must set out in some detail the process for dealing with complaints of misconduct and the

actions which may be taken against a member who is found to have failed to comply with the relevant Code of Conduct.

The advantage is that the Act repeals the requirements for separate Referrals, Review and hearings Sub-Committees, and enables the Council to establish its own process, which can include delegation of decisions on complaints. Indeed, as the statutory provisions no longer give the Standards Committee or Monitoring Officer special powers to deal with complaints, it is necessary for Council to delegate appropriate powers to any Standards Committee and to the Monitoring Officer.

6.2 Decision whether to investigate a complaint

In practice, the Standards for England guidance on initial assessment of complaints provided a reasonably robust basis for filtering out trivial and tit-for-tat complaints. It would be sensible to take advantage of the new flexibility and delegate to the Monitoring Officer the initial decision on whether a complaint requires investigation, subject to consultation with the Independent Person and the ability to refer particular complaints to the Standards Committee where it is believed to be inappropriate for the Monitoring Officer to take a decision on it.

For example where the Monitoring Officer has previously advised the member on the matter or the complaint is particularly sensitive. These arrangements would also offer the opportunity for the Monitoring Officer to seek to resolve a complaint informally, before taking a decision on whether the complaint merits formal investigation. If this function is delegated to the Monitoring Officer, it is right that the Monitoring Officer should be accountable for its discharge. For this purpose, it would be appropriate to make a quarterly report to Standards Committee, which would enable the Monitoring Officer to report on the number and nature of complaints received and draw to the Committee's attention the areas where training or other action might avoid further complaints, and keep the Committee advised of progress on investigations and costs.

6.3 "No Breach of Code" finding on investigation

6.3.1. Where a formal investigation finds no evidence of failure to comply with the Code of Conduct, the current requirement is that this is reported to Standards Assessment Sub-Committee and the Sub-Committee take the decision to take no further action.

6.3.2. In practice, it would be reasonable to delegate this decision to the Monitoring Officer, but with the power to refer a matter to Standards Committee if the Monitoring Officer deems appropriate. It would be sensible for copies of all investigation reports to be provided to the Independent Person to enable them to get an overview of current issues and pressures, and that the Monitoring Officer provide a summary report of each such investigation to Standards Committee for information.

6.4 “Breach of Code” finding on investigation

- 6.4.1. Where a formal investigation finds evidence of failure to comply with the Code of Conduct, there may yet be an opportunity for local resolution, avoiding the necessity of a local hearing. Sometimes the investigation report can cause a member to recognise that his/her conduct was at least capable of giving offence, or identify other appropriate remedial action, and the complainant may be satisfied by recognition of fault and an apology or other remedial action.
- 6.4.2. However, it is suggested that at this stage it would only be appropriate for the Monitoring Officer to agree a local resolution after consultation with the Independent Person and where the complainant is satisfied with the outcome, and subject to summary report for information to the Standards Committee.
- 6.4.3. In all other cases, where the formal investigation finds evidence of a failure to comply with the Code of Conduct, it would be necessary for the Standards Committee (in practice a Hearings Panel constituted as a Sub-Committee of Standards Committee) to hold a hearing at which the member against whom the complaint has been made can respond to the investigation report, and the Hearing Panel can determine whether the member did fail to comply with the Code of Conduct and what action, if any, is appropriate as a result.

6.5 Action in response to a Hearing finding of failure to comply with Code

- 6.5. The Act does not give the Council or its Standards Committee any powers to impose sanctions such as suspension or requirements for training or an apology on members. So, where a failure to comply with the Code of Conduct is found, the range of actions which the authority can take in respect of the member is limited and must be directed to securing the continuing ability of the authority to continue to discharge its functions effectively, rather than “punishing” the member concerned. In practice, this might include the following –
 - 6.5.1 Reporting its findings to Council [*or to the Parish Council*] for information;
 - 6.5.2 Recommending to the member’s Group Leader (or in the case of ungrouped members, recommend to Council or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council;
 - 6.5.3 Recommending to the Leader of the Council that the member be removed from the Executive, or removed from particular Portfolio responsibilities;
 - 6.5.4 Instructing the Monitoring Officer to [*or recommend that the Parish Council*] arrange training for the member;

- 6.5.5 Removing *[or recommend to the Parish Council that the member be removed]* from all outside appointments to which he/she has been appointed or nominated by the authority *[or by the Parish Council]*;
- 6.5.6 Withdrawing *[or recommend to the Parish Council that it withdraws]* facilities provided to the member by the Council, such as a computer, website and/or email and Internet access; or
- 6.5.7 Excluding *[or recommend that the Parish Council exclude]* the member from the Council's offices or other premises, with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee meetings.

There is a particular difficulty in respect of Parish Councils. The Localism Act gives the Standards Committee no power to do any more in respect of a member of a Parish Council than make a recommendation to the Parish Council on action to be taken in respect of the member. Parish Councils will be under no obligation to accept any such recommendation. The only way round this would be to constitute the Standards Committee and Hearings Panels as a Joint Committee and Joint Sub-Committees with the Parish Councils, and seek the delegation of powers from Parish Council to the Hearings Panels, so that the Hearings Panels can effectively take decisions on action on behalf of the particular Parish Council.

6.6 Appeals

There is no requirement to put in place any appeals mechanism against such decisions. The decision would be open to judicial review by the High Court if it was patently unreasonable, or if it were taken improperly, or if it sought to impose a sanction which the authority had no power to impose.

Issue 3 – The Council has to decide what “arrangements” it will adopt for dealing with standards complaints and for taking action where a member is found to have failed to comply with the Code of Conduct.

Suggestion 3A – That the Monitoring Officer be instructed to prepare and submit to Council for approval “arrangements” as follows -

- a. That the Monitoring Officer be appointed as the Proper Officer to receive complaints of failure to comply with the Code of Conduct;
- b. That the Monitoring Officer be given delegated power, after consultation with the Independent Person, to determine whether a complaint merits formal investigation and to arrange such investigation. The Monitoring Officer be instructed to seek resolution of complaints without formal investigation wherever practicable, and that Officer be given discretion to refer decisions on investigation to the Standards Committee where it is deemed inappropriate for the Monitoring Officer to take the decision, and to report quarterly to Standards Committee on the discharge of this function;

- c. Where the investigation finds no evidence of failure to comply with the Code of Conduct, the Monitoring Officer be instructed to close the matter, providing a copy of the report and findings of the investigation to the complainant, the member concerned, the Independent Person, and reporting the findings to the Standards Committee for information;
- d. Where the investigation finds evidence of a failure to comply with the Code of Conduct, the Monitoring Officer in consultation with the Independent Person be authorised to seek local resolution to the satisfaction of the complainant in appropriate cases, with a summary report for information to Standards Committee. Where such local resolution is not appropriate or not possible, the Monitoring Officer is to report the investigation findings to a Hearings Panel of the Standards Committee for local hearing;
- e. That Council delegate to Hearings Panels such of its powers as can be delegated to take decisions in respect of a member who is found on hearing to have failed to comply with the Code of Conduct, such actions to include –
- Reporting its findings to Council [*or to the Parish Council*] for information;
 - Recommending to the member's Group Leader (or in the case of un-grouped members, recommend to Council or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council;
 - Recommending to the Leader of the Council that the member be removed from the Executive, or removed from particular Portfolio responsibilities;
 - Instructing the Monitoring Officer to [*or recommend that the Parish Council*] arrange training for the member;
 - Removing [*or recommend to the Parish Council that the member be removed*] from all outside appointments to which he/she has been appointed or nominated by the authority [*or by the Parish Council*];
 - Withdrawing [*or recommend to the Parish Council that it withdraws*] facilities provided to the member by the Council, such as a computer, website and/or email and Internet access; or
 - Excluding [*or recommend that the Parish Council exclude*] the member from the Council's offices or other premises, with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee meetings.

Suggestion 3B – That a meeting be arranged between the Chair of Standards Committee and the Group Leaders for the Borough Council and representatives of Parish Councils to discuss how the new system can best operate.

7 Independent Person(s)

The “arrangements” adopted by Council must include provision for the appointment by Council of at least one Independent Person.

7.1 “Independence”

The Independent Person must be appointed through a process of public advertisement, application and appointment by a positive vote of a majority of all members of the District Council (not just of those present and voting).

A person is considered not to be “independent” if –

- 7.1.1 he is, or has been within the last 5 years, an elected or co-opted member or an officer of the District Council or of any of the Parish Councils within its area;
- 7.1.2 he is, or has been within the last 5 years, an elected or co-opted member of any Committee or Sub-Committee of the District Council or of any of the Parish Councils within its area (which would preclude any of the current co-opted independent members of Standards Committee from being appointed as an Independent Person); or
- 7.1.3 he is a relative or close friend of a current elected or co-opted member or officer of the District Council or any Parish Council within its area, or of any elected or co-opted member of any Committee or Sub-Committee of such Council.

For this purpose, “relative” comprises –

- 7.1.3.1 the candidate’s spouse or civil partner;
- 7.1.3.2 any person with whom the candidate is living as if they are spouses or civil partners;
- 7.1.3.3 the candidate’s grandparent;
- 7.1.3.4 any person who is a lineal descendent of the candidate’s grandparent;
- 7.1.3.5 a parent, brother, sister or child of anyone in Paragraphs (7.1.3.1.) or (7.1.3.2.);
- 7.1.3.6 the spouse or civil partner of anyone within Paragraphs (7.1.3.3.) (7.1.3.4.) or (7.1.3.5.) ; or
- 7.1.3.7 any person living with a person within Paragraphs (7.1.3.3.) (7.1.3.4.) (7.1.3.5.) as if they were spouse or civil partner to that person.

7.2 Functions of the Independent Person

The functions of the Independent Person(s) are –

- They must be consulted by the authority before it makes a finding as to whether a member has failed to comply with the Code of Conduct or decides on action to be taken in respect of that member (this means on a decision to take no action where the investigation finds no evidence of breach or, where the investigation finds evidence that there has been a breach, on any local resolution of the complaint, or on any finding of breach and on any decision on action as a result of that finding);
- They may be consulted by the authority in respect of a standards complaint at any other stage; and
- They may be consulted by a member or co-opted member of the District Council or of a Parish Council against whom a complaint has been made.

This causes some problems, as it would be inappropriate for an Independent Person who has been consulted by the member against whom the complaint has been made, and who might as a result be regarded as prejudiced on the matter, to be involved in the determination of that complaint.

7.3 How many Independent Persons?

7.3.1. The Act gives discretion to appoint one or more Independent Persons, but provides that the Independent Person must be consulted before any decision is taken on a complaint which has been investigated. Accordingly, there would appear to be little advantage in appointing more than one Independent Person, provided that a couple of reserve candidates are retained and can be activated at short notice, without the need for re-advertisement, in the event that the Independent Person is no longer able to discharge the function.

One option may be for each authority to appoint one Independent Person and then have in place arrangements with other council's in Somerset to share their Independent Persons should there be a conflict.

7.4 Remuneration

7.4.1. As the Independent Person is not a member of the authority or of its Committees or Sub-Committees, the remuneration of the Independent Person no longer comes within the scheme of members' allowances, and can therefore be determined without reference to the Independent Remuneration Panel.

7.4.2. In comparison to the current Chair of Standards Committee, the role of Independent Person is likely to be less onerous. He/she is likely to be invited to attend all meetings of the Standards Committee and Hearings Panels, but

not to be a formal member of the Committee or Panel (he/she could be co-opted as a non-voting member but cannot chair as the Chair must exercise a second or casting vote). He/she will need to be available to be consulted by members against whom a complaint has been made, although it is unclear what assistance he/she could offer. Where he/she has been so consulted, he/she would be unable to be involved in the determination of that complaint. This report suggests that the Independent Person also be involved in the local resolution of complaints and in the grant of dispensations. However, it would be appropriate to undertake a proper review of the function before setting the remuneration.

Issue 4 – How many Independent Persons are required?

Suggestion 4 –

- a. That the Monitoring Officer, in consultation with the Chair of Standards Committee, the Mayor and the group leaders, with the advice of the Retained HR Manager, be authorised to set the initial allowances and expenses for the Independent Person and any Reserve Independent Persons, and this function subsequently be delegated to the Standards Committee**
- b. That the Monitoring Officer advertise a vacancy of the appointment of 1 Independent Person.**
- c. That a Committee comprising the Chair and three other members of Standards Committee be set up to short-list and interview candidates, and to make a recommendation to Council for appointment.**
- d. That an agreement is reached with other Somerset Authorities to be able to use one of their Independent Person should there be a conflict.**

8 The Register of Members' Interests

8.1 The register of members' interests

- 8.1.1. The Localism Act abolishes the concept of personal and prejudicial interests. Instead, regulations will define "Disclosable Pecuniary Interests" (DPIs). The Monitoring Officer is required to maintain a register of interests, which must be available for inspection and available on the Council's website. The Monitoring Officer is also responsible for maintaining the register for Parish Councils, which also have to be open for inspection at the District Council offices and on the District Council's website.**
- 8.1.2. At present we do not know what Disclosable Pecuniary Interests will comprise, but they are likely to be broadly equivalent to the current prejudicial interests. The intention was to simplify the registration requirement, but in fact the Act extends the requirement for registration to cover not just the member's own interests, but also those of the member's**

spouse or civil partner, or someone living with the member in a similar capacity.

- 8.1.3. The provisions of the Act in respect of the Code of Conduct require an authority's code to contain appropriate requirements for the registration (and disclosure) of other pecuniary interests and non-pecuniary interests.
- 8.1.4. The Monitoring Officer is required by the Act to set up and maintain registers of interest for each Parish Council, available for inspection at the District Council offices and on the District Council's website and, where the Parish Council has a website, provide the Parish Council with the information required to enable the Parish Council to put the current register on its own website.

8.2 Registration on election or co-option

- 8.2.1. Each elected or co-opted member must register all DPIs within 28 days of becoming a member. Failure to register is made a criminal offence, but would not prevent the member from acting as a member.
- 8.2.2. In so far as the Code of Conduct which the Council adopts requires registration of other interests, failure to do so would not be a criminal offence, but merely a failure to comply with the Code of Conduct.
- 8.2.3. There is no continuing requirement for a member to keep the register up to date, except on re-election or re-appointment, but it is likely that members will register new interests from time to time, as this avoids the need for disclosure in meetings. When additional notifications are given, the Monitoring Officer has to ensure that they are entered into the register.
- 8.2.4. The preparation and operation of the register, not just for this authority but also for each Parish Council, is likely to be a considerable administrative task, especially where different Parish Councils adopt different Code requirements for registration and disclosure in respect of interests other than DPIs. There is no provision for the District Council to recover any costs from Parish Councils.

Issue 5 – Preparation of the Registers

Suggestion 5 –

- a. **That the Monitoring Officer prepare and maintain a new register of members interests to comply with the requirements of the Act and of the Council's Code of Conduct, once adopted, and ensure that it is available for inspection as required by the Act;**
- b. **That the Monitoring Officer ensure that all members are informed of their duty to register interests;**

- c. **That the Monitoring Officer prepare and maintain new registers of members' interests for each Parish Council to comply with the Act and any Code of Conduct adopted by each Parish Council and ensure that it is available for inspection as required by the Act; and**
- d. **That the Monitoring Officer arrange to inform and train Parish Clerks on the new registration arrangements.**

9 Disclosure of Interests and Withdrawal from Meetings

As set out above, DPIs are broadly equivalent to prejudicial interests, but with important differences. So –

- 9.1. The duty to disclose and withdraw arises whenever a member attends any meeting of Council, a committee or sub-committee, or of Executive or a Executive committee, and is aware that he/she has a DPI in any matter being considered at the meeting. So it applies even if the member would be absent from that part of the meeting where the matter in question is under consideration.
- 9.2. Where these conditions are met, the member must disclose the interest to the meeting (i.e. declare the existence and nature of the interest). However, in a change from the current requirements, the member does not have to make such a disclosure if he/she has already registered the DPI, or at least sent off a request to the Monitoring Officer to register it (a “pending notification”). So, members of the public attending the meeting will in future need to read the register of members' interests, as registered interests will no longer be disclosed at the meeting.
- 9.3. Where the member does make a disclosure of a DPI, he/she must then notify it to the Monitoring Officer within the next 28 days, so that it can go on the register of interests.
- 9.4. If a member has a DPI in any matter, he/she must not –
 - 9.4.1. Participate in any discussion of the matter at the meeting. The Act does not define “discussion”, but this would appear to preclude making representations as currently permitted under paragraph 12(2) of the model Code of Conduct; or
 - 9.4.2. Participate in any vote on the matter,
 - unless he/she has obtained a dispensation allowing him/her to speak and/or vote.
- 9.5. Failure to comply with the requirements (paragraphs 8.2, 8.3 or 8.4) becomes a criminal offence, rather than leading to sanctions;
- 9.6. The Council's Code of Conduct must make “appropriate” provisions for disclosure and withdrawal for interests other than DPIs, but failure to comply

with these requirements would be a breach of Code of Conduct but not a criminal offence.

- 9.7. The requirement to withdraw from the meeting room can be covered by Standing Orders, which would apply not just to Council, Committees and Sub-Committees, but can apply also to Executive and Executive Committee meetings, so that failure to comply would be neither a criminal offence nor a breach of Code of Conduct, although the meeting could vote to exclude the member. NB it is the participation or vote at the meeting that would be the offence.

Issue 6 – What Standing Order should the Council adopt in respect of withdrawal from meetings for interests?

Suggestion 6 – The Monitoring Officer be instructed to recommend to Council a Standing Order which equates to the current Code of conduct requirement that a member must withdraw from the meeting room, including from the public gallery, during the whole of consideration of any item of business in which he/she has a DPI, except where he is permitted to remain as a result of the grant of a dispensation.

10. Disclosure and Withdrawal in respect of matters to be determined by a Single Member

- 10.1. Matters can be decided by a single member acting alone where the member is a Executive Member acting under Portfolio powers, or where the member is a Ward Councillor and the Council chose to delegate powers to Ward Councillors.
- 10.2. The Act provides that, when a member becomes aware that he/she will have to deal with a matter and that he/she has a DPI in that matter –
 - 10.2.1 Unless the DPI is already entered in the register of members' interests or is subject to a "pending notification", he/she has 28 days to notify the Monitoring Officer that he/she has such a DPI; and
 - 10.2.2. He/she must take no action in respect of that matter other than to refer it another person or body to take the decision.
- 10.3. Standing Orders can then provide for the exclusion of the member from any meeting while any discussion or vote takes place on the matter.
- 10.4. Note that the Act here effectively removes the rights of a member with a prejudicial interest to make representations as a member of the public under Paragraph 12(2) of the current Code of Conduct

Issue 7 – In what circumstances should Standing Orders exclude single members from attending meetings while the matter in which they have a DPI is being discussed or voted upon?

Suggestion 7 – The Monitoring Officer be instructed to recommend to Council a Standing Order which equates to the current Code of conduct requirement that a member must withdraw from the meeting room, including from the public gallery, during the whole of consideration of any item of business in which he/she has a DPI, except where he is permitted to remain as a result of the grant of a dispensation.

11. Sensitive Interests

- 11.1. The Act effectively re-enacts the existing Code of Conduct provisions on Sensitive Interests.
- 11.2. So, where a member is concerned that disclosure of the detail of an interest (either a DPI or any other interest which he/she would be required to disclose) at a meeting or on the register of members' interests would lead to the member or a person connected with him/her being subject to violence or intimidation, he/she may request the Monitoring Officer to agree that the interest is a "sensitive interest".
- 11.3. If the Monitoring Officer agrees, the member then merely has to disclose the existence of an interest, rather than the detail of it, at a meeting, and the Monitoring Officer can exclude the detail of the interest from the published version of the register of members' interests.

12. Dispensations

- 12.2. The provisions on dispensations are significantly changed by the Localism Act.
- 12.3. At present, a member who has a prejudicial interest may apply to Standards Committee for a dispensation on two grounds –
 - 12.3.2. That at least half of the members of a decision-making body have prejudicial interests (this ground is of little use as it is normally only at the meeting that it is realised how many members have prejudicial interests in the matter, by which time it is too late to convene a meeting of Standards Committee); and
 - 12.3.3. That so many members of one political party have prejudicial interests in the matter that it will upset the result of the vote on the matter (this ground would require that the members concerned were entirely predetermined, in which case the grant of a dispensation to allow them to vote would be inappropriate).
- 12.4. In future, a dispensation will be able to be granted in the following circumstances –
 - 12.4.2. That so many members of the decision-making body have DPIs in a matter that it would "impede the transaction of the business". In practice this means that the decision-making body would be inquorate as a result;

12.4.3. That, without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the outcome of any vote on the matter. This assumes that members are predetermined to vote on party lines on the matter, in which case, it would be inappropriate to grant a dispensation to enable them to participate;

12.4.4. That the authority considers that the dispensation is in the interests of persons living in the authority's area;

12.4.5. That, without a dispensation, no member of the Executive would be able to participate on this matter (so, the assumption is that, where the Executive would be inquorate as a result, the matter can then be dealt with by an individual Executive Member. It will be necessary to make provision in the scheme of delegations from the Leader to cover this, admittedly unlikely, eventuality); or

12.4.6. That the authority considers that it is otherwise appropriate to grant a dispensation.

12.5. Any grant of a dispensation must specify how long it lasts for, up to a maximum of 4 years.

12.6. The next significant change is that, where the Local Government Act 2000 required that dispensations be granted by Standards Committee, the Localism Act gives discretion for this power to be delegated to Standards Committee or a Sub-Committee, or to the Monitoring Officer. Grounds 12.3.1 and 12.3.4 are pretty objective, so it may be appropriate to delegate dispensations on these grounds to the Monitoring Officer, with an appeal to the Standards Committee, thus enabling dispensations to be granted "at the door of the meeting". Grounds 12.3.2, 12.3.3 and 12.3.5 are rather more objective and so it may be appropriate that the discretion to grant dispensations on these grounds remains with Standards Committee, after consultation with the Independent Person.

Issue 8 – What arrangements would be appropriate for granting dispensations?

Suggestion 8 – That Council delegate the power to grant dispensations –

- a. on Grounds set out in Paragraphs 12.3.1 and 12.3.4 of this report to the Monitoring Officer with an appeal to Standards Committee, and**
- b. on Grounds 12.3.2, 12.3.3 and 12.3.5 to the Standards Committee, after consultation with the Independent Person.**

13. Transitional Arrangements

Regulations under the Localism Act will provide for –

- a. transfer of Standards for England cases to local authorities following the abolition of Standards for England;
- b. a transitional period for the determination of any outstanding complaints under the current Code of Conduct. The Government has stated that it will allow 2 months for such determination, but it is to be hoped that the final Regulations allow a little longer;
- c. removal of the power of suspension from the start of the transitional period; and
- d. removal of the right of appeal to the First Tier Tribunal from the start of the transitional period.

14. Finance Comments

There will be some financial implications due to the recruitment of the Independent persons and it is not clear yet how much this will be. However this will be off-set by the fact that the composition of the committee will not require independent members who are currently paid an allowance. In addition there may be a special allowance in respect of the member who chairs the committee but this will need to be set by the Independent Remuneration Panel.

15. Legal Comments

The Council will have a statutory duty to promote and maintain high standards of conduct as well as the various requirements set out in this report therefore careful consideration will need to be given to the various recommendations to ensure that the duty is met.

16. Links to Corporate Aims (Please refer to the current edition of the Corporate Strategy)

There are no links to the Corporate Aims

17. Environmental Implications

There are no environmental implications in this report.

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

There are no community safety implications

19. Equalities Impact (An Equalities Impact Assessment should be

carried out in respect of:-

- New initiatives/projects with an impact on staff, service or non-service users;
- New services/changes to the way services are delivered;
- New or refreshed Strategies;
- Events – Consultation/Training; and
- Financial/budget decisions.

A summary of the results should be entered here with the assessment attached to the report as an appendix)

- 20. Risk Management** (if appropriate, such as reputational and health and safety risks. If the item the subject of the report has been included in a Service Plan, the result of the risk assessment undertaken when the plan was prepared should be entered here.

The Council needs to demonstrate that it can comply with its duty to promote and maintain high standards of conduct and the recommendations in this report will assist the Council in doing that. Failure to have appropriate processes and procedures in place to deal with any complaints could be damaging to the Council's reputation and credibility.

- 21. Partnership Implications** (if any)

There is a requirement to work with parish councils to ensure consistency in operating these arrangements.

- 22. Recommendations**

To discuss the report and make any relevant recommendations and comments.

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Monitoring Officer
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APPENDIX A

Corporate Governance Committee –12th March 2012

The Localism Act 2011 – The Amended Standards Regime

Comments from Standards Committee – 24th January 2012

1. Parish representatives should be co-opted as voting members to form a joint Standards Committee as this will help them to satisfy the statutory duty that all councils are under.

In addition this will mean that parish councils will have to abide by the decision of the Standards Committee should a parish councillor breach the code of conduct.

2. with regard to the Independent person the Committee thought it would be sensible to appoint one Independent Person and to have an agreement with other neighbouring authorities to share their Independent Persons should there be a conflict of interest.

Comments from Constitutional Sub-Committee – 9th February 2012

1. There was disagreement as to whether there should be a joint Standards Committee and it was suggested that one option that could be investigated further was whether parish councillors could be co-opted to deal with parish complaints only.
2. There were mixed views as to whether we should have a Standards Committee at all.
3. It was agreed that we should appoint one Independent Person and have a sharing arrangement with the other Somerset Councils
4. We should have a complaints register
5. At suggestion 1 (b) it was suggested that the following wording be added 'that the Executive member shall be chairman'
6. At suggestion 1 (c) that the recommendation is changed to read **That the Parish Councils be invited to nominate a maximum of 3 Parish**

**Councillors to be co-opted as non-voting members of the
Committee on matters concerning or relating to parish councils**

7. Delete suggestion 1 (d)
8. Add at 1(d) that the Council keeps a complaints register to be maintained by the Monitoring Officer.

Taunton Deane Borough Council

Corporate Governance Committee – 12 March 2012

Internal Audit Plan Progress 2011-12

Report of the Group Audit Manager – Chris Gunn

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

1. Executive Summary

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

The 2011-12 Annual Audit Plan is on track to provide independent and objective assurance on TDBC's Internal Control Environment. This work will support the Annual Governance Statement.

2. Background

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

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

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

3. (Full details of the Report)

Please refer to the attached SWAP Progress Report.

4. Finance Comments

There are no specific finance issues relating to this report.

5. Legal Comments

There are no specific legal issues relating to this report.

6. Links to Corporate Aims

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

7. Environmental Implications

There are no direct implications from this report.

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

There are no direct implications from this report.

9. Equalities Impact

There are no direct implications from this report.

10. Risk Management

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

11. Partnership Implications

There are no direct implications from this report.

12. Recommendations

Members are asked to note progress made in delivery of the 2011/12 internal audit plan.

Contact:

| | |
|--|--|
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|--|--|

TDBC AUDIT PLAN 2011/12 PROGRESS

Appendix A

| Directorate/Service | Audit Area | Quarter | Status | Opinion | No. of recs | 1 = Minor ← → 5 = Major | | | | |
|--------------------------------|---|---------|--------------|---------------|-------------|-------------------------|---|----|---|---|
| | | | | | | Recommendations | | | | |
| | | | | | | 1 | 2 | 3 | 4 | 5 |
| Key Control Audits | Creditors | 1 | Complete | Partial | 10 | 0 | 0 | 8 | 2 | 0 |
| Key Control Audits | Debtors | 1 | Complete | Partial | 4 | 0 | 0 | 1 | 3 | 0 |
| Governance, Fraud & Corruption | Contract Management monitoring | 1 | Complete | Partial | 8 | 0 | 0 | 4 | 1 | 3 |
| Governance, Fraud & Corruption | Health & Safety - Internal | 1 | Complete | Non-Opinion | | | | | | |
| Governance, Fraud & Corruption | Managing Complaints | 1 | Complete | Reasonable | 2 | 0 | 0 | 0 | 2 | 0 |
| Governance, Fraud & Corruption | Scheme of Delegation | 1 | Complete | Reasonable | 2 | 0 | 0 | 2 | 0 | 0 |
| Operational Audits | Car Parks Income | 1 | Complete | Partial | 4 | 0 | 0 | 2 | 1 | 1 |
| Operational Audits | Choice Based Lettings | 1 | Complete | Reasonable | 2 | 0 | 0 | 1 | 1 | 0 |
| Operational Audits | DLO Stores (External Sales) | 1 | Complete | Partial | 20 | 0 | 2 | 13 | 5 | 0 |
| Operational Audits | Housing Benefits Subsidy | 2 | Complete | Reasonable | 2 | 0 | 0 | 2 | 0 | 0 |
| Governance, Fraud & Corruption | Annual Governance Statement Review | 2 | Complete | Non-Opinion | | | | | | |
| Governance, Fraud & Corruption | Information Governance | 2 | Complete | Reasonable | 10 | 0 | 0 | 9 | 1 | 0 |
| Governance, Fraud & Corruption | Threat from Fraud or Corruption (Policy Review) | 2 | Complete | Partial | 5 | 0 | 0 | 4 | 1 | 0 |
| Operational Audits | Economic Development | 2 | Complete | Partial | 15 | 0 | 0 | 10 | 5 | 0 |
| Operational Audits | Heritage and Landscape Services | 2 | Complete | Reasonable | 8 | 0 | 1 | 7 | 0 | 0 |
| Operational Audits | Leases - Rents receivable | 2 | Draft Report | | | | | | | |
| Operational Audits | Legal Services (replaced by disclosure of confidential information) | 2 | Dropped | | | | | | | |
| Operational Audits | Supporting People | 2 | Complete | Partial | 10 | 0 | 0 | 7 | 3 | 0 |
| IT Audits | CoCo | 3 | In Progress | | | | | | | |
| Key Control Audits | Capital Accounting | 3 | Draft | | | | | | | |
| Key Control Audits | Council Tax | 3 | Complete | Comprehensive | | 0 | 2 | 1 | 0 | 0 |
| Key Control Audits | Creditors | 3 | Draft Report | | | | | | | |

| Directorate/Service | Audit Area | Quarter | Status | Opinion | No. of recs | 1 = Minor ← → 5 = Major | | | | |
|--------------------------------|---|---------|--------------|---------------|-------------|-------------------------|---|---|---|---|
| | | | | | | Recommendations | | | | |
| | | | | | | 1 | 2 | 3 | 4 | 5 |
| Key Control Audits | Debtors | 3 | Draft Report | | | | | | | |
| Key Control Audits | Housing Benefits | 3 | Complete | Comprehensive | 0 | 0 | 0 | 0 | 0 | 0 |
| Key Control Audits | Housing Rents | 3 | Draft | Reasonable | | | | | | |
| Key Control Audits | Main Accounting | 3 | Complete | Reasonable | | 0 | 5 | 3 | 0 | 0 |
| Key Control Audits | NNDR | 3 | Complete | Comprehensive | | | | | | |
| Key Control Audits | Payroll | 3 | Complete | Reasonable | 1 | 0 | 0 | 1 | 0 | 0 |
| Key Control Audits | Treasury Management | 3 | Complete | Reasonable | 6 | 4 | 2 | 0 | 0 | 0 |
| Governance, Fraud & Corruption | Maximising Income Opportunities | 4 | | | | | | | | |
| Governance, Fraud & Corruption | Equalities and Diversity (replaced by Lottery Funding) | 4 | Dropped | | | | | | | |
| Governance, Fraud & Corruption | Safeguarding of Children and Vulnerable Adults (Theme Audit)(5% Reduction) | 4 | Removed | | | | | | | |
| Governance, Fraud & Corruption | Service Planning (Theme Audit) | 4 | Draft Report | | | | | | | |
| IT Audits | IT Strategy | 4 | Drafting | | | | | | | |
| Operational Audits | Housing Property Services - Contract Allocation/Monitoring(replaced by Project Taunton) | 4 | Dropped | | | | | | | |
| Operational Audits | Licensing Income | 4 | Final Report | Reasonable | 5 | 0 | 0 | 5 | 0 | 0 |
| Operational Audits | Planning Fees - (5% Reduction) | 4 | Removed | | | | | | | |
| Operational Audits | Waste and Recycling (Contribution to SWP Plan) | 4 | | | | | | | | |

Additional Reviews

| | | | | | | | | | | |
|----------------|--|---|--------------|-------------|--|--|--|--|--|--|
| Special Review | Sale of Land | 2 | Draft Report | Non-Opinion | | | | | | |
| IT Audits | IT Asset Management | 2 | Draft Report | Partial | | | | | | |
| Special Review | Disclosure of confidential information | 3 | Complete | Non-Opinion | | | | | | |
| Special Review | Project Taunton | 3 | Draft Report | Non-Opinion | | | | | | |
| Special Review | Lottery Funding | 4 | In progress | Non-Opinion | | | | | | |

Schedule of Key Actions from 2011/12 Internal Audit Work completed by SWAP (since the December 2011 Progress Report)

| Date. | Name of Audit | Weakness Found | Risk Identified | Recommended Action | Management's Agreed Action | Agreed Date of Action | Responsible Officer |
|------------|------------------------|--|---|--|---|-----------------------|---|
| 23/12/2011 | Information Governance | No comprehensive Code of practice covering the security and disclosure of all TDBC data. | The risk is that staff might inappropriately disclose information the result of which is that the Council may suffer censure or in extreme prosecution. | I recommend that the Strategic Director introduce a Confidentiality Code of Practice for the Authority. | This will be reviewed and implemented if appropriate. The Monitoring Officer will progress this during 2012. | Dec 2012 | Monitoring Officer |
| 22/12/2011 | Economic Development | There is no documented project management approach | There is a risk that projects may not be linked to the service plan and be monitored | I recommend that the Economic Development Specialist agrees a methodology which contains appropriate consideration of a business case which links actions to be taken and outcomes to be delivered to the Economic Development Strategy and Service Plan and includes a defined project monitoring and reporting approach. | We will draft a Project Initiation Document (PID) template, for use in all new projects. Fields to include: <ul style="list-style-type: none"> • Description of project • Authorisation required & obtained • Funding agreed. • End date • Sign off by project deliverer where appropriate Store PIDs on relevant folder, as well as on new folder on K: which contains all PIDs | 1 December 2011 | Economic Development Project Officer (CM) Economic Development Specialist to sign off all PIDs following discussion at Team Meeting. |

| Date. | Name of Audit | Weakness Found | Risk Identified | Recommended Action | Management's Agreed Action | Agreed Date of Action | Responsible Officer |
|------------|----------------------|---|--|--|--|-----------------------|---|
| 22/12/2011 | Economic Development | Project approval process not always evident and not linked to key criteria. | There is a risk that projects may not be approved appropriately. | I recommend that the Economic Development Specialist agrees an approval process based upon the nature of the project, funding requirement etc. | Obtain TDBC Scheme of Delegation Agree with Exec Portfolio Lead Member and Strategic Director (JW) a protocol for signing off PIDs | 1 February 2012 | Economic Development Specialist |
| 22/12/2011 | Economic Development | Project budget approval procedure lacking in definition. | There is a risk that budget approval does not follow an appropriate path and as such budgets may not always be properly approved. | I recommend that the Economic Development Specialist develops and agrees with the Executive Lead Member a budget approval procedure which includes the setting out of the limits of the delegated authority for budget approval. | Duplicates 2.1b Obtain TDBC Scheme of Delegation Agree with Exec Portfolio Lead Member and Strategic Director (JW) a protocol for signing off PIDs | 1 February 2012 | Economic Development Specialist |
| 22/12/2011 | Economic Development | Inconsistency in the application of SLA's for recording project requirements. | There is a risk that funding is not being allocated based on the delivery/achievement of outcomes due to SLA's not being in place on all projects. | I recommend that the Economic Development Specialist ensures that each new project has a signed agreement or SLA. For larger projects the SLA should link to a detailed business case. Additionally the Economic Development Specialist should ensure that all current projects have a SLA in place. | Team to clarify at initiation which projects require PIDs or SLAs, as many projects are either too small, or are delivered by a partnership. (I.e. Into Somerset). Project sign-off to be as per 2.1a – namely through a PID. | 1 January 2012 | Economic Development Project Officer (CM) All to implement |

| Date. | Name of Audit | Weakness Found | Risk Identified | Recommended Action | Management's Agreed Action | Agreed Date of Action | Responsible Officer |
|------------|----------------------|--|---|---|--|---------------------------------|--|
| 22/12/2011 | Economic Development | Project monitoring needs to link with key performance criteria. | There is a risk that projects are not monitored effectively and does not link with key performance criteria. | I recommend that the Economic Development Specialist finalises the Business Planning document to include provision for the regular recorded monitoring of all projects against key performance indicators or project aims and objectives agreed within the SLA's. | Econ Dev Delivery Plan (A3) to be finalised, with all projects updated. This document should be a lot more useful in recording priorities and performance against project objectives. Delivery Plan to form central part of 1:1s and team meetings. | 1 January 2012 | Economic Development Specialist – with input from all team members Economic Development Specialist /Economic Development Lead |
| 28/02/2012 | Supporting People | The cost of the meal provided to Extra Care clients at Kilkenny Court, Taunton do not cover the costs invoiced by the “Albemarle Centre” and “Wayahead”. | Without a complete and accurate audit trail for monies collected or meals disposed of, there is a greater risk that income due will not be fully accounted for. | I recommend the Supported Housing Manager reviews the income and expenditure of the meal provision at Kilkenny Court; to ensure the expenditure is recovered by the cost charged to Extra Care clients for the hot meal | Agreed – Information to feed into decision for increasing costs in April of the following year. If review in September identifies short fall in income there could be opportunity to raise prices in October rather than leave until the following April. | Annually beginning of September | Supported Housing Manager |

| Date. | Name of Audit | Weakness Found | Risk Identified | Recommended Action | Management's Agreed Action | Agreed Date of Action | Responsible Officer |
|------------|-------------------|--|--|---|----------------------------|-----------------------|---------------------------|
| 28/02/2012 | Supporting People | There are no Service Level Agreements in place for the "Albemarle Centre" or "Wayhead" (lunchtime support staff). | There is a risk for both the "Albemarle Centre" and "Wayhead", that without a Service Level Agreement in place, the clients will not have access to hot meals in a timely manner or in the case of the Albemarle Centre from an approved meal provider. | I recommend the Supported Housing Manager reviews the services provided for the hot meals through "WHERE", the "Albemarle Centre" and "Wayhead" and has formal agreements put in place. | Agreed | 27 July 2012 | Supported Housing Manager |
| 28/02/2012 | Supporting People | No checks have been carried out to ensure the "Albemarle Centre" have been certified by Environmental Health department. | There is a risk without being assessed and certified by Environmental Health department for food safety, that for example, if there was an outbreak of food poisoning, the Extra Care Scheme or meal provider would be investigated and held responsible | I recommend the Supported Housing Manager ensures a check is made on the "Albemarle Centre" to confirm they have TDBC Environmental Health Certification. | Agreed | 23rd March 2012 | Supported Housing Manager |

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 12th MARCH 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 2012/13. 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 2012/13 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:

| | |
|---|--|
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|---|--|



Taunton Deane Borough Council

Internal Audit Plan 2012-13

Contents

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Role of Internal Audit & Background

Page 1

The Annual Audit Plan

Page 2

The Annual Plan – Continued

Page 3



Our audit activity is split between:

- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Operational Audit**
- **Non-Opinion Reviews**

Role of Internal Audit

The Internal Audit service for Taunton Deane Borough Council (TDBC) is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit Committee at its March 2011 meeting.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. In order to achieve this, the audit activity is split between the reviews outlined alongside.

Background

It is recommended by the Audit Commission and is recognised best practice that an appropriate Committee of the Council scrutinises and approves the annual audit plan. The plan is presented as an Appendix to this report and represents the internal audit activity for the 2012-13 financial year. The Plan has been reviewed by Theme Managers and the Corporate Management Team.

There has been a reduction in the plan for this year of 50 days, representing a 10% saving to TDBC. It should be noted that the plan days are only indicative for planning the resource. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review.

The plan is pulled together with a view to providing assurance to both officers and members that current and emerging risks faced by the Authority are adequately controlled and managed. Any changes to the agreed plan will only be made through a formal process involving the Section 151 Officer and reported to this Committee.

The Annual Plan

The Annual Plan

In order to develop the plan for the year, the Audit Manager reviewed the Corporate Risk Register, Service Plans and Service Risk Registers as well as meeting with TDBC Themed Managers and the Section 151 Officer. In addition, SWAP Management facilitated a Control and Risk Self Assessment (CRSA) session with the SWAP Management Board. The session identified emerging risks facing local authorities in general with a view to co-ordinate, where possible, with audits of other members of the South West Audit Partnership (SWAP). Joint audits of this kind should derive real benefits in both reducing overall time taken and in the shared lessons that can be experienced by all partners.

The Audit Plan is broken down into the activities identified on page 1. Each of these activities is considered following consultation and assessment. The following is a summary of each activity:

Key Control Audits – focus primarily on key risks relating to the Council’s major financial systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. To this end we have liaised with the Audit Commission representatives and included any requirements that they have in providing them necessary assurance, in line with the International Auditing Standards, that they are required to audit against.

Fraud/Governance Audit – This year SWAP have introduced a specialised Fraud Team who will undertake proactive fraud reviews and also provide a reactive service to partners should the need arise. These themes and the governance reviews were identified at the CRSA session involving partner Section 151 Officers or their representatives. The focus of the governance reviews is primarily the key risks relating to cross cutting areas that are controlled and/or impact at a corporate rather than service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting these reviews at all out partner sites.

The Annual Plan - Continued

The Annual Plan - Continued

IT Audits – are completed to provide the Authority with assurance with regards to their compliance with industry best practice. The Audits in the plan were identified in agreement with the Council's IT Client Officer and the South West One IT Manager.

Operational Audits – are detailed evaluation of service or functions 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. The Audit Manager reviewed the various Service Plans, Service Risk Registers and met with Themed Managers to identify areas of risk and concern over the coming 12 months.

Follow Up Audits – Where an audit received partial or no assurance, SWAP will carry out a follow up review to provide assurance that identified weaknesses have been addressed and risks mitigated. Time has been built in for quarters 3 & 4 for this.

Non-Opinion Reviews – are undertaken at the specific request of management, where they may have some concerns or are looking for advice on a particular subject matter. Such reviews are not normally afforded an audit opinion. At this stage there are no planned 'non-opinion' reviews for 2012-13, although this can change throughout the year. As mentioned on page 1, any changes to the agreed plan will only be made through a formal process involving the Section 151 Officer and reported to this Committee.

The schedule provided at [Appendix A](#) details the TDBC Annual Internal Audit Plan for 2012-13.

| | KEY DRIVERS | | | | | | | | | |
|--|---------------------------------|-------|----------------------|-------------------|--------------------|-----------------------|---------------|-----------|--------------|-------------|
| | Business Change and Improvement | Fraud | Corporate Priorities | Business Critical | Risk Register | Best Practice Reviews | Audit History | Financial | Reputational | Performance |
| Key Control Audit | | | | | | | | | | |
| Creditors | | Y | | Y | | | | Y | | |
| Council Tax & NNDR | | Y | | Y | | | | Y | | |
| Debtors | | Y | | Y | | | | Y | | |
| Housing Benefits | | Y | | Y | | | | Y | | |
| Main Accounting | | Y | | Y | | | | Y | | |
| Payroll | | Y | | Y | | | | Y | | |
| Capital Accounting | | Y | | Y | | | | Y | | |
| Housing Rents | | Y | | Y | | | | Y | | |
| Treasury Management | | Y | | Y | | | | Y | | |
| SAP Access | | Y | | Y | | | | Y | | |
| Governance, Fraud & Corruption | | | | | | | | | | |
| Fraud and Corruption - Creditors Fraud | | Y | | | | Y | | Y | Y | |
| Fraud and Corruption - Contract Fraud | | Y | | | | Y | | Y | Y | |
| Fraud and Corruption - Expense Claim Fraud | | Y | | | | Y | | Y | Y | |
| Committee Reporting - Member Decisions | | | | | | Y | | | Y | |
| Treasury Management | | | | | Y (Risk 3e) | Y | | Y | | |
| Data Security Breaches | | | | | | Y | | | Y | |
| EU Procurement Rules | | Y | | | | Y | | Y | Y | |
| Delivery of Major Projects - Risk Management | | | | | | Y | | Y | Y | |
| Asset Management Planning | | | | | Y (Risk 3f) | Y | | | | Y |
| Business Continuity in times of change/reduction | | | | Y | Y (Risk 6a,b,c) | Y | | | | |
| HR Policies - Absence Management | | | | | | Y | | | Y | Y |

Taunton Deane Borough Council

Corporate Governance Committee – 12 March 2012

Internal Audit - Review of internal audit charter

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

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

1. Executive Summary

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

2. Background

2.1 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 14th March 2011.

3. Finance Comments

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

4. Legal Comments

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

5. Links to Corporate Aims

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

6. Environmental Implications

6.1 There are no direct implications from this report.

7. Community Safety Implications

7.1 There are no direct implications from this report.

8. Equalities Impact

8.1 There are no direct implications from this report.

9. Risk Management

9.1 There are no direct implications from this report.

10. Partnership Implications

10.1 There are no direct implications from this report.

11. Recommendations

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

Contact:

| | |
|--|--|
| Chris Gunn 01823 356417 Chris.gunn@southwestaudit.gov.uk | Alastair Woodland 01823 356160 Alastair.woodland@southwestaudit.gov.uk |
|--|--|

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 14th March, 2011.

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 March 2012

12/03/2012, Report:Risk Management update
Reporting Officers:Dan Webb

Corporate Governance Committee – 12 March 2012

Present: Councillor Denington (Chairman)
Councillor A Wedderkopp (Vice-Chairman)
Councillors Beaven, Coles, Hall, Hunt, Miss James, R Lees, D Reed,
Mrs Reed and Tooze.

Officers: Shirlene Adam (Strategic Director), Debbie Arscott (Leisure Services Manager), Tonya Meers (Legal and Democratic Services Manager), David Woodbury (Health and Safety Advisor), Alastair Woodland (Audit Manager), Dan Webb (Client and Performance Lead), Chris Gunn (Internal Audit Manager) and Natasha Williams (Corporate Support Officer).

Also Present: Peter Lappin (Audit Commission).

(The meeting commenced at 6.15 pm)

72. Apologies/Substitution

Apologies: Councillors Gaines and Mrs Stock-Williams.

Substitution: Councillor Mrs Reed for Mrs Stock-Williams.

73. Minutes

The minutes of the meeting held on 12 December 2011 were taken as read and were signed.

74. Health and Safety Update Report

Considered report previously circulated concerning progress in implementing the Health and Safety Action Plan. The Corporate Health and Safety Advisor explained that overall progress was good, with no new significant risks or incidents to report.

Members requested more information on the one 'near miss' at the DLO. The Health and Safety Advisor would circulate a more detailed written response to Members.

Resolved to note that there were no significant risks or incidents.

75. Audit Commission – Audit of Grant Claims

Mr Peter Lappin of the Audit Commission introduced the Certification of Claims and Returns report for 2010/2011.

The report summarised the Audit Commissions findings from their review work and highlighted several areas where improvements could be made and the action plan reflected this. The action plan would be monitored to ensure the issues were progressed.

Members were advised that the Housing and Council Tax Benefit Scheme had required a reduced level of additional testing in 2010/11 compared with 2009/10 as a result of fewer errors being identified. In turn, a reduced fee had been charged.

The fee for the audit of grant claims in 2010/11 was £31,869.

Resolved to note the Certification of Claims and Returns report from the Audit Commission.

76. Audit Commission – External Audit Plan 2011/2012

Mr Peter Lappin of the Audit Commission introduced Taunton Deane Borough Council's Annual Audit Plan.

The report set out an overall summary of the Audit Commission's assessment of the Council and outlined the following:-

- The Statement of Accounts and Annual Governance Statement;
- Value for Money;
- The fees charged by the Audit Commission compared to those budgeted; and
- Current and future challenges.

Resolved that the Audit Plan 2011/12 from the Audit Commission be noted.

77. Risk Management Update

Considered report previously circulated, updating Members on the current position of Risk Management.

The annual review of the Corporate Risk Register had been drafted by the Corporate Management Team for 2012. Members of the Corporate Governance Committee were invited to contribute to the process of refreshing the Corporate Risk Register by identifying strategic risks.

Also reported that Operational Risk Registers had been produced for each of the Council's Themes as part of the 2011/12 service planning process.

Resolved that the progress with Corporate Risk Management be noted.

78. Section 106 Update

Considered report previously circulated, which provided details of the progress made against the recording of the centralisation of the Section 106 Agreement Developer Contributions.

A 2011 report from Audit, commissioned by Shirlene Adam, advised that the Section 106 Agreements for this Authority should be centrally monitored from the creation of an agreement through to implementation, collection of contributions and spending of funds.

Members were advised that the Community Leisure Officer had developed a master spreadsheet. The Council was therefore now complying with the recommendations made in the Audit report. The start date for centralisation was August 2011.

Members were advised that once a year, it would be possible for a statement to be sent out to Ward Members outlining details of Section 106 Agreements in their Ward area.

Resolved that the report be noted.

79. New Standards Regime

Considered report previously circulated, concerning The Localism Act 2011 which had made fundamental changes to the system of regulation of standards of conduct for elected and co-opted Councillors.

The date for implementation of these changes was the 1 July 2012.

Taunton Deane would remain under a statutory duty to promote and maintain high standards of conduct for its elected and co-opted Members.

The Act repealed Section 55 of the Local Government Act 2000, which provided for the current statutory Standards Committee.

Although there would be no requirement for a Council to have a Standards Committee, there would still be a need to deal with standards issues and case-work. In such circumstances, it was felt that it would be convenient to retain a Committee but without the unique features which were conferred by the previous legislation.

Reported that the current ten General Principles and Model Code of Conduct would be repealed by the Act and Members would no longer have to give an undertaking to comply with the Code of Conduct.

However, the Council would be required to adopt a new Code of Conduct governing elected and co-opted Member's conduct when acting in that capacity.

The Localism Act had abolished the concepts of personal and prejudicial interests. Instead, regulations would define “Disclosable Pecuniary Interests” (DPIs).

At present it was not known what DPIs would comprise, but they were likely to be broadly equivalent to the current prejudicial interests but with a number of important differences, details of which were submitted.

Resolved that the recommendations contained in the report be supported.

80. South West Audit Partnership Internal Audit Plan 2011/2012

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

The 2011/12 Annual Audit Plan summarised the work of the Council’s Internal Audit Service and provided:

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

Members noted that some high priority recommendations had been identified since December 2011 and that these were to be followed up by Internal Audit to provide assurance that risk exposure had been reduced.

Resolved that the progress made in the delivery of the 2011/12 Internal Audit Plan be noted.

81. South West Audit Partnership Internal Audit Plan 2012/13

Submitted for consideration the Internal Audit Plan 2012/13.

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.

Resolved that the Internal Audit Plan be agreed.

82. South West Audit Partnership 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 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.

83. 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 8:05 pm).