

Corporate Governance Committee - 13 July 2005

Present: Councillor Williams (Chairman)
Councillors Denington, Hall, Slattery, Mrs Smith and Mrs Whitmarsh.

Officers: Ms S Adam (Corporate Director), Mr P Carter (Financial Services Manager), Mr C Gunn (Internal Audit Manager), Mr S Murphy (Principal Accountant), Mr R Bryant (Review Support Manager).

Also Present: Mr T Bowditch, Audit Manager, The Audit Commission.

No press were present at this meeting.

(The meeting commenced at 6.15 pm.)

16. Apologies/Substitution

Apologies: Councillor Mrs Lewin-Harris (Vice-Chairman) and Councillors Beaven, Meikle and Prior-Sankey.

Substitution: Councillor Slattery for Councillor Prior-Sankey.

17. Minutes

The minutes of the meeting held on 21 February 2005, were taken as read and were signed.

18. Audit and Inspection Plan 2005/2006

Mr Terry Bowditch, Audit Manager, the Audit Commission (AC), introduced Taunton Deane Borough Council's Audit and Inspection Plan 2005/2006.

The plan set out the audit work proposed to be undertaken by the AC. It had been drawn up from the AC's risk based approach to audit planning and reflected:-

- the impact of the new Code of Audit Practice which came into effect on 1 April 2005. Noted that the key changes included:-
 - (i) the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
 - (ii) a clearer focus on overall financial and performance management arrangements.
- the Council's local risks and improvement priorities;

- current national risks relevant to the Council's local circumstances; and
- the impact of International Standards on Auditing (ISA's).

The total fee estimate for the audit and inspection work planned was £78,824. Details as to how this fee had been determined were submitted.

Following the Council's classification as an "excellent" Council in the 2004 Comprehensive Performance Assessment, the AC had applied the principles of strategic regulation. As a result, no service inspections would be carried out during 2005/2006. The inspection activity would focus on the Direction of Travel Statement, which would provide an assessment of the Council's progress against its Improvement Plan. The AC's conclusions would be set out in a scored and published Direction of Travel Statement.

An in depth study of the Council's use of resources would be undertaken based on the following summary:-

Use of resources activity	Reason/impact
Use of resources judgement	To inform the Use of Resources overall assessment in the December 2005 Comprehensive Performance Assessment scorecard
Value for Money opinion	To provide the AC's conclusion as to whether the Council had appropriate arrangements in place to deliver economy, efficiency and effectiveness
Best Value opinion	To provide the AC's conclusion as to whether the Council's Best Value Performance Plan meets the statutory requirements, particularly in respect of the accuracy and completeness of the published Best Value Performance Indicators
Audit certification of the actual performance reported in the Council's annual efficiency statement	To provide independent confirmation that the reported savings had been achieved

The AC would also be carrying out an audit of the 2005/2006 financial statements and would have regard to the newly introduced ISAs.

The Statement of Internal Control would be reviewed to ensure it had been presented in accordance with relevant requirements. On the basis of preliminary work, eight "opinion risks" had been identified which would be actioned.

Noted that the audit of the 2004/2005 financial statements had yet to be undertaken and the 2005/2006 financial statement audit planning would continue as the year progressed. This would take account of:-

- the 2004/2005 opinion audit;
- the AC's documentation and initial testing of material systems; and
- the AC's assessment of the 2005/2006 close down arrangements.

Mr Bowditch concluded that as part of the planning process, the AC would take the opportunity to look at potential issues for future years' programmes. Key areas identified included:-

- a possible Housing Stock Transfer in 2006, depending on the outcome of tenants' ballot; and
- the further development of the "Vision for Taunton".

RESOLVED that the report be noted.

19. Statement of Accounts 2004/2005

Considered report previously circulated, concerning the annual Statement of Accounts for 2004/2005 which was required to be approved by the Corporate Governance Committee prior to the accounts being signed by the Council's Section 151 Officer and Strategic Director, Shirlene Adam, and by the Chairman of the Committee, Councillor Williams.

The Statement of Accounts had been presented two weeks ahead of the deadline of 31 July 2005. Noted, however, that next year this statutory deadline was to be moved back a month to the end of June.

The 2004/2005 Accounts presented were subject to Audit, which was currently being undertaken by the Audit Commission.

The format of the Statement of Accounts was largely the same as last year and complied fully with current Local Authority Accounting arrangements. A new requirement for 2004/2005 was the inclusion of Group Accounts which brought into the Council's financial statements the activities of organisations over which the Council had significant control, for example, Tone Leisure.

A detailed presentation was made to Members by the Financial Services Manager, Paul Carter, on the Statement of Accounts which included information on the following topics:-

- Statement on the System of Internal Control;
- Consolidated Revenue Account;
- Consolidated Balance Sheet;
- Housing Revenue Account;

- Collection Fund; and
- Group Accounts.

Reported that following the conclusion of the current audit being undertaken by the Audit Commission, the Committee would be informed of any significant amendments arising.

RESOLVED that:-

- (i) the Statement of Accounts for 2004/2005 be approved; and
- (ii) the following determinations in respect of the year ended 31 March 2005 be made:-
 1. Section 42(2)(g) - that £599,000 of expenditure for capital purposes, which was financed by grant, be capitalised; and
 2. Section 60(2) - that £2,218,000 of useable capital receipts be applied to meet capital expenditure.

20. Internal Audit Services - Annual Report 2004/2005

Submitted for consideration the Annual Report 2004/2005 of the Council's Internal Audit Services.

Overall, the Council had in place an adequate and effective internal control environment. Most audits undertaken had shown compliance with the relevant internal controls.

Even though some recommendations had been made to improve the internal control environment in some areas, there were no instances whereby internal control weaknesses created any significant risks for the Council's activities or services.

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

- (i) Audit - 31 audit reviews had been completed which had resulted in 269 recommendations being made to the relevant Service Managers and Heads of Service. Each audit area would be re-visited after six months to review whether the agreed management actions had been successfully implemented.
- (ii) Risk Management - Work had continued to embed Risk Management across the Council.
- (iii) Value for Money - The reviews on the use of mobile phones and the Council's control team functions within Finance and Revenues had identified either service improvements or potential budgetary savings.

- (iv) Information Governance - The section had been involved with the update and review of the Council's Information Services Strategy, had provided advice on Data Protection issues and had played a fundamental role in the implementation of the Freedom of Information Act across the Council.
- (v) Contract Audit - All final accounts had been reviewed and work had also been undertaken on the Council's major partnering initiatives.
- (vi) General Financial Advice.

In terms of performance against the 2004/2005 Audit Plan, reported that 521 audit days had been delivered during the year, compared to the 749 days planned. Noted that performance had been affected by a number of issues, not least the significant time devoted to setting up the South West Audit Partnership.

RESOLVED that the report be noted.

21. Internal Audit Services - Progress Report

Considered report previously circulated, which provided an update on the progress made against agreed audit recommendations from 2004/2005. The report also detailed the activities of the Internal Audit team for the period between January and June 2005.

Reported that the 31 audit reviews completed during 2004/2005 had resulted in 269 recommendations being made. Although follow up visits had yet to be completed for all of these audit areas, summary details of progress against the recommendations was submitted.

Also reported that 123 (88%) of 139 recommendations made during 2003/2004 had now been implemented. Of the remaining 16, seven had been re-reported during the 2004/2005 audits and the remainder would be revisited during 2005/2006.

The Internal Audit team was currently operating with a part-time vacancy, due to the postholder being seconded to the Policy and Performance function. This secondment was due to end shortly and, with some temporary support over the summer, the team would be well placed to meet the 2005/2006 Audit Plan.

RESOLVED that the report be noted.

(The meeting ended at 8.11 pm.)