

## **Corporate Governance Committee – 28 June 2006**

Present: Councillor Williams (Chairman)  
Councillor Mrs Lewin-Harris (Vice-Chairman)  
Councillors Beaven, Hall, Lisgo, Meikle, Paul, Mrs Smith, Stuart-Thorn  
and Wedderkopp.

Officers: Ms S Adam (Strategic Director)  
Mrs G Croucher (Review Support Officer)  
Mr D Greig (Parish Liaison Officer)  
Mr C Gunn (Internal Audit Manager)  
Mr S Murphy (Principal Accountant)  
Mr P Weaver (Head of Environment and Leisure)

Also Present: Councillor Coles and Mr T Bowditch

(The meeting commenced at 6.15 pm)

### **1. Appointment of Chairman and Vice-Chairman**

RESOLVED that:-

1. Councillor Williams be appointed Chairman of the Committee for the remainder of the Municipal Year; and
2. Councillor Mrs Lewin-Harris be appointed Vice-Chairman of the Committee for the remainder of the Municipal Year.

### **2. Apologies/Substitutions**

Apologies: Councillors Denington, Prior-Sankey and Mrs Whitmarsh

Substitution: Councillor Paul for Councillor Prior-Sankey and Councillor Stuart-Thorn for Councillor Denington.

### **3. Minutes**

The minutes of the meeting held on 9 November 2005 were taken as read and were signed.

### **4. Audit and Inspection Plan 2006/2007**

Mr Terry Bowditch, Audit Manager, the Audit Commission (AC), introduced Taunton Deane Borough Council's Audit and Inspection Plan 2006/2007.

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 Code of Audit Practice;

- audit and inspection work specified by the Audit Commission for 2006/2007;
- the Council's local risks and improvement policies; and
- current national risks relevant to the Council's local circumstances.

The total fee estimate for the audit and inspection work planned was £79,672. 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 (CPA), the AC had applied the principles of strategic regulation recognising the key strengths in the Council's performance. A Direction of Travel Report had been produced which provided a review of the Council's progress since the CPA inspection and highlighted areas still in need of improvement. The review found many positive developments and progress in key areas which included:-

- Improving strategic planning and leadership with greater clarification of priorities, improving access to services, delivering better value for money and progress in building capacity;
- Consistently high public satisfaction in many service areas; and
- Improvement plans which were driving continuous improvement.

Areas identified as still in need of improvement included workforce planning, providing a consistent approach to managing equality and diversity, being more specific about the role and objectives of the Council for economic regeneration activity and using the results of consultation more effectively.

An in depth study of the inspection of the Council would be undertaken based on the following summary:-

<b>Inspection activity</b>	<b>Reason/impact</b>
Relationship manager role	To act as the Commission's primary point with the Council and the interface at the local level between the Commission and the other inspectorates, Government offices and other key stakeholders
Direction of Travel review	To provide focus for continuous improvement. Likely to be included in CPA scorecard

The AC would also be carrying out an audit of the 2006/2007 financial statements and follow the International Standards on Auditing.

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, three “opinion risks” had been identified which would be actioned.

Noted that the audit of the 2005/2006 financial statements had yet to be undertaken and the 2006/2007 financial statements audit planning would continue as the year progressed. This would take account of:-

- the 2005/2006 opinion audit;
- the AC’s documentation and initial testing of material information systems;
- the AC’s assessment of the 2006/2007 closedown arrangements; and
- any changes in the financial reporting requirements.

The areas of audit risk to be addressed were identified as:-

- Provision of regular assurance that the key corporate business risks were being managed effectively;
- The impact of the ISiS project on management arrangements; and
- The Housing Stock Options Project and tenants ballot proposals.

RESOLVED that the report be noted.

## **5. Strategic Risk Management**

Submitted report previously circulated, updating the Committee on the progress that has been achieved in embedding Risk Management within the organisation since the last meeting.

Risk Management was the basis of decision making where consequences and likelihood of outcomes was assessed prior to and during actions. In large and complex organisations it was necessary to provide a format for “common sense thinking” to ensure that a corporate and consistent approach was taken to the management of risk. This provided a baseline to judge the acceptability of a risk and to identify how it could be controlled and to identify opportunities that might otherwise have been dismissed.

Risk Management was recognised to be an essential and integral part of good management practice and governance. To be most effective it should become part of the Council’s culture and be integrated into the philosophy, practices and service planning process rather than being viewed as a separate initiative.

A robust system needed to be in place as failure to do so would lead to spiralling insurance costs and the danger that insurance companies would not be prepared to insure the Council.

As Risk Management was now an important part of the Comprehensive Performance Assessment (CPA) for the Council to retain its “excellent” status it was necessary to demonstrate that there was a system in place to monitor and manage risk. This included a requirement for this Committee to:-

- Consider and approve the Council’s framework for risk management; and
- Monitor progress on risk management and receive reports from the Risk Management Group.

Reported that significant progress had been made in introducing and implementing Risk Management throughout the organisation. This included:-

- Since December 2002 the Risk Management Team (RMT) had been working with the Chief Executive, Directors and Heads of Service to identify and manage high level corporate risks across the Authority and to start cascading and embedding the risk assessment process throughout the Council;
- Strategic Risk Registers had been put in place at corporate level and for each Head of Service area;
- The Corporate Risk Register had been reviewed and would be repeated at 6 monthly intervals;
- The Heads of Service Risk Management Registers would be incorporated into the Heads of Service Plans and reviewed as part of the planning and monitoring process;
- All large projects had been assessed for risk and Management Actions Plans had been put in place;
- A number of officers had been trained in the methodology to assist in the facilitation of Risk Management workshops;
- Work had now been completed to assess the risks at operational level throughout the Council and every unit had produced Management Action Plans to control the risks identified;
- Risk Management had now been included in the Corporate Staff Induction day; and
- The Risk Management Strategy was currently being revised and was at first draft stage.

Members of the Committee viewed the “Hearts and Minds” presentation usually given to officers.

It was reported that future actions planned to ensure that the system was maintained included:-

- a) Registers and Management Action Plans to be reviewed on a regular basis;
- b) A mechanism to be devised to ensure that risks can move between the plans to ensure they were being managed at the appropriate level;
- c) The Risk Management Strategy was to be revised and presented to the next Corporate Governance Committee meeting. A risk identification exercise would be carried out with Members of the Committee to identify high level strategic risks from their perspective.

RESOLVED that:-

1. The progress made so far in Risk Management within the Council be noted;
2. The actions that were planned for the future be noted; and
3. An exercise at the next meeting of the Corporate Governance Committee be undertaken to identify high level strategic risks from the Members’ perspective.

## **6. Internal Audit Annual Report 2005/2006**

Submitted for consideration the Annual Report 2005/2006 of the Council’s Internal Audit Services.

Generally, the reviews undertaken had identified only minor areas for improvement and had shown that key controls for the major financial systems were operating well. However, where significant control weaknesses had been identified recommendations for improvement had been acknowledged or adopted.

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

27 Risk Registers had been compiled;

19 full systems audits had been planned. Of these 3 were completed from the previous year; 6 had been issued as draft reports; one was in progress and would be completed this year; 12 audits had not completed with the agreement of management.

The Internal Audit Section had also undertaken to support:-

- Participation in the Statement on Internal Control Working Party;
- Use of Resources Review;
- Data Protection and Freedom of Information Advice;
- Review of Final Accounts (Contract Audit);
- General advice to services (financial and internal control issues).

13 managed audits/part system reviews had been undertaken to assist the External Auditor.

23 follow-up reviews were due, with one at draft stage and three outstanding.

The significant areas that remained outstanding included:-

- Quality of systems and procedural documentation;
- Lone worker arrangements;
- Recruitment and selection of staff; and
- Main accounting system.

RESOLVED that the report be noted.

## **7. Internal Audit Progress Report**

Considered report previously circulated, which provided an update on the progress made against agreed audit recommendations from 2005/2006. The report also detailed the activities of the Internal Audit team for the period between November 2005 and June 2006.

Reported that the 20 audit reviews completed during 2005/2006 had resulted in 164 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.

RESOLVED that the report be noted.

## **8. South West Audit Partnership (SWAP) Financial Performance 2005/2006**

The South West Audit Partnership (SWAP) was formed in 2005 and provided an effective internal audit service to Taunton Deane Borough, South Somerset, Mendip and West Somerset District Councils. The Partnership was operated as a Joint Committee. This Council contributed £20,000 towards the start-up funding of £60,000 and it was agreed this would be repaid in four annual instalments starting in 2006/2007. During 2005/2006 the Partnership had out-performed its financial business plan by £7.5k.

It was also noted that the Partnership had generally met its performance targets.

RESOLVED that the report be noted.

## **9. Statement on Internal Control 2005/2006**

Considered report previously circulated, concerning the annual Statement on Internal Control (SIC). The effectiveness of the SIC was required to be reviewed at least once a year and would form part of the 2005/2006 Statement of Accounts. The 2005/2006 review had concluded that there were no significant control issues to be addressed.

The SIC statement was required to be approved by the Corporate Governance Committee and then signed by the Leader of the Council, the Chief Executive and the Chief Finance Officer.

RESOLVED that the Council's Statement on Internal Control be approved.

## **10. Statement of Accounts 2005/2006**

Considered report previously circulated, concerning the annual Statement of Accounts for 2005/2006 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 statutory deadline had been moved forward a month to the end of June compared to the end of July in previous years.

The 2005/2006 Accounts presented were subject to Audit which would shortly be 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. There had been only minor changes to the content of the Annual Accounts when compared to 2004/2005.

A detailed presentation was made to Members by the Principal Accountant, Steve Murphy, on the Statement of Accounts which included information on the following topics:-

- Consolidated Revenue Account;
- Consolidated Balance Sheet;
- Housing Revenue Account;
- Collection Fund; and
- Group Accounts.

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

RESOLVED that:-

- (i) The Statement of Accounts for 2005/2006 be approved;
- (ii) Authority be delegated to the Section 151 Officer and Leader of the Council to amend the notes to the Statement of Accounts (in order to comply with Local Authority Accounting Panel (LAAP) 65); and
- (iii) The following determinations in respect of the year ended 31 March 2006 be made:-
  - 1. **Section 42(2)(g)** – that £1,415k of expenditure for capital purposes, which was financed by grant, be capitalised; and
  - 2. **Section 60(2)** – that £390k of useable capital receipts be applied to meet capital expenditure.

(The meeting ended at 8.46 p.m.)