

Corporate Governance Committee – 19 September 2016

Present: Councillor Sully (Chairman)
Councillor Cavill, Govier, Hall, Hunt, Nicholls, Mrs Smith, Mrs Tucker and Ms Webber.

Officers: Paul Harding (Corporate Strategy and Performance Manager), Shirlene Adam (Director – Operational Delivery and s151 Officer) and Emma Hill (Democratic Services Officer)

Also Present: Alastair Woodland – Audit Manager, South West Audit Partnership (SWAP)

(The meeting commenced at 6.20 pm)

27. Apologies/Substitutions

Apologies: Councillors Booth, Horsley, Ryan, Miss Smith

Substitution: Councillor R Lees for Councillor Horsley

Councillor Mrs Smith for Councillor Miss Smith

Councillor Hunt, Tucker and Webber submitted their apologies for special meeting of the Corporate Governance Committee due to be held on Wednesday 28 September 2016.

28. Minutes

The Minutes of the Meeting of the Corporate Governance Committee held on 21 June 2016 were taken as read and were signed.

29. Declaration of Interests

Councillor Coles declared a personal interest as a Member of Somerset County Council. Councillor Hall declared a personal interest as a Director of Southwest One.

30. SWAP Internal Audit – Internal Audit Plan 2016/2017 Progress Report

Members considered the report previously circulated concerning the role and function of Internal Audit. The 2016-17 Annual Audit Plan was to provide independent and objective assurance on TDBC's Internal Control Environment. This work would support the Annual Governance Statement.

It was reported that there were one partial assurance, one reasonable assurance and four follow-up audits being reported from quarter one of 2016/17.

The audits within the crematorium, DLO stores and Land Charges had received partial assurances. Following the identification of the weaknesses within the service areas, an action plan had been agreed with the service managers.

To ensure this Committee was provided with assurance on areas of weakness, officers would be following up on these partial assurance reviews and would report back on progress made against each recommendation.

During the discussion of this item the following points were made:-

- Members raised concerns about the weaknesses identified by the Auditors on page 20, concerning the increase in debt at the crematorium to nearly £88,000 as well as the failure to issue overdue payment reminder letters.
- The Committee were informed the crematorium had historically used a separate system for raising orders and raising debt outside of the SAP system and this meant the debt was outside the normal debt recovery process. This had not been identified by the relevant Service Manager. There was a progress update regarding this weakness and connected action plan to resolve it, the Council had moved the raising of invoices process for the crematorium into the Sap system and the previous practice of raising debt outside SAP had been stopped.
- In response to a question asking if the auditors could recommend any additional controls for the 45000 cost code, which was being used for high value purchases, instead of the low value and high volume purchases it was designed for, the Committee was informed that the reason why this cost code had been used was the corporate procurement was onerous and bureaucratic when used through SAP system. SWAP had recommended with forthcoming new financial system from 1 April 2017 that the Council wait to see how this new system would link in before reviewing the controls for this and other cost codes. Although, we were not recommending any additional controls at this stage, there was an approved manual procedure for approving purchases Our only recommendation was that staff should be reminded that they should not be using the code beyond a certain point and ultimately, there was a control in place, which was budget monitoring.
- In response to a question asking what was the cut off point for a 'high value' purchases/orders, the Committee were informed that Officers would have to go away and check this as they did not have this deal to hand.
- The Committee were informed that audit standards only required SWAP to follow up on partial and non-assurance audits. Unless the Council provided SWAP with good reasons not to follow up, SWAP would always complete this. For example, if a service had completely changed and they were no longer completely that function then that would be justification for not following up on the audit.

Resolved that the progress made in delivery of the 2016/17 internal audit plan and significant findings since the previous update in June 2016 to be noted.

31. Summary of the Overdue high priority SWAP Audit Recommendations

Members considered the report previously circulated, concerning a position statement on the SWAP audit recommendations for Taunton Deane Borough Council, which were assessed as high and very high priority, where the agreed remedial action were overdue.

At the start of each financial year, an audit plan was agreed between SWAP and the Council, which identified the areas of highest potential organisational and operational risk within the Council.

All findings would be allocated one of 5 priority ratings. With priority 5 carrying the most significant risk to the service (not necessarily to the wider Council) and priority 1 the least significant risk.

Each finding within the action plan contained a target implementation date, which had been agreed between SWAP and the service manager concerned.

All priority 4 and 5 recommendations were captured in a register to ensure progress against the recommendations could be tracked and progress reported to JMT and the Corporate Governance Committee.

The report highlighted the Priority 4 and 5 audit actions affecting the Council, where the agreed remedial action was overdue. On this occasion there were 13 priority 4 priority actions which were overdue but zero overdue priority 5 recommendations for the Council.

A summary of the overdue actions was provided as Appendix with the covering report.

During the discussion of this item the following points were made:-

- Discussion took place about what the difference would be on the spreadsheet if the items that were completed and dropped off were not removed. This would help Members to understand the progress and churn of items by keeping these items on the spreadsheet and not removing. Members stated it was difficult to remember what had been on the spreadsheet.
- Members agreed and requested the inclusion of a summary of those actions/items which had been agreed, completed and closed to allow them to monitor the movement on this spreadsheet. The Committee were informed that this request could be accommodated.
- Members raised concerns about the actions and risk relating to the Council; Asset Management service and that these appeared to have been around for some time.
- In response to a question asking if the Asset Management Plan mentioned in the risk register was the existing new plan or a revised plan. This revised plan would contain directions and guidance on how best to utilise our assets, the Committee were informed that the Officer was not able to confirm this at this time and would come back to the Committee after speaking to the relevant Assistant Director.
- Members raised concerns that if there had been changes to the Asset Management Plan and model, then the document would need to come before elected Members for scrutiny and comments as this contained information on parameters for action concerning asset management.

Resolved that the summary of overdue high priority actions to be noted.

32. Corporate Risk Management Update

Members considered the report previously circulated, concerning an update on the corporate risks, which were being managed by the Joint Management Team (JMT).

The Council also had a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2003. Risk management was a key element of the Council's overarching Governance arrangements.

The Corporate Risk Register was a 'live' document, which highlighted the key corporate risks facing the Council. The register was a joint one between Taunton Deane and West Somerset Council and was formally reviewed by JMT on a quarterly basis as part of the corporate performance review day. The last JMT review took place on 19 May 2016. The next review was scheduled for 30th September 2016.

These regular reviews ensure that new strategic-level risks can be recognised; continuing risks can be re-assessed in the light of management actions to date; and risks, which were no longer considered important could be removed.

Risks which were managed at a corporate level, those which had a significant risk to the delivery of a corporate priority or which were cross-cutting risks that did not naturally sit with a single department or team were included in the Corporate Risk Register. These risks had been identified and escalated from other risk registers within the Councils, officer concerns or from external sources.

There were currently 17 strategic risks identified and approved by JMT (13 joint risks, 1 WSC risk and 3 TDBC specific risks).

Mitigating actions had continued to be delivered in respect of the various risks. These were set out in the risk register and would continue in order to manage down the risks to an acceptable level.

An extract of the corporate risk register was provided as appendix with the covering report.

During the discussion of this item the following points were made:-

- In response to a question asking how relevant was the risk score on each risk and did this affect their importance members were informed that the risk score or RAG status was the way for Members to judge and measure how serious and important the issue was.. Members requested the inclusion of RAG Status and arrows denoting the direction of movement for the risk as the scoring system used, did not give much indication of this. The Committee were informed that this could be accommodated for the next report.
- Officer stated that they had brought this report before Members in case there were risks that Members felt should be on the register that we not currently.

Resolved that the current position in relation to the identification and tracking of corporate risk to be noted.

33. Corporate Governance Action Plan Update

Members considered the report previously circulated, concerning an update of progress against the Annual Governance Statement Action Plan.

The Annual Governance Statement (AGS) was a statutory document, which provided assurance on the governance arrangements in place within the Council. The

statement was produced following a review of the council's governance arrangements.

The AGS included an action plan to address any new governance issues identified by the Corporate Governance Officers Group; relying on reports from internal and external audit as well as their own understanding of the organisation.

The Action Plan was included as an appendix with the covering report.

During the discussion of this item the following points were made:-

- In response to a question asking if the training stated in the report could be opened up to all Councillors at Taunton Deane, this would cover those Councillors who had an interest in the subject, the Committee were informed that the training could be attended by any elected Member of the Council and was not limited to the Members of the Committee. The Officer would ensure that the training session information was emailed to all Members if it had not been already.
- Members requested that the Democratic Services Officers ensured this action was followed through.

Resolved that the current progress in relation to completing the actions identified within the Annual Governance Statement to be noted.

34. Corporate Governance Committee Forward Plan

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

Resolved that the changes to the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 7.05pm).

Corporate Governance Committee – 28 September 2016

Present: Councillor Sully (Chairman)
Councillor Mrs Blatchford (Vice-Chairman)
Councillor Booth, Cavill, Coles, Hall, Nicholls and Mrs Reed

Officers: Sue Williamson (Principal Accountant), Paul Fitzgerald (Assistant Director - Resources), Shirlene Adam (Director – Operational Delivery and s151 Officer) and Emma Hill (Democratic Services Officer)

Also Present: Councillor Berry
Peter Barber - Associate Director, Grant Thornton
Kevin Henderson – Audit Manager, Grant Thornton

(The meeting commenced at 6.15 pm)

35. Apologies/Substitutions

Apologies: Councillors Horsley, Hunt, Ryan, Miss Smith, Tucker and Mrs Webber
Substitution: Councillor Coles for Councillor Miss Smith

36. Declaration of Interests

Councillor Coles declared a personal interest as a Member of Somerset County Council and Member of Devon and Somerset Fire and Rescue Service. Councillor Hall declared a personal interest as a Director of Southwest One.

37. Assessment of Going Concern

Members considered the report previously circulated, concerning the S151 Officer's assessment of the Council as a "going concern" for the purpose of producing the Statement of Accounts for 2015/16.

The S151 Officer presented the report, which detailed the main factors underpinning the assessment of the Council's Going Concern as being:

- The Council's current financial position,
- The Council's Year End Position,
- Current and Projected financial position for Revenue, Capital and Balance Sheet.
- The Council's Treasury Arrangements
- Governance arrangements;
- The regulatory and control environment applicable to the Council as a local authority.

Additionally, the report detailed emerging risks that could potentially affect the Council in the following areas:

- NHS claims for Business Rates Discount
- Asset Condition and Compliance Surveys

- Transformation and the Business Cases for change

It was considered that, having regard to the Council's arrangements and such factors as were highlighted in this report, the Council remained a "going concern until at least September 2017 i.e. One year from expected opinion on the Council's 2015/16 financial statements". This assessment would be undertaken annually in the course of preparing the Council's financial statements for each year.

During the discussion of this item the following points were made:-

- In response to a question asking who made the decision as to what was a reasonable reserve for the Council, the Committee were informed that S151 Officer would decide ultimately that the level set was acceptable following the appropriate assessments and provisions being completed by the Council.
- Members queried if the 'going concern' status would change following the creation of a new authority and were informed that the Council was aware that the decision taken by both Council to merge and the continuing transformation plans would bring savings for both Councils. If the Council progressed to the stage where a new Council was created, the new Council's Medium Term Financial (MTF) plan would need to be assessed under the current regime. The s151 Officer stated there were no issues giving cause for concern regarding the proposed merger at the current time. Members asked if there is any indication of the amount of potential Business Rate refund claim stated in the emerging risks and were informed that Officers had made estimations looking at both best and worst case scenarios. The Council had set aside funding just in case a claim was made. The estimated worst case scenario was around £800,000. As of yesterday, the Council had not received any application for business rate refunds.

Resolved that the outcome of the assessment made of the Council's status as a "going concern" for the purposes of the draft Statement of Accounts for 2015/16 be noted.

38. Grant Thornton External Audit – External Audit Progress Update

Members considered the report previously circulated which provided a regular progress and update report in relation to prescribed audit work to date for the financial year and also provided an update in relation to emerging national issues that might impact on the Council.

The report updated Members on the status, progress and completed work in relation to the auditor's planned schedule of work, year ending 31 March 2016. The Auditors completed risk assessments in the prescribed audit work areas. If any risks came out of the assessment process, the Auditor's would look into those risks and the area in further detail.

During the discussion of this item the following points were made:-

- Members expressed their thanks to Council Officers involved and external auditors Grant Thornton for their continued co-operation in working towards the bringing forward of the completion for signing off of the audited accounts.

Resolved that the Officer's update report be noted.

39. Grant Thornton External Audit – External Audit Findings Report

Members considered the report previously circulated, concerning the annual report of our external auditor Grant Thornton outlining their findings from their audit of our Statement of Accounts, and our arrangements to secure Value for Money.

That following the detailed review of financial statements and our governance and control arrangements, the Auditor had indicated his intention to provide an "unqualified" opinion on our accounts for 2015/16, and an "unqualified VFM conclusion" in respect of arrangements to secure economy, efficiency and effectiveness in our use of resources i.e. providing value for money.

The Unaudited Statement of Accounts 2015/16 were signed off by the Council's S151 Officer in June 2016 within the statutory deadline, and before the start of the external audit review.

The external audit review had been completed and the auditor had indicated their intention to issue an "unqualified opinion" for the Statement of Accounts, as showing a true and fair view of the Council's financial position and performance.

The auditor had also reviewed our arrangements to secure economy, efficiency and effectiveness in our use of resources, and provided an opinion in the form of a value for money conclusion and their report stated that "the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources".

During the discussion of this item the following points were made:-

- Members were reassured that any misclassification issues (as highlighted on page 25 of the report) had been addressed to prevent reoccurrence in future years.

Resolved that the Council's Statement of Accounts and to support the action plan in the report be noted.

40. Approval of Statement of Audited Accounts

Members considered the report previously circulated, concerning the Statement of Accounts for 2015/16. This report is required to be approved by the Corporate Governance Committee and signed by the S151 Officer (Shirlene Adam) and the Chair of the Corporate Governance Committee (Councillor Sully).

A copy of the Statement of Accounts was attached with the covering report.

This report also linked to and reflected the Audit Findings Report, which was prepared by and would be presented by the Council's external auditors, Grant Thornton UK LLP.

The Accounts and Audit Regulations 2011 require the Statement of Accounts to be approved by a resolution of a nominated committee. The current constitutional arrangements devolve this responsibility to the Corporate Governance Committee.

The S151 officer was required to sign off the unaudited Draft Accounts as true and fair by 30 June each year. The audited Statement of Accounts must be approved by Committee by 30 September each year. Once approved the Statement must be signed by the S151 Officer and the Chair of the Corporate Governance Committee, and published on the Council's website.

The Council's Statement of Accounts had been audited this year by Grant Thornton UK LLP and was attached to this report. At the time of writing this report, Grant Thornton intend to issue an unqualified opinion, as reported in the Audit Findings Report earlier on the agenda for this meeting.

The Statement of Accounts for 2015/16 had been prepared on an IFRS (International Financial Reporting Standards) basis in line with the CIPFA (Chartered Institute of Public Finance Accounting) Code of Practice on Local Authority Accounting in the UK 2015/16.

In 2015/16 there were no significant changes to our accounting requirements which might have made it necessary to change the comparative financial details related to 2014/15. However, as reported in our draft accounts we had reviewed our computations relating to our Business Rates Collection fund. This had led to a restatement of the 2013/14 and 2014/15 accounts and a revision to the 2015/16 accounts from the draft accounts that were publicised in June. The details of the restatement were found in Note 2 to the accounts.

The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2016:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

There were also supplementary statements related to the Collection Fund, which deals with the collection and distribution of Council Tax and Business Rates and the Housing Revenue Account.

Grant Thornton UK LLP intends to issue the Council with an "unqualified" opinion on the Statement of Accounts and the Value for Money conclusion. This was good news and means that the Auditors agree that the Accounts provide a "true and fair view" of the financial position.

During the audit, there were a number of amendments to the Draft Accounts, particularly to correct the position on the Business Rates Collection Fund and also regarding the valuation of our assets which have been reviewed at year end. This was shown in the Audit Findings Report earlier on this agenda. These amendments now mean that we had addressed the issues, which we identified in our Business Rates recalculations and the valuation issues the external auditors raised as part of their audit.

During the discussion of this item the following points were made:-

- In response to a question asking what was the deficit amount paid by the smoothing fund and what was the balance of the fund, the Committee were informed that smoothing fund had been £2 million and our share of the deficit amount was £748,000. This would leave in the smoothing fund £1.3 million.
- Officers reassured the Committee, that the Council had taken this issue very seriously and that action had been taken, which included the tightening of controls surrounding Collection fund.
- In response to a question asking why had there been an increase in the Council's bad debt provision, the Committee were informed that this sat within the earmarked reserves of Housing Revenue Account (HRA). It related to a provision made following the assessment of potential rent arrears for the following year and this provision would be reviewed annually. The increase in the provisions was directly linked to the Welfare Reform and in preparation for the introduction of Universal Credit.
- In response to a question asking was there anything the Council could do to ensure total cost recovery within the Planning Fee structure the Committee were informed that planning fees were set by the Government and elements of the service were funded by the taxpayer, but not the entire service. The figure displayed had been an overall planning figure.
- Director of Operations wanted to add her personal and corporate thanks to the Finance Team as they had worked extremely hard to get the Council to a position tonight, where we could sign off the Statement of Accounts. Director of Operations expressed her thanks for the patience of the Council's auditors as these boundaries had been tested and pushed beyond normal with the delays.
- Also the Director offered thanks and congratulations to Principal Accountant Sue Williamson for presenting with such clarity tonight.

Resolved that:-

1. The Auditor's unqualified opinion on the Statement of Accounts be noted;
2. The Statement of Accounts 2015/16 as presented to the Committee be approved; and
3. The Chairman of the Committee and the S151 Officer be authorised to sign off the Statement of Accounts.

41. Corporate Governance Committee Forward Plan

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

Resolved that the changes to the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 7.21pm).