

Corporate Governance Committee – 20 March 2017

Present: Councillor Sully (Chairman)
Councillor Adkins, Bowrah, Cavill, Coles, Coombes, Hall, Hunt, Nicholls, Mrs Reed.

Officers: Paul Fitzgerald (Assistant Director - Resources), Heather Tiso (Revenues and Benefits Service Manager), Paul Carter (Assistant Director – Corporate Services), Alistair Woodland (Assistant Director – South West Audit Partnership), Richard Doyle (Corporate Strategy and Performance Officer) and Andrew Randell (Democratic Services Officer).

Also Present: Peter Barber - Associate Director, Grant Thornton
Richard Lillis

(The meeting commenced at 6.15 pm)

1. Apologies/Substitutions

Apologies: Councillors Booth, Govier, Mrs Tucker and Ryan

Substitution: Councillor Coombes for Ryan
Councillor Coles for Booth
Councillor Bowrah for Mrs Tucker

2. Minutes

The Minutes of the meetings of the Corporate Scrutiny Committee held on 6 December 2016 were taken as read and were signed.

3. Declaration of Interests

Councillor Adkins declared a personal interest as a Somerset County Councillor. Councillor Coles declared a personal interest as a Member of Somerset County Council and Member of Devon and Somerset Fire and Rescue Service. Councillor Hunt declared a personal interest as a Somerset County Councillor.

4. Grant Thornton – External Audit Progress Report and Update

Considered report previously circulated, which introduced the External Audit Progress Report and Update, which had been prepared by the Council's external auditors, Grant Thornton. A copy of the External Audit Progress Report and Update had also been enclosed with the report.

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 2017. 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 consideration of this item no points were made

Resolved that the report be noted.

5. Grant Thornton External Audit Plan

Considered report previously circulated, which provided a report in relation to the External Audit Plan.

The Auditor's report summarised their approach to the 2016/17 audit programme, provided information on the work already undertaken, the tasks yet to be completed, the timescales and the auditors view on risk.

The audit work required related to the preceding financial year (2016/17). Specifically this audit work focused on the provision of an audit opinion in relation to the accounts, value for money (VFM) and associated key risks.

A copy of the plan for 2016/17 was attached with the covering report.

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

- Materiality set at £1,500k was based on a 2% figure of gross expenditure which was determined at £75,000k.
- The revised contribution of the pension deficit had been incorporated in the Medium Term Financial Plan.
- Members expressed concerns that the pension strain would be unaffordable following the merger which would have greater impact than current provision.
- It was determined that the actuary would need to look at the workforce as a whole and assess this based on the details of the workforce.
- A fixed sum had been set aside for the transformation costs for the purposes of redundancies and transformation costs. Members voiced concerns that this could outstrip potential savings.

Resolved that the External Update Report be noted.

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

Considered report previously circulated, concerning the South West Audit Partnership (SWAP) Internal Audit Plan 2016/2017 Progress Report 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 2016/2017 Annual Audit Plan provided an independent and objective assurance on Taunton Deane Borough Council's internal control environment. This work supported the Annual Governance Statement. Details of the progress made since the previous update in December 2016 was submitted.

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 2017. The Auditors had 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:-

- Assurance was given that safeguards would be put in place over SAP succession planning.
- A regular position statement would be sent out to highlight concerns and provide contingency arrangements.
- The recommendations and progress of building control and Crematorium would be tracked to ensure that risks and recommendations would be addressed.

Resolved that the report be noted.

7. SWAP Internal Audit – Internal Audit Plan 2017/2018 & Audit Charter.

Considered report previously circulated, concerning SWAP Internal Audit – Internal Audit Plan 2017/2018 & Audit Charter:-

The internal audit charter defined its roles and responsibilities and accountabilities of the boroughs managers as they relate to internal audit. A summary was provided detailing the role of internal audit.

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

A requirement to have an Audit charter in place and for this to be approved annually. The plan had been approved by senior management. The plan set out was flexible and could change with risks.

The list of audits were reported in Appendix A. The audit charter was set out in Appendix B.

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

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

- Appendix A was referred to. The contingency was separate from reserve. 8 Reserve days set aside for contingency. There are no other contingencies so if additional work is required this is done by dropping some existing work scheduled.
- Considering the audit Plan, 12 days were scheduled for the new website. This was the post implementation review. The detailed scope is set out at the initial meeting in which key risks were looked at. Information relating to this would be circulated.

- The work around the website was to ensure information flow, feeding into back office systems is working well, payments feeding into back office systems and the operational function of the website is working along with accessibility.

Resolved that the Internal Audit Plan and Charter be approved.

8. Corporate Governance Action Plan

Members considered the report previously circulated, concerning the Corporate Governance Action Plan.

This report provided an update of progress against the Annual Governance Statement Action Plan.

The Annual Governance Statement (AGS) is a statutory document which provides assurance on the governance arrangements in place within the Council. The statement is 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 progress against the action plan set out in appendix A was set out.

Following the presentation of this item no points or questions were made.

Resolved that the report be noted.

9. Overdue high Priority SWAP Audit Recommendations

Considered report previously circulated, the report provided Members with 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 is overdue.

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

The control and procedural weaknesses were identified within an action plan appended to the report.

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

- Concerns were expressed over the number of high priority SWAP Audit Recommendations. Reassurance was given that this was a reduction on the previous number reported and were being followed up on a monthly basis.
- The aim was for the risks to be lower at the next update provided to members. Updates on specific areas would be circulated to members on the committee.

- An update on the integration of systems used by asset management would be provided to the committee

Resolved that the report be noted.

10. Corporate Risk Management Update

Considered report previously circulated, considering the Corporate Risk Management Update.

This report provided an update on the corporate risks which are being managed by the Joint Management Team.

Risk management is a key element of the Council's overarching Governance arrangements.

The Corporate Risk Register is a 'live' document which highlights the key corporate risks facing the Council. The register is a joint one between Taunton Deane and West Somerset Council and formally reviewed by JMT on a quarterly basis as part of the corporate performance review day. The last JMT review took place on 30th September 2016. The next review is scheduled for 19th May 2017.

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

Risk registers exist with divisions, teams, projects and programmes. All these Risk Registers were updated in January 2017.

Risks which are managed at a corporate level were those which had a significant risk to the delivery of a corporate priority or which were cross-cutting risks that didn't naturally sit with a single department or team. These risks have been identified and escalated from other risk registers within the Councils, officer concerns or from external sources.

There were 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 in Appendix A.

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

- The new SAP replacement system was due to go live on 21st March 2017.
- A new HR and Payroll system was in the process of being implemented.
- There would be an extensive programme of testing to be undertaken on the systems. The risks were recognised along with members concerns on the implementation of new systems.
- If there were no significant issues in testing then the systems would go live.

- It was recognised that there was still a risk involved in the Medium Term Financial Plan.

Resolved that the report be noted

11. 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.

12. Exclusion of the Press and Public

During the discussion of this matter, it was **resolved** that the press and public be excluded from the meeting to allow a further confidential presentation to be made to Councillors and discussion to take place of the confidential appendices to the report with regard to contract end provisions, the financial implications, staffing implications and a risk review. The exclusion was considered necessary because of the likelihood that exempt information would otherwise be disclosed relating to Clause 3 of Schedule 12A to the Local Government Act, 1972 and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

13. CONFIDENTIAL Update on Corporate Counter Fraud Arrangements

Considered report previously circulated, considering the Update on Corporate Counter Fraud Arrangements.

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

- It was questioned if savings could be achieved by the service.
- Members were of the view that the service should be kept in house, once the service was more successful in detecting fraud in the then there would be less potential of detection.
- In the proposals then if fraud was not detected then the new provider would not receive any funding. Taunton Deane Borough Council would retain the right to terminate the contract.
- The contract term was set at three years, with the formation of a new council, the contract could be reviewed and changed within the term to ensure continuity.
- An update would be provided to Councillors within three months to set out how the new contract is progressing.
- The reports clarity was commended by the committee

Resolved that: - The Corporate Governance Committee support the recommendation that Proposal B be selected as the preferred provider to deliver the Corporate Counter Fraud service from 1 April 2017.

(The meeting ended at 7.40pm).