

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 21st JULY 2004

REPORT OF THE HEAD OF RESOURCES

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

STATEMENT ON INTERNAL CONTROL 2003/04

Executive Summary

This report invites the Executive to consider the attached Statement on Internal Control (SIC) which will form part of the 2003/04 Statement of Accounts, before it is signed by the Leader of the Council and the Chief Executive.

1. Background

- 1.1 From 1 April 2003, the Accounts and Audit Regulations (England) 2003 require Taunton Deane Borough Council to publish a Statement on Internal Control (SIC) with its statement of accounts each year. The purpose of this statement, to be signed by the Leader of the Council and the Chief Executive, is to provide assurance that the Council has a sound internal control framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives.
- 1.2 To support the conclusions in the SIC, each year a review is to be carried out of the system of internal control to highlight any serious control issues and actions needed to deal with them. The process is shown on the attached chart produced by CIPFA (Appendix A).
- 1.3 CIPFA have recently published guidance on how to carry out this review. Because the guidance has only just been published, it is not expected that authorities will have had enough time to carry out a sufficiently full review to be able to give a full assurance for 2003/04 and may, for this year only, publish an interim statement highlighting where they fell short of full assurance.
- 1.4 A brief review has been carried out but there are some elements of the control framework that need to be put in place before a more thorough review can take place. The review did not, however, find any control weaknesses that had a significant effect on the achievement of the objectives of the Council.
- 1.5 The draft SIC is attached at Appendix B., together with an action plan to achieve full assurance next year at Appendix C. The SIC has been based on a pro forma suggested by CIPFA.

2. Recommendation

2.1 The Executive is requested to approve the Statement on Internal Control.

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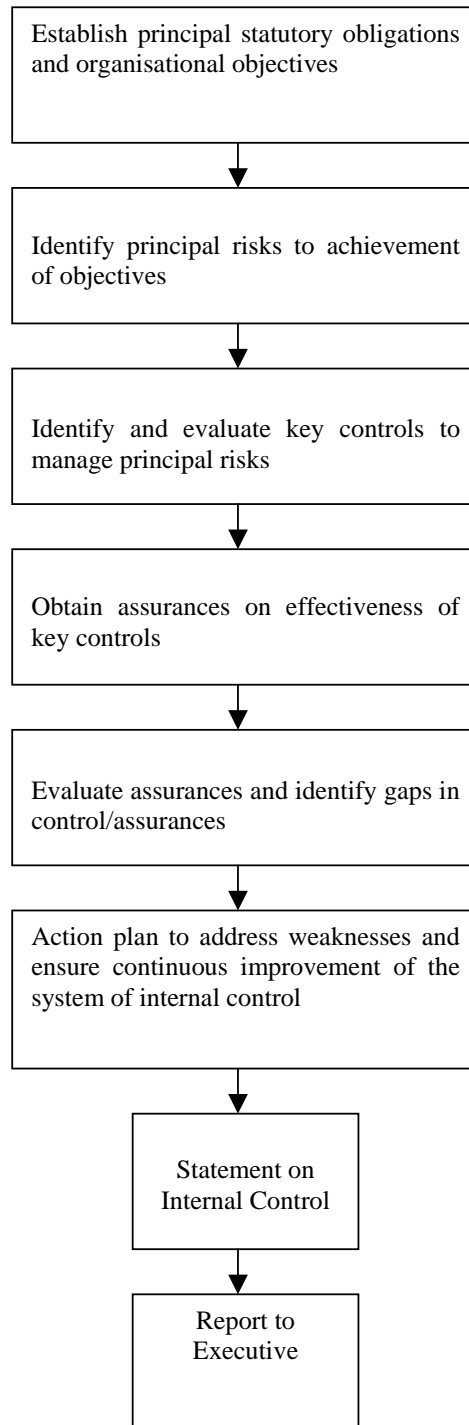
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APPENDIX A

Review of Internal Control and SIC Assurance Gathering Process



1. SCOPE OF RESPONSIBILITY

Taunton Deane Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Taunton Deane Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Taunton Deane Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Taunton Deane Borough Council's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Taunton Deane Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Taunton Deane Borough Council for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the Council's internal control environment are described below: -

Establishing and monitoring the achievement of the Authority's objectives

Taunton Deane Borough Council is one of a number of organisations represented on the Taunton Deane Local Strategic Partnership (LSP), formed to ensure that the joint efforts and resources of local agencies are combined as far as possible to identify and address the issues that really matter to residents. The LSP have recently published a Community Strategy for Taunton Deane that sets out a broad agenda of action to improve the quality of life in Taunton Deane. Work is underway on developing a series of mini-community strategies focussed on specific areas of the Deane – the Vision for Taunton being the first.

Following consultation with residents, Taunton Deane Borough Council have produced a rolling 3-year Corporate Strategy that builds on that broad agenda to clearly establish the Council's own set of ambitions and priorities. The Corporate Strategy sets out detailed objectives and supporting actions under each of the corporate priorities – specifying what Taunton Deane Borough Council will do to secure improvement in each area. In addition, the Corporate Strategy sets out a series of organisational objectives, embodying “how the Council will deliver services” and meet its statutory requirements.

The Corporate Strategy is the key planning document – from which the Councils medium term financial plan and annual budget, Asset Management Plan, Capital Strategy, Housing Strategy are formed. Individual Team Plans are produced from the Corporate Strategy to show how each service will contribute to the delivery of the objectives.

Progress against the agreed objectives and actions is reported to the Executive on a quarterly basis to ensure the Council remains focussed on delivering its ambitions and priorities.

The facilitation of policy and decision-making

Taunton Deane Borough Council has a published Constitution that sets out the decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals. There is also a robust budget and policy framework, and detailed financial regulations, which are monitored by the Chief Financial Officer and Monitoring Officer. The Constitution will be updated over the coming months to fully reflect the recent restructure of senior management.

All reports are reviewed for legal and financial considerations prior to being presented to Members of Taunton Deane Borough Council for formal decision-making.

The Executive has a published Forward Plan of Decisions to be taken and meets in public on a monthly basis. This, together with an appropriate level of delegation to senior managers enables speedy decision-making.

Scrutiny of Taunton Deane Borough Council decisions and performance is carried out through a number of Review Panels. The Panels also have the freedom to make recommendations on future policy options, and to review the general policy and service delivery of the Council. A full review of the operations of the scrutiny function at Taunton Deane Borough Council is underway, and will encourage different ways of working to ensure the “challenge” to decision and policy making continues and improves.

The Corporate Management Team of Taunton Deane Borough Council meet weekly and provide the strategic direction of the Council in delivering Members requirements.

Ensuring compliance with established policies, procedures, laws and regulations

Taunton Deane Borough Council has a Standards Committee that is designed to be chaired, and have a clear majority of independent members. It includes 7 independent members, two Parish Council members, and one member from each political group. The terms of reference for this Committee include promoting and maintaining high standards of conduct by Councillors, advising and training on the members Code of Conduct, dealing with referrals from the Standards Board for England, and dealing with any issues reported by the Monitoring officer.

Taunton Deane Borough Council launched a Whistle-blowing Policy in September 1999, details of which are published on the Councils staff handbook. The staff handbook is regularly updated and published on the intranet system – which is accessible by all staff. The handbook contains all key personnel policies, standards and procedures, and codes of conduct.

The Corporate Governance Committee has recently been formed to deal with the formal approval of the accounts and any external audit reports arising from that, to have an overview of the internal audit function, an overview of the strategic risk management process, and to deal with any changes to the authorities Constitution.

Internal and external audit work together to review and provide annual opinions on the control framework, governance and validity of the annual accounts. Various other inspection agencies such as the Audit Commission also look at specific areas of this Councils business.

The Chief Financial Officer and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for member decision comply with the budget and policy framework.

The Council has adopted its own “Members Planning Code of Practice” which clearly sets out the standards expected from Members in relation to planning matters.

Members are encouraged to undertake training relevant to the area of decision making in which they are involved, for example, probity in planning, Human Rights Act requirements. New members joining the Council receive a detailed induction folder and receive induction training, including a separate session devoted to Ethical Standards with the Monitoring Officer.

The Strategic Director (Resources) and his Member Services Team provide advice to Members and Officers on the law, regulations and internal procedures.

The Council has a robust complaints policy and system in place. Corporate Management Team review the summary outcomes on a six-monthly basis to identify ongoing operational problems and “hot spots”.

The corporate risk management process

Taunton Deane Borough Council introduced the concept of strategic risk management in March 2003 by the adoption of a Risk Management Strategy, and Risk Management Implementation Plan. The process adopted is designed to identify, prioritise and manage the risks that exist in order to ensure the Council achieves its aims and objectives. There is a corporate Risk Management Team (RMT) charged with cascading and embedding the risk management process throughout the organisation.

Good progress has been made, with strategic risk registers now in place for each Head of Service grouping, and each corporate project. This process will be cascaded down to individual service levels during 2004/05. Corporate Management Team receive regular reports from the Risk Management Team – updating them on project risk assessments undertaken and progress against the strategic risk register action plans.

Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised

Taunton Deane Borough Council is awaiting the results of its first CPA assessment (expected September 2004). The Council will then produce a high level strategic improvement plan setting out the major areas for improvement for the Council as a whole, based around the corporate aims and ambitions. This Improvement Plan will be managed by Corporate Management Team and the Executive and will be monitored on a regular basis to ensure the effective implementation of the Improvement Plan to Best Value principles within agreed timescales and resources.

The use of resources is agreed on an annual basis through the budget setting regime. The predicted resources position is reported to Members via the medium term financial plan (mtfp) (a 3-year rolling financial forecast of the revenue and capital budget position). The mtfp process continues to be refined and strengthened by improving linkages between inputs and outcomes.

The financial management of the Authority

The Council's overall financial arrangements are governed by its Financial Strategy and mtfp which set out the financial framework for the delivery of the Council's established Corporate Strategy.

In determining the revenue and capital financial framework to deliver the Council's plans a number of factors are taken into account, including the national context, the distribution of local government funding by central government, together with local and external funding sources. The MTFP currently considers new legislation and legislative pressures, advances in technology, changing demand for services and the need for better access to services. It also takes account of council taxpayers concerns at the level of council tax, feedback from consultation and the needs and aspirations of local

people. The MTFP process will develop over the coming year to incorporate a risk analysis process.

The Council has well-developed robust budget monitoring arrangements. Monthly reports are presented to Corporate Management Team, with quarterly exception reports considered by members of the Executive and Scrutiny functions.

The robustness of the budget critically depends on the maintenance of a sound financial control environment including effective financial management in each of the Council's service areas. The Financial Regulations, embedded in the Council's Constitution set clear guidelines, procedures and limits in relation to financial activities.

Performance management

The performance management arrangements of the Council have recently been reviewed. Senior Officers and Members have been through intensive training to ensure the new process will deliver the information needed to manage the Council's performance.

Individual services are responsible for monitoring their progress towards achieving the objectives and actions outlined in their Team Plans. Members consider Corporate Performance Management summary reports on a quarterly basis. These reports provide Members with assurance that the Council is making progress on delivering its agreed strategic objectives and actions, and that performance is matching the PI targets agreed, and that the spending against budget is on-track.

4. REVIEW OF EFFECTIVENESS

Taunton Deane Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The review for the 2003/04 statement was carried out by the Chief Finance Officer and Monitoring Officer. The review took into account:

- comments of internal audit.;
- comments of external auditors ;
- comments of other review agencies and inspectorates.

In order to obtain assurances on the effectiveness of key controls, the following were also consulted:

- the Chief Executive;
- the Risk Management Team ;
- the Head of Service and Directors of the Council;

The results of the review were reported to the Corporate Management Team and the Executive in July 2004 for approval prior to the Corporate Governance Committee in late July 2004 (where the accounts are presented for approval).

5. SIGNIFICANT INTERNAL CONTROL ISSUES

Taunton Deane Borough Council has assessed its systems and procedures and has identified that in the vast majority of cases, robust arrangements are already in place. No significant control issues were found but a number of actions need to be carried out during the next financial year to strengthen the control framework and allow a full statement of assurance to be given for 2004/05.

- The Corporate Strategy process will be further strengthened during 2004/05 – with particular emphasis on clarifying non-priorities.
- Team Plans will be further developed to show clear linkages from the Corporate Strategy, and to show clear performance measures. A suite of Key Performance Indicators will be developed for the authority and monitored and reported to Members on a regular basis.
- The MTFP process needs to be strengthened to embrace the concepts of strategic risk management.
- Project Management skills will be cascaded through the organisation. In particular, robust project plans will be put in place for the delivery of the Vision Project.
- The procedures for updating the Registers of Interests will be reviewed and strengthened.
- A complete and robust Asset Register will be developed for all the authority's assets.
- The Equalities and Diversity training for all staff and Members will be completed. The appointment of an Equalities Officer during 2004/05 will give added focus and impetus to this important area of work.
- The risk management process needs to be cascaded to service level within the authority, and further embedded in the culture of the Council.
- The Constitution and Financial Regulations will be reviewed during 2004/05 to reflect the new senior management structure, and to reflect the results on the current review of the Scrutiny function.
- Work will be progressed on introducing a system of certification by managers to provide assurance to the authority that managers have established controls, and they are operating as intended.

We have been advised on the implications of the result of the review of the effectiveness of internal control by the Authority, and plan to address weaknesses and ensure continuous improvement of the system is in place.

Signature of the Chief Executive

Date

Signature of the Leader of the Council

Date

**TAUNTON DEANE BOROUGH COUNCIL
ANNUAL REVIEW OF INTERNAL CONTROL 2003/04 - ACTION PLAN**

APPENDIX C

Finding	Actions	Resp Officers	Completed By :-
The Corporate Strategy process will be further strengthened during 2004/05 – with particular emphasis on clarifying non-priorities.	Develop a clear and auditable process for developing the Corporate Strategy 2005 – 2008, in conjunction with that for the MTFP	BC / SA	July 04
	Develop and implement a robust Service Review Process to assist with the reallocation of resources to priority areas. Outcome will be an affordable and sustainable mtfp.	Heads	Feb 05
Team Plans will be further developed to show clear linkages from the Corporate Strategy, and to show clear performance measures. A suite of Key Performance Indicators will be developed for the authority and monitored and reported to Members on a regular basis.	Suite of Key Performance Indicators for the Council to be developed.	BC	Dec 04
	Heads of Service to produce “Heads Plans” covering strategic direction of their group of services, showing clear linkages to Corporate Strategy.	Heads	Sep–Feb 05
	Team Plans to be prepared for each service, showing clear linkages to Corporate Strategy, and robust measures of performance.	Managers	Feb 05
The MTFP process needs to be strengthened to embrace the concepts of strategic risk management.	Key budget risk areas to be assessed as part of the mtfp process. Sensitivity analysis to be developed for assessing the budget gap.	SA	Sept 04
Project Management skills will be cascaded through the organisation. In particular, robust project plans will be put in place for the delivery of the Vision Project.	Key corporate projects to be managed to Prince2 standard. Corporate working team to ensure standards are met and processes robust.	Project Mgt Team	Sept 04
The procedures for updating the Registers of Interests, will be reviewed and strengthened.	System to be updated.	JJT	March 05
A complete and robust Asset Register will be developed for all the authority’s assets.	To be considered as part of the FMS system replacement project.	SA	March 05

<p>The Equalities and Diversity training for all staff and Members will be completed. The appointment of an Equalities Officer during 2004/05 will give added focus and impetus to this important area of work.</p>	<p>Training to be completed.</p>	BC	Dec 04
	<p>Progress to be made towards achieving the Equality Standard for Local Govt.</p>	BC	Sept 04
<p>The risk management process needs to be cascaded to service level within the authority, and further embedded in the culture of the Council.</p>	<p>All service Team Plans to include a risk register.</p>	Risk Mgt Team	Feb 05
<p>The Constitution and Financial Regulations will be reviewed during 2004/05 to reflect the new senior management structure, and to reflect the results on the current review of the Scrutiny function.</p>	<p>Existing Constitution and Financial Regulations to be reviewed to reflect senior management restructure.</p>	SA	Sept 04
	<p>Review of Scrutiny function to be completed.</p>	JJT	Oct 04
	<p>Results of review to be written in to updated Constitution.</p>	JJT	Dec 04
<p>Work will be progressed on introducing a system of certification by managers to provide assurance to the authority that managers have established controls, and they are operating as intended.</p>	<p>System developed.</p>	SA / JJT	March 05