

TAUNTON DEANE BOROUGH COUNCIL

CORPORATE GOVERNANCE COMMITTEE 28TH JUNE 2006

REPORT OF THE STRATEGIC DIRECTOR (SA)

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

STATEMENT ON INTERNAL CONTROL 2005/06

Executive Summary

This report invites the Corporate Governance Committee to consider and approve the attached Statement on Internal Control (SIC) which will form part of the 2005/06 Statement of Accounts.

1. Background

1.1 From 1 April 2003, the Accounts and Audit Regulations (England) 2003 require Taunton Deane Borough Council to:-

- conduct a review at least once a year of the effectiveness of its system of internal control; and
- publish a Statement on Internal Control (SIC) each year with the authority's financial statements.

1.2 The review process will give assurance (or otherwise) 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. The process of preparing the SIC itself does add value to the corporate governance and internal control framework of the authority. **The 2005/06 review has concluded that there are no significant control issues to be addressed.**

1.3 Corporate Management Team has considered and adopted the draft SIC Statement attached at Appendix A. The SIC Statement, once approved, will be signed by the Leader of the Council, the Chief Executive, and the Chief Finance Officer and published with the Council's Statement of Accounts 2005/06.

2. Recommendation

2.1 The Corporate Governance Committee is requested to approve the Statement on Internal Control.

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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 2006 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 the residents of Taunton Deane. The LSP have an agreed 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. This has now been completed for the Vision for Taunton, the West Deane Area and

Wellington Area. A robust Community Plan for North and East Taunton is due to be completed early in 2006/07.

Following extensive 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 Council's core planning document – from which the Council's financial strategy, medium term financial plan and annual budget, Asset Management Plan, Capital Strategy, Housing Strategy are formed. Heads of Service Plans are produced from the Corporate Strategy to show how each Headship within the Council will contribute to the delivery of the objectives. These are supported by detailed Operational Plans for each service area.

Progress against the agreed objectives and actions is reported to CMT, Executive and Review Board on a quarterly basis to ensure the Council remains focussed on delivering its ambitions and priorities. In addition, the Review Board scrutinise the performance of each Headship against its plan on a six monthly basis.

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 during 2006/07 to fully reflect the restructure of senior management, and the review of the Council's Overview and Scrutiny Arrangements.

All reports are reviewed for legal and financial considerations, and link the recommendation to the Council's corporate priorities 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. Executive Councillors have delegate authority to make certain decisions – and these are published in the Councils Weekly Bulletin. This, together with an appropriate level of delegation to senior managers enables speedy and effective 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 had been undertaken. Clear recommendations to further improve our Scrutiny have been developed and will be implemented during 2006/07.

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

The statutory roles of Monitoring Officer and Chief Finance Officer are well established and have their own control regimes in place to enhance the control environment.

Ensuring compliance with established policies, procedures, laws and regulations

Taunton Deane Borough Council has a Standards Committee that is designed to be chaired by, 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 deals with the formal approval of the accounts and any external audit reports arising from that, has an overview of the internal audit function, an overview of the strategic risk management process, and deals 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.

During 2005/06 the Council's internal audit function was transferred to a Partnership arrangement – South West Audit Partnership (SWAP). This has significantly improved the quality of reporting and the volume of audits covered.

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 Monitoring Officer and the 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 and Members 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 identifies, prioritises and manages 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 CMT, Heads of Service, all major corporate projects, and all service units. 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. The Risk Management Strategy will be updated and enhanced during 2006/07.

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 was rated as an “Excellent Council” by the CPA assessment in 2004. The Council has produced 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 is managed by Corporate Management Team and the Executive, and is 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 Council agreed a "Profile of Services" during 2004/05. This document profiled services against the Council's Corporate Priorities, and clearly sets out what services are the most important in helping to deliver the Corporate Priorities, and also, what services, although important, are not fundamental to the delivery of those priorities.

The Council has recently been rated as a "3" for the Audit Commission Review of Use of Resources and Value for Money. An action plan is being developed to progress the areas for improvement identified.

The Council has recognised the need to improve project management skills throughout the organisation to ensure that resources are deployed effectively in delivering its ambitions. The Council has embraced the philosophy of PRINCE2, and has tailored this local authority use. A number of officers have been fully trained in PRINCE2 and are acting as project managers across the Council. A Project Management Advisory Team has been established to ensure good practice is cascaded throughout the Council.

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 continue to develop over the coming year to incorporate a risk analysis process.

The Council has well-developed robust budget monitoring arrangements. Regular 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 been further improved during 2005/06. Corporately – a dashboard of indicators has been developed to monitor progress against key objectives, and this will be the core reporting mechanism on "performance" in 2006/07.

Heads of Service are responsible for ensuring progress against the objectives set out in their Heads of Service Plans, and the Review Board monitors this throughout the year.

Individual services are responsible for monitoring their progress towards achieving the objectives and actions outlined in their Operational 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, its CPA improvement plan, 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 2005/06 statement was carried out by a working group made up of the Strategic Director, Head of Policy and Performance, Internal Audit Manager, and Internal Auditor. 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 Heads of Service and Directors of the Council;

The results of the review were reported to the Corporate Management Team prior to approval by the Corporate Governance Committee in June 2005 (where the accounts are presented for approval). The Review Board will consider the full SIC action plan at their July meeting.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

Taunton Deane Borough Council has reassessed its systems and procedures and has identified that in the vast majority of cases, robust arrangements are in place.

No significant control issues were found.

A number of actions need to be carried out during 2006/07 to strengthen the control framework:

- To develop a local code of Corporate Governance to help ensure that effective corporate governance arrangements are further embedded in the organisation.
- To further develop the corporate governance arrangements in relation to Partnership working.
- To fundamentally review the existing community planning framework.
- To embrace the Equalities and Diversity training received by all staff and Members to ensure that the Council achieves Equality Standard For Local Govt 2 by March 07 and Level 3 by March 08.
- To complete phase 1 of the Leadership Development Programme by March 07.
- To refresh the corporate strategy and priorities by March 07.
- To implement the recommendations from the Overview and Scrutiny Review during 2006/07, to ensure a more pro-active, better informed and accountable decision-making process is in place.
- To continue to monitor the levels of staff absence, and try and develop new innovative systems to reduce the average sickness per employee.
- To develop Corporate Service Standards and implement them throughout the organisation.
- To put systems in place to encourage and share good practices throughout the organisation (corporate learning).
- To fundamentally review and enhance the current asset management practices to ensure weaknesses identified are addressed.
- To cascade the risk management process to service level within the authority.
- To fully review the Constitution and Financial Regulations during 2006/07 to reflect the senior management structure, to reflect the results on the current review of the Scrutiny function, and to reflect on Partnership Working.
- To develop sustainable accounting and reporting arrangements.

- To improve existing budget monitoring process.
- To fully review the Health and Safety Management System and cascade throughout the authority.

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 Chief Finance Officer

Date

Signature of the Leader of the Council

Date