

## **TAUNTON DEANE BOROUGH COUNCIL STATEMENT ON INTERNAL CONTROL**

### **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 2007 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 Project Taunton, the West Deane Area and Wellington Area and Blackdown Hills. A robust Community Plan for North and East Taunton is due to be completed early in 2007/08.

Following extensive community consultation with residents undertaken in May 2006 (Your Council Your Views), 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 Strategy sets out the Council's overall vision and priorities for the district describing how it will achieve these, giving a clear lead for service planning activities and budget setting decisions guiding its dealings with its partners and the community.

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 and 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 the Council's Corporate Business Group (CBG), 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 services against 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 2007/08 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 delegated authority to make certain decisions – and these are published in the Council's 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. During the last couple of years officers and Councillors have worked together to make several changes to the Scrutiny function. These included the appointment of a Scrutiny and Performance Manager and Scrutiny Officer, changes in the way that information is provided to Members, the development of task and finish reviews and improved training. A further review of the operations of the Scrutiny function at Taunton Deane Borough Council has been undertaken during the year and will be implemented during 2007/08. The review proposes a move away from the traditional committee system that will allow Non-Executive Councillors greater opportunities to make a positive difference to the people and businesses they represent further improving our Scrutiny arrangements.

As Council Taunton Deane is going through a period of significant change and in preparation for the establishment of a new core Council, the "traditional style" Council's Corporate Management Team has been disbanded during 2006/07.

The day to day working of the Council is now dealt with by the CBG which comprises the senior managers and the Chair of the Council's Senior Management Team.

The strategic direction of the organisation, and sponsorship of key objectives and priorities is undertaken by the Directors – who meet on a weekly basis with the Chief Executive.

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 has established Whistle-blowing and Anti-Fraud and Corruption policies, details of which are published within the Council's staff handbook. The staff handbook is regularly updated and published on the intranet site – 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 Council's 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 Council's business.

The Council's internal audit function is delivered via a Partnership arrangement – South West Audit Partnership (SWAP). The Internal audit function operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Working in partnership has significantly improved the quality of reporting and the extent of assurance provided.

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.

In February 2007 as part of the review that altered the Council's management arrangements the post of Corporate Governance Director

was created in recognition of the need to focus on internal governance matters including partnership and local area governance and accountability issues.

The Council has a robust complaints policy and system in place. The Corporate Business Group 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.

Good progress has been made, with a strategic risk register now in place as well as individual registers covering all major corporate projects and all service units. As part of its role the Corporate Business Group will receive regular reports from individual Council services updating it on significant risks that could have a major impact on either individual services or projects failing to meet their objectives. The Risk Management Strategy has been updated and enhanced during 2006 setting out clear lines of responsibility for risk management across the Council..

Members of the Council’s Corporate Governance Committee have undergone training in Risk Management during the year and receive update reports outlining the current Risk Management arrangements and any future actions.

The Internal Audit function provides management with reports commenting on the effectiveness of risk management arrangements when undertaking individual operational audits.

### **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. Progress against the Improvement Plan is managed by Corporate Business Team and the Council’s Corporate Governance Committee, 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 it to 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 the Chief Finance Officer, with quarterly exception reports considered by the Directors and Chief Executive prior to consideration 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**

Corporately – a dashboard of indicators has been developed to monitor progress against key objectives, and this is now the core reporting mechanism on “performance” in 2006/07 being periodically reported to the Council's Review Board.

Service Managers, supported by Directors, are responsible for ensuring progress against the objectives set out in the Corporate Strategy. Progress is monitored by the Review Board every 6 months

Individual services are responsible for monitoring their progress towards achieving the objectives and actions outlined in their Operational Plans. Members of the Council's Review Panel 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.

The Council's Performance Management Framework ensures that the links between the Council's Corporate Objectives, Operational Plans and those of individual officers are clear. Staff receive Performance Review and Employee Development interviews every 12 months.

## **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 2006/07 statement was carried out by a working group made up of Strategic Directors and the Council's Group Auditor. The review was informed by:

Comments of Internal Audit – Internal Audit are responsible for monitoring the effectiveness of the systems of internal control. Their work is based on a 4 year rolling programme based on risk covering financial and operational audits. Audit reports are copied to management and carry an independent opinion on the adequacy and effectiveness of the Council's internal controls.

Comments of external auditors – External Audit provide the Council with assurance in the form of their Annual Audit and Inspection Letter,

Use of Resources Assessment (which includes a value for money judgement) and data quality report.

Comments of other review agencies and inspectorates.

The results of the review were reported to the Corporate Business Group prior to approval by the Corporate Governance Committee in June 2007 (where the accounts are presented for approval). The Review Board will consider the SIC action plan at their July 2007 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 2007/08 to strengthen the control framework:

### Corporate Governance

- To develop a local code of Corporate Governance to help ensure that effective corporate governance arrangements are further embedded in the organisation.

### Partnership Working

- To further develop the corporate governance arrangements in relation to Partnership working.
- To review partnerships and SLAs to ensure their actions support key local priorities in the sustainable Community Strategy that feeds into wider LAA targets.

### Scrutiny

- To continue to develop Scrutiny and move towards more Task and Finish reviews with more tangible outcomes.

### Staffing & Customers

- To continue to monitor the levels of staff absence, and try and develop new innovative systems to reduce the average sickness per employee.
- To ensure that staff are regularly updated on major projects / initiatives that will affect the Council such as ISiS and the Unitary debate.

### Health and Safety / Risk Management

- To review the Risk Management Process to ensure it is fit for purpose, streamlined and effective.
- To fully review the Health and Safety Management System and cascade throughout the authority.



- To review the Council's business continuity planning arrangements.

#### Financial Systems Issues

- To monitor and report on targets for income collection and recovery of arrears.
- To review the operation of the internal controls governing the processing of Payroll data.
- To introduce adequate quality control checks over the processing of data within the Council's Revenues Systems.

#### Performance / Financial Management

- To develop the Council's Asset Management arrangements.
- To fully review the Constitution and Financial Regulations during 2007/08.
- To improve budget monitoring process and reporting to members.
- To review Data Quality systems for producing performance indicators on the Council's key indicators

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**