

## **Corporate Governance Committee – 21 February 2005**

Present: Councillor Williams (Chairman)  
Councillors Denington, Hall, Mrs Lewin-Harris, Meikle and  
Prior-Sankey

Officers: Ms S Adam (Head of Resources), Mr C Gunn (Audit Manager),  
Mr P Carter (Financial Services Manager) and Mrs D Durham  
(Member Services Officer)

(The meeting commenced at 8.05am).

### 10. Apologies

Councillors Lisgo, Mrs Smith and Mrs Whitmarsh

### 11. Minutes

The minutes of the meeting held on 26 July 2004 were taken as read and signed.

### 12. Statement of Accounts 2003/2004 – Audit Commission SAS 610 Report

Reference Minute No. 9/2004, reported that the Annual Statement of Accounts 2003/2004 had been audited by the Council's external auditor, who had recently issued an unqualified opinion on the Annual Accounts.

In addition to issuing its opinion, the auditor was also required under the Statement of Auditing Standards No. 610, to issue a report on matters that had arisen from the audit. Such matters included:-

- Any expected modifications to the auditors report;
- Material weaknesses in accounting and internal control systems; and
- Qualitative aspects of accounting practice and financial reporting.

The auditor had now confirmed that there were no matters that needed to be raised with Members and this, therefore, marked the formal conclusion of the audit for the 2003/2004 financial year.

RESOLVED that the report be noted.

### 13. Internal Audit Plan 2005/2006 – 2008/2009

Considered report previously circulated, which provided details of a proposed Strategic Internal Audit Plan for the period 2005/2006 to 2008/2009.

The Plan set out the scope, conduct and timing of internal audit work over the next four financial years. It would be reviewed each year and amended where necessary to reflect changing priorities and to meet the emerging needs of the Council.

The purpose of the Plan was to:-

- Identify all the areas of Council activity that required auditing over the four year period; and
- Set out the relative allocation of resources between the work to obtain assurance on the functioning of the internal control systems.

In preparing the Strategic Plan, a review of Council activities that required auditing had been undertaken, together with an assessment of the risks in each area of activity. Details of these were submitted.

The final stage in the process of producing the plan was the review of available staff resources and a table showing the resources to be allocated to the main audit areas over the next four years was presented.

During the discussion of this item, consideration was given to the completion of special investigations to meet management requirements. It was explained that the Plan would be regularly monitored which would enable Audit to identify high priority items. Although the main system audits had to be completed annually, other service based areas could be changed.

Concern was also expressed that the allocation of resources for Freedom of Information was only ten days. It was made clear however that Audit's role with this topic was peripheral and that a working party of six officers already dealt with any issues that arose from meeting the requirements of the Freedom of Information Act.

#### 14. Internal Audit Services – Progress Report

Considered report previously circulated, which provided members with an update on the progress made against agreed audit recommendations from 2003/2004. The report also detailed the activities of the Internal Audit Unit for the period April 2004 to December 2004.

The 28 audit reviews completed during 2003/04 had resulted in 139 recommendations. Follow-up visits had been conducted for all the audits and 73% of the recommendations had been fully implemented which had strengthened the Council's Internal Control environment.

In future recommendations included in the Internal Audit Reports would be risk rated and assigned a priority. These would then be monitored to ensure that all recommendations were implemented.

Revised reporting arrangements had been agreed with the Heads of Service

and were being implemented which, along with the risk rating of recommendations would lead to an increase in the response to audit recommendations.

Although the Internal Audit Team was currently operating with a part-time vacancy, the hours would be 'made up' by a university student working full-time during the Easter and Summer holidays.

During discussion of this item, concern was expressed about the ability of people to pay money to the Council following the closure of Post Offices and the impending closure of the Collection Office at The Deane House. Once the Collection Office closed in three months time, there would be a cash paying in machine available and payment by direct debit was being strongly encouraged.

The payment of invoices was also discussed and in particular the advantages of paying invoices early to attract discounts. Although Managers had always been encouraged to take advantage of any discounts, the new Financial Management System would streamline procedures even further with more frequent cheque runs.

The Committee agreed that they should be kept informed of recommendations made following an Audit and why any had not been implemented.

The cost and length of publications and reports was a further concern. It was felt that there was little control over what Taunton Deane Borough Council published. However, it was noted that a corporate audit of publications was being undertaken and it was agreed that the Committee should be updated as to when the Communication Strategy would be ready. The length of reports was currently being considered as part of the overview and scrutiny review.

RESOLVED that the report be noted.

#### 15. Internal Audit Partnership

Considered report previously circulated, concerning the proposed establishment of an Internal Audit Partnership between Taunton Deane Borough Council (TDBC), South Somerset District Council (SSDC) and Mendip District Council (MDC).

The provision of an internal audit function was required under the Local Government Act 1972 and the Accounts and Audit Regulations 2003. This could be achieved in a number of ways including in-house provision, outsourcing or partnership.

The three Councils had been in discussion for some time regarding the potential for partnership working and since July 2004 a number of 'joint audits' had been undertaken by TDBC and SSDC. Relationships had been built

between the two audit teams and there was a recognition that there were opportunities to learn from each other.

A considerable amount of research had been carried out, including a visit to an existing partnership, which confirmed the positives of partnership working.

Reported that the conclusion of both the joint audit working and the research undertaken was that the three authorities should proceed towards a formal internal partnership.

In recent months, a number of factors had come together which made the setting up of a partnership possible in the short term. Details of these factors were submitted.

Provided that all the necessary steps could be concluded on time, it was proposed that TDBC and SSDC established an Internal Audit Partnership (South West Audit Partnership or "SWAP") effective from 1 April 2005. It was further proposed that MDC joined the partnership on 1 July 2005, once its current contract for the provision of audit services by Capita expired.

The aim of the Partnership would be to provide high quality, cost effective audit services to its customers, however, clear boundaries would need to be set to ensure confidentiality. The benefits of the Partnership would include the sharing of resources, the recruitment of specialist skills, the improvement of quality of internal auditing and future potential cost benefits.

Reported on the legal framework and the proposed governance arrangements for the proposed partnership. It was suggested that the Joint Committee Partnership Model should be accepted, with an Oversight Board, comprising two members from each Council, to oversee the partnership and a Management Board, comprising the Section 151 Officers, to oversee the operational activities.

Further reported on the likely management and operating arrangements, subject to a number of broad principles being agreed, issues relating to employees and the financial arrangements.

With regard to the latter, noted that the intention was for the Partnership to cost TDBC no more than current annual costs over a five year period. This would require a contribution from balances of £20,000 to support the Partnership initially, but would be repaid over five years. It was hoped this amount could be found within existing approved budgets.

There were clear advantages to entering into an Internal Audit Partnership including quality, sustainability and resource issues. Although partnerships could be difficult to establish, experience suggested that the benefits could be quickly realised.

RESOLVED that it be recommend to the Executive that:-

- (1) An Internal Audit Partnership (initially between TDBC, SSDC and MDC) be established under Section 101 of the Local Government Act 1972 (Joint Committee);
- (2) The Internal Audit Partnership be commenced on 4 April 2005 between TDBC and SSDC, with MDC joining on 1 July 2005;
- (3) The initial contribution of £20,000 be found from existing approved budgets (year end underspend), and be repaid over five years;
- (4) The final agreement of the Partnership Business Plan, and host authority arrangements, be delegated to the Head of Resources (subject to the Partnership demonstrating a break-even position within five years).

(The meeting ended at 9.30am).