

Corporate Governance Committee – 27 June 2007

Present: Councillors Critchard, Denington, Hall, House, Meikle, Paul, A Wedderkopp and Williams

Officers: Ms S Adam (Strategic Director)
Mr P Carter (Financial Services Manager)
Mrs E Collacott (Principal Accountant)
Mrs G Croucher (Democratic Services Officer)
Mr C Gunn (Internal Audit Manager)
Ms M Hale (Corporate Performance Officer)
Mr J Thornberry (Strategic Director)

Also Present: Mr T Bowditch (Audit Commission) and Councillor Horsley

(The meeting commenced at 6.15 p.m.)

9. Appointment of Chairman

RESOLVED that Councillor Williams be appointed as Chairman of the Corporate Governance Committee for the remainder of the Municipal Year.

10. Appointment of Vice-Chairman

RESOLVED that Councillor A Wedderkopp be appointed as Vice-Chairman of the Corporate Governance Committee for the remainder of the Municipal Year.

11. Apologies/Substitution

Apologies: Councillors Govier, Henley and Mrs Whitmarsh

Substitution: Councillor House for Councillor Mrs Whitmarsh

12. Minutes

The minutes of the meeting held on 5 April 2007 were taken as read and were signed.

13. Audit and Inspection Plan 2007/2008

Mr Terry Bowditch, Audit Manager, the Audit Commission (AC) introduced Taunton Deane Borough Council's Audit and Inspection Plan 2007/2008.

The plan set out the audit work proposed to be undertaken by the AC. It had been drawn up from the AC's risk based approach to audit planning and the

requirements of Comprehensive Performance Assessment (CPA) and reflected:-

- the audit and inspection work specified by the AC for 2007/2008;
- the Council's local risks and improvement policies; and
- current national risks relevant to the Council's local circumstances.

Following the Council's classification as an "excellent" Council in the 2004 CPA, the AC had applied the principles of strategic regulation recognising the key strengths and areas for improvement in the Council's performance. A Direction of Travel Report had been produced which provided a review of the Council's progress since the CPA inspection and highlighted areas still in need of improvement. The review found many positive developments and progress in key areas which included:-

- progress in the delivery of economic regeneration plans;
- local and national objectives in improving the environment being met; and
- improvements to the quality of services in many areas, whilst keeping costs relatively low.

Areas identified as still in need of improvement included affordable housing and communication to staff of the Council's high level efficiency aims and their workforce implications.

An in depth study of the inspection of the Council would be undertaken based on the following summary:-

| Inspection activity | Reason/impact |
|--------------------------------|--|
| Relationship Manager (RM) Role | To act as the Commission's primary point with the Council and the interface at the local level between the Commission and the other inspectorates, Government offices and other key stakeholders |
| Direction of Travel Assessment | An annual assessment carried out by the RM of how well the Council was securing continuous improvement. The Direction of Travel statement would be reported in the annual Audit and Inspection letter. The assessment summary would be published on the Commission's website |

The AC would also be carrying out an audit of the 2007/2008 financial statements and in accordance with the International Standards on Auditing.

Noted that the audit of the 2006/2007 had yet to be completed and the audit planning process for 2007/2008, including the risk assessment, would continue as the year progressed. A separate opinion audit plan would be issued in April 2008.

The total fee estimate for the audit and inspection work planned was £92,380. Details as to how this fee had been determined were submitted.

RESOLVED that the report be noted.

14. The Role of the External Auditor

Mr Terry Bowditch, Audit Manager, Audit Commission explained the role of the External Auditor in the audit of the Council's financial statements.

He gave details of the Code of Audit Practice that was approved by Parliament at five yearly intervals and prescribed how auditors carried out their statutory functions. The audit opinion on the financial statements would look at whether they presented fairly the financial position of the Council and its income and expenditure for the year, that they had been prepared in accordance with relevant legislation and applicable accounting standards and that they met the 30 September deadline.

He also gave details of the financial systems required for the audit of accounts, how the risks identified from the review of systems would be addressed and how the audit of the year-end financial statements would be tested.

The Annual Governance Report was issued before the opinion of the Auditor was given.

The Chairman thanked Mr Bowditch for his interesting presentation.

15. Statement of Accounts 2006/2007

Considered report previously circulated, concerning the annual Statement of Accounts for 2006/2007 which was required to be approved by the Corporate Governance Committee prior to the accounts being signed by the Council's Section 151 Officer and Strategic Director, Shirlene Adam, and by the Chairman of the Committee Councillor Williams. The statutory deadline for the signing of the accounts was the end of June.

The 2006/2007 Accounts presented were subject to audit which would shortly be undertaken by the Audit Commission.

The format of the Statement of Accounts had changed substantially from previous years in both presentation of the Statements and in some technical

accounting amendments. These changes were necessary to ensure compliance with the Chartered Institute of Public Finance and Accountancy Statement of Recommended Practice on Local Authority Accounting.

A detailed presentation was made to Members by the Financial Services Manager, Paul Carter, and the Principal Accountant, Emily Collacott, on the Statement of Accounts which included information on the following topics:-

- Income and Expenditure Account;
- Statement of Movement on the General Fund Balance;
- Statement of Recognised Gains and Losses;
- Consolidated Balance Sheet;
- Housing Revenue Account;
- Collection Fund;
- Group Accounts.

Reported that following the conclusion of the audit to be undertaken by the Audit Commission, the Committee would be informed of any significant amendments that arose.

RESOLVED that:-

- 1) The Statement of Accounts for 2006/2007 be approved;
- 2) The following determinations in respect of the year ended 31 March 2007 be made:-
 1. **Section 42(2)(g)** – that £2,322k of expenditure for capital purposes, which was financed by grant, be capitalised; and
 2. **Section 60(2)** – that £690k of useable capital receipts be applied to meet capital expenditure.

16. South West Audit Partnership – An Overview

The Internal Audit Manager, Chris Gunn, presented an overview of the South West Audit Partnership (SWAP).

SWAP started six years ago, initially with South Somerset District Council, Mendip District Council and Taunton Deane Borough Council. More recently West Somerset District Council had joined and from July 2007 Sedgemoor District Council would become a member of the Partnership.

SWAP had 15 full-time employees who offered a range of skills and experience. The benefits included a more sustainable service that remained an integral part of each partner.

The services provided by SWAP included:-

- Assurance against risk;
- Operational reviews of all activities;
- Follow up to agreed actions;
- Managed audit reviews;
- Reports to audit committees;
- Annual Report to support Statement of Internal Controls; and
- Ad hoc advice.

Mr Gunn went on to explain the relationship that existed between the partners and the guiding principles which the Partnership sought to follow.

The Chairman thanked Mr Gunn for his interesting presentation.

17. Internal Audit Annual Report 2006/2007

Submitted for consideration the Annual Report 2006/2007 of the Council's Internal Audit Services.

A total of 15 operational audits had been planned for 2006/2007. However, two reviews had not been completed during the year with the agreement of the Strategic Director.

The following was a summary of the work undertaken during the year:-

- 6 audits had been completed and final reports issued;
- 3 audits were at the draft stage;
- 3 audits had completed testing;
- 1 audit had testing underway;

10 managed audits had been undertaken to assist the External Auditor which had resulted in a number of actions for improvements.

14 follow-up reviews had been completed during the year 2006/2007.

In addition, SWAP had provided support and advice on two specific reviews completed this year.

The review of the Managed Audits had not identified any serious concerns, although there were a number of agreed improvement actions resulting from the weaknesses identified.

A number of significant areas that had been identified included:-

- Quality of systems and procedural documentation;
- Main accounting system;
- Payroll;
- Quality control checks within the Housing Benefits system; and
- Monitoring of collection rates – Council Tax and NNDR.

RESOLVED that the report be noted.

18. Update on Corporate Improvement Plan (CPA)

Considered report previously circulated, concerning the 2007/2008 Corporate Improvement Plan. The progress made against key improvement areas for the Council and “Use of Resources weaknesses”, which had both been identified through Audit Commission inspections, were highlighted.

The Audit Commission undertook an annual assessment of the Council and examined the overall performance, progress against Corporate Aims and accounts and governance arrangements. These findings were reported in the Annual Audit and Inspection Letter.

In March 2007 the Annual Audit and Inspection Letter gave the Council a score of 3 out of 4 for Use of Resources. This was the same breakdown and score received in 2006 and the judgements had become more strict. As part of the Performance Management Framework the assessment was used to identify weaknesses and formulate a Corporate Improvement Plan which has been updated.

The Improvement Plan identified nine Key Council Improvement Areas identified from the 2007 Annual Audit Inspection Letter.

Under “Use of Resources”, 54 areas had been identified for improvement.

It was recognised that the 2007/2008 criteria would be more strict and initial inspections would be taking place in July.

RESOLVED that the report be noted.

19. Statement on Internal Control

Considered report previously circulated, concerning the annual Statement on Internal Control (SIC). The effectiveness of the SIC was required to be reviewed at least once a year and would form part of the 2006/2007 Statement of Accounts. The 2006/2007 review had concluded that there were no significant control issues to be addressed.

The SIC statement was required to be approved by the Corporate Governance Committee and then signed by the Leader of the Council, the Chief Executive and the Chief Finance Officer.

RESOLVED that the Council's Statement on Internal Control be approved.

(The meeting ended at 8.55 p.m.)