

## **Corporate Governance Committee – 24 May 2010**

Present: Councillors Beaven, Coles, Denington, Gaines, James, Henley, O'Brien, Thorne, A Wedderkopp, Mrs Wilson and Williams

Officers: Paul Fitzgerald (Financial Services Manager) Chris Gunn (Group Auditor, South West Audit Partnership), Maggie Hammond (Strategic Finance Officer), Tonya Meers (Legal and Democratic Services Manager), Chris Peachy (Audit Manager) and Natasha Williams (Administrative Officer)

(The meeting commenced at 6.15 pm)

### **15. Appointment of Chairman**

**Resolved** that Councillor Coles be appointed as Chairman of the Corporate Governance Committee for the remainder of the Municipal Year.

### **16. 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.

### **17. Apologies/Substitutions**

Apologies: Councillors Govier, O'Brien and Mrs Whitmarsh.

Substitutions: Councillor Williams for Councillor O'Brien and Councillor Gaines for Councillor Mrs Whitmarsh.

### **18. Minutes**

The minutes of the meeting held on 15 March 2010 were taken as read and were signed.

### **19. Declarations of Interest**

Councillor Coles declared a personal interest as a Director of South West One. Councillor Henley declared a personal interest as a member of Somerset County Council.

### **20. Annual External Audit Fee 2010/2011**

The Strategic Finance Officer, Maggie Hammond, introduced the proposed external audit fee for 2010/2011 for Taunton Deane Borough Council.

The fee was based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Commissions for 2010/2011.

The total indicative fee for the audit for 2010/2011 was £116,850. Details as to how this fee had been determined were submitted.

**Resolved** that the report be noted.

## **21. Audit Commission Opinion Audit Plan**

Considered report previously circulated, in which the Audit Commission had shared with Taunton Deane Borough Council its plan for auditing the 2009/2010 statement of accounts.

The plan included such items as the fees for performing the audit, identifying risks and testing strategy.

The audit reflected the work specified by the Audit Commission, any national risks relevant to Taunton Deane Borough Council and also our local risks.

**Resolved** that the report be noted.

## **22. Review of Effectiveness of Internal Audit Arrangements**

Considered report previously circulated, concerning the effectiveness of the internal audit service provided by the South West Audit Partnership during 2009/2010.

The review was an annual requirement to review the effectiveness of the arrangements for the provision of internal audit services. This included the staffing arrangements, the audit strategy and planning, the approach to risk and the quality and effectiveness of reports as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit.

A number of audits had been delayed or slipped into the following year due to the transfer of audit resources to higher priority areas, in particular SAP.

An update on areas of focus for 2009/2010 was given alongside recommended areas of focus for 2010/2011.

The Internal Audit 'star' rating system had been applied to assess the effectiveness and the review concluded that the internal audit work was rated as 2 stars 'Reasonable'.

**Resolved** that the report be noted.

### **23. Annual Governance Statement 2009/2010**

Considered report previously circulated, concerning the Annual Governance Statement 2009/2010. The report had been prepared in accordance with the Corporate Governance Framework and covered all significant corporate systems, processes and controls. The six core principles identified in the framework included:-

- Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which were subject to effective scrutiny and managing risk;
- Developing the capacity and capability of Members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Annual Governance Statement would need to include:-

- An acknowledgement of responsibility for ensuring that there was a sound system of governance;
- A brief description of the process that had been applied in maintaining and reviewing the effectiveness of the governance arrangements; and
- An outline of actions taken or proposed to deal with any significant governance issues.

**Resolved** that:-

1. The Annual Governance Statement 2009/2010 be approved; and
2. The progress of the significant issues highlighted in the Statement be monitored by the Corporate Governance Committee.

## **24. International Financial Reporting Standards**

Considered report previously circulated, with regard to the statutory requirement of all local authorities to implement International Financial Reporting Standards (IFRS) in 2010/2011. This related to changes to the technical accounting rules that the Council used for its financial reporting.

IFRS were accounting standards issued by the International Accounting Standards Board. These standards were the equivalent of the current UK GAAP, which is the set of 'Generally Accepted Accounting Principles' under which the Council met its statutory obligations in the preparation of its financial statements.

IFRS was introduced with the main aim of creating a consistent and comparable set of financial statements across all continents, driven by the ever-increasing levels of globalisation.

It was a statutory requirement for all local authorities to report on an IFRS basis from 2010/2011. Central Government and the NHS moved to IFRS in 2009/2010. In order for the Council to achieve compliance it was required to change the format of its financial statements, review and revise where necessary its accounting policies and procedures and include significant additional disclosures where directed. Financial Statements in the listed (private) sector had increased by 60% in size after the introduction of IFRS.

To comply with IFRS transitional requirements, the Council was required to restate its 2009/2010 financial statements for comparative purposes and also restate its opening balances as at 1 April 2009 (the date of transition).

The implementation of IFRS required particular concentration around six key areas in which a considerable amount of resources would be required in order to ensure the achievement of IFRS compliant accounting statements.

Adopting IFRS for the first time had and would involve significant management time from the Southwest One Finance service. However it was more than a finance issue and required significant engagement with other Southwest One services (for example Property and HR) and service areas across the Council.

There was currently no budget to support any additional costs that could arise from this transition, and there was no specific additional external funding from central government. Southwest One would advise the S151 Officer of any resource implications of this transition.

**Resolved** that the report be noted.

## **25. Internal Audit – Annual Opinion Report 2009/2010**

Submitted for consideration the Annual Report 2009/2010 of the Councils Internal Audit Services.

Operational audits were a detailed evaluation of a service or functions control environment. A total of 10 operation audits had been planned for 2009/2010. Out of the 10 audits, 7 were given only partial assurance. This was a departure from previous years and could be put down to the Council's focus on issues surrounding the implementation of SAP.

Due to the great deal of unexpected extra work surrounding the implementation of SAP, major disruption has been caused in some areas and in turn, had had an adverse impact on the audit opinions given to some operational reviews.

Car parks was an example of one of those operational reviews, as during the early part of the year, there were concerns regarding the effectiveness of budget monitoring. This in turn had led to an adverse audit opinion. The problems experienced by the Council during the implementation of SAP in respect of the payment of invoices, the raising of, and collection of, monies owed to the Council had had a significant effect on services.

However, the Internal auditors were pleased that the Council had actively monitored the SAP issues through to completion and that managers had already taken action to deal with these issues or had agreed action plans timetabling improvements to the Council's internal control framework.

Non-opinion reports were included and it was explained that when management perceived a potential area of weakness, they could request a review to be undertaken by Internal Audit in order to provide recommendations for improvement. However, Internal Audit were not required to provide an opinion.

The report concluded by stating that due to the problems experienced by the Council with regard to the implementation of SAP, only 'Partial' Assurance that the systems for internal controls were in place and working well for those services reviewed.

**Resolved** that the report be noted

## **26. Petition Scheme**

The report previously circulated, on the newly introduced Petition Scheme was considered in order to gain the views of the Corporate Governance Committee and to make any amendments that were deemed appropriate prior to adoption by Full Council.

The provisions relating to petitions were created by the Local Democracy, Economic Development and Construction Act 2009 and would come into effect on the 15 June 2010.

The Council did not currently have to have an e-petition scheme in place, although it must be in place by December of this year and the scheme would need to be amended at that time to take account of the change of the process.

The Committee was informed that the Petition Scheme had already been approved by the Constitutional Sub-Committee and any amendments would be presented at the next Corporate Governance Committee. Any future amendments could be reviewed at the Constitutional Sub-Committee and brought back to Corporate Governance Committee at a later date.

**Resolved** that the report be noted

(The meeting ended at 7.10 pm)