

You are requested to attend a meeting of the Corporate Governance Committee to be held in The Brittons Ash Community Centre, Bridgwater Road, Bathpool, Taunton, (Activity Room). on 26 March 2018 at 18:15.

Agenda

- 1 Apologies.
- 2 Minutes of the meeting of the Corporate Governance Committee held on 4 December 2017 (attached).
- 3 Public Question Time.
- 4 Declaration of Interests
To receive declarations of Disclosable Pecuniary Interests or personal or prejudicial interests, in accordance with the Code of Conduct, in relation to items on the agenda. Such interests need to be declared even if they have already been recorded in the Register of Interests. The personal interests of Councillors who are County Councillors or Town or Parish Councillors will automatically be recorded in the minutes.
- 5 External Audit – Audit Plan 2017/18. Report of the External Audit Director (attached).
Reporting Officer: Peter Barber
- 6 External Audit – Progress Report and Update. Report of the External Audit Assistant Manager (attached).
Reporting Officer: Sarah Crouch
- 7 External Audit Certification Report. Report of the External Audit Director (attached).
Reporting Officer: Peter Barber
- 8 SWAP Internal Audit – Internal Audit Plan 2017/18 Progress. Report of the Assistant Director, SWAP (attached).
Reporting Officer: Alastair Woodland
- 9 SWAP Internal Audit – Internal Audit Plan 2018/19 & Audit Charter. Report of the Assistant Director, SWAP (attached).
Reporting Officer: Alastair Woodland

- 10 Corporate Risk Management Update. Report of the Corporate Strategy & Performance Officer (attached).
Reporting Officer: Richard Doyle
- 11 Corporate Governance Action Plan. Report of the Corporate Strategy & Performance Officer (attached).
Reporting Officer: Richard Doyle
- 12 Overdue high priority SWAP Audit Recommendations. Report of the Corporate Strategy & Performance Officer (attached).
Reporting Officer: Richard Doyle
- 13 GDPR Action Plan Update. Report of the Assistant Director - Corporate Services (attached).
Reporting Officer: Richard Sealy
- 14 Corporate Governance Committee Forward Plan - details of forthcoming items to be considered by the Corporate Governance Committee and the opportunity for Members to suggest further items (attached)

Bruce Lang
Assistant Chief Executive

07 August 2018

Members of the public are welcome to attend the meeting and listen to the discussions.

There is time set aside at the beginning of most meetings to allow the public to ask questions.

Speaking under “Public Question Time” is limited to 4 minutes per person in an overall period of 15 minutes. The Committee Administrator will keep a close watch on the time and the Chairman will be responsible for ensuring the time permitted does not overrun. The speaker will be allowed to address the Committee once only and will not be allowed to participate further in any debate.

Except at meetings of Full Council, where public participation will be restricted to Public Question Time only, if a member of the public wishes to address the Committee on any matter appearing on the agenda, the Chairman will normally permit this to occur when that item is reached and before the Councillors begin to debate the item.

This is more usual at meetings of the Council’s Planning Committee and details of the “rules” which apply at these meetings can be found in the leaflet “Having Your Say on Planning Applications”. A copy can be obtained free of charge from the Planning Reception Desk at The Deane House or by contacting the telephone number or e-mail address below.

If an item on the agenda is contentious, with a large number of people attending the meeting, a representative should be nominated to present the views of a group.

These arrangements do not apply to exempt (confidential) items on the agenda where any members of the press or public present will be asked to leave the Committee Room.

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The meeting rooms at both the Brittons Ash Community Centre and West Monkton Primary School are on the ground floor and are fully accessible. Toilet facilities, with wheelchair access, are available.

Lift access to the Council Chamber on the first floor of Shire Hall, is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are available through the door to the right hand side of the dais.



An induction loop operates at Shire Hall to enhance sound for anyone wearing a hearing aid or using a transmitter.

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Corporate Governance Committee Members:-

Councillor A Sully	(Chairman)
Councillor M Adkins	
Councillor J Blatchford	
Councillor C Booth	
Councillor E Gaines	
Councillor A Govier	
Councillor T Hall	
Councillor J Horsley	
Councillor S Nicholls	
Councillor R Parrish	
Councillor R Ryan	
Councillor F Smith-Roberts	
Councillor C Tucker	
Councillor D Webber	

Corporate Governance Committee – 4 December 2017

Present: Councillor Sully (Chairman)
Councillor Adkins, Mrs Adkins, Cavill, Hall, Horsley, Hunt, Nicholls, Mrs Stock-Williams.

Officers: Paul Fitzgerald (Strategic Finance and S151 Officer), Richard Sealy (Assistant Director – Corporate Services), Catrin Brown (Health and Safety Manager), Richard Doyle (Corporate Strategy and Performance Officer), Alastair Woodland (Assistant Director – South West Audit Partnership), Rebecca Usher (Grant Thornton – External Audit Manager) and Andrew Randell (Democratic Services Officer).

(The meeting commenced at 6.15 pm)

30. Apologies

An apology was received by Councillor Ryan

31. Minutes

The Minutes of the meetings of the Corporate Governance Committee held on 18 September 2017 were taken as read and were signed.

32. Declaration of Interests

Councillor Hunt declared personal interests as a Member of Somerset County Council, Exmoor National Park Authority Member, Devon & Somerset Fire & Rescue Authority Member and Tacchi Morris Management Committee Member.

33. Update on GDPR.

Members of the committee were provided a presentation by the Corporate Performance Officer, concerning the Update on GDPR:-

- GDPR entered into EU law on 25 May 2016
- This would still apply despite Brexit in the UK from 25 May 2018

The aims were to:-

- To give citizens back control over of their personal data
- To simplify the regulatory environment for business
- To create a modern and harmonised data protection framework

The Key changes were set out as follows:-

- Area – DPA only applies in the UK. GDPR is EU wide.
- Fines – Under GDPR fines up to maximum of 16.8 million or 4% of global turnover

- Data Protection Officer – now a mandatory post for public authorities. Can be either internal or external.
- Data breaches – need to report if it is likely to result in a risk to the rights and freedoms of individuals. Must be reported to the Supervisory Authority (ICO) & affected individuals within 72 hours of breach being discovered.
- Right to be forgotten – a new right for people to request to have their personal data erased permanently without undue delay.
- Data Protection Impact Assessment – Privacy Impact Assessment will now be a mandatory requirement.
- Subject Access Requests – no more fees and a shorter 1 month timescale for response.
- Consent – the need for individuals to opt in and to be able to opt out at any time.

The following was required from Councillors:-

- Carry out a Data Audit to ID your data sets (electronic & paper)
- Nominate “data champions” to undertake the review for their area & to manage any data cleansing
- Communications with teams
- Attendance at any future training sessions

During the consideration of this item, the following points were made:-

- It was considered the responsibility of Councillors to delete old information when they cease to be elected members. The authority would need to take reasonable steps in enabling this.
- The date would need to be removed within a certain period, possibly one calendar month.
- GDPR would apply to all businesses and community groups, there would be some potential exceptions with more details to be determined.
- It was considered if GDP advice and support could be provided for Parish Councils via Taunton Deane Borough Council.

Resolved that The Corporate Governance Committee noted the update.

34. Grant Thornton – External Audit Update.

Members considered the letter previously circulated, concerning the Grant Thornton – External Audit Update.

Members considered the report previously circulated, providing a regular update report for Members by our external auditors, Grant Thornton. Specifically the report provided an update in relation to their work for the 2016/17 financial year and also provided an update in relation to emerging national issues.

The report updated Members on the status, progress and completed work in relation to the auditor’s planned schedule of work, year ending December 2017. The Auditors had completed risk assessments in the prescribed audit work areas. If any risks came out of the assessment process, the Auditor’s would look into those risks and the area in further detail.

In addition, this report updated Members on any national headlines and issues that might have an impact upon the Council.

During the consideration of this item, the following points were made:-

- Confirmation was given that the work undertaken by Grant Thornton was fully funded and fell within existing costs.

Resolved that:- The Corporate Governance Committee noted the report

35. Grant Thornton – External Audit Annual Audit Letter 2016/17.

Members considered the report previously circulated, concerning the Annual Audit Letter 2016/17.

Considered report previously circulated, which introduced the Annual Audit Letter for 2016/2017, which had been prepared by the Council's external auditors, Grant Thornton. A copy of the Annual Audit Letter had also been enclosed with the report.

The report summarised the findings from the external auditors' work in respect of the 2016/2017 financial year and issued an unqualified opinion in relation to Taunton Deane's accounts and value for money arrangements.

The letter also provided a progress update in relation to the Certification of Grant Claims work being undertaken by the external auditors and confirmed the planned audit fees for 2016/2017 at £58,442. The external auditors had also made a number of recommendations, which were detailed in the Appendix to the letter.

During the consideration of this item, the following points were made:-

- The data was completed and considered accurate.
- The risks that were identified would be addressed going forward.
- The MTFP was not predicated on the creation of the New Council. The Transformation Programme and financial position would still be considered and would be taken into account as arrangements starting to develop.
- This would not impact on the report what work would be undertaken.

Resolved that:- The Corporate Governance Committee noted the report

36. SWAP Internal Audit – Internal Audit Plan 2017/18 Progress.

Members considered the report previously circulated, concerning the SWAP Internal Audit Plan 2017/18.

Considered report previously circulated, concerning the South West Audit Partnership (SWAP) Internal Audit Plan 2017/2018 Progress Report which provided a regular progress and update report in relation to prescribed audit work to date for the

financial year and also provided an update in relation to emerging national issues that might impact on the Council.

The 2017/2018 Annual Audit Plan provided an independent and objective assurance on Taunton Deane Borough Council's internal control environment. This work supported the Annual Governance Statement. Details of the progress made since the previous update in September 2017 was submitted.

The report updated Members on the status, progress and completed work in relation to the auditor's planned schedule of work, year ending 31 March 2018. The Auditors had completed risk assessments in the prescribed audit work areas. If any risks came out of the assessment process, the Auditor's would look into those risks and the area in further detail.

During the consideration of this item, the following points were made:-

- Issues around Gas inspections were discussed along with concerns over letters that were sent to tenants. Improvements to processes were being considered to benefit the customers.
- A car parks maintenance plan was in place for the car parks across the borough.
- Following the return from Southwest One, the ICT disaster recovery plan would be updated shortly after the server migration.

Resolved that:- The Corporate Governance Committee noted the report.

37. Health and Safety Six Monthly Update

Members considered the report previously circulated, concerning the Health and Safety Six Monthly Update.

Considered report previously circulated, concerning an update on the progress of a range of Health and Safety matters across the organisation. These included:-

- Accident and Incident Data for the period;
- Monitoring Health and Safety Performance;
- Report on actions agreed by Health and Safety Committee;
- Policy updates; and
- Key activities of the Health and Safety Advisor.

During the consideration of this item, the following points were made:-

- It was considered if the decrease in the number of employees had been a factor in the reduction in the number of reported incidents.
- The figures did not include incidents reported at GLL sites such as the Gym and Swimming Pools.
- The needle stick injury reported took place in a void property when clearing out a bag.
- There was confidence that sufficient Health and Safety awareness had been given with consideration of the ongoing works at The Deane House.

Resolved that:- The Corporate Governance Committee noted the report.

38. Corporate Governance Committee Forward Plan

Submitted for information the proposed Forward Plan of the Corporate Governance Committee.

Resolved that the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 7.37pm).

Taunton Deane Borough Council

Corporate Governance Committee – 26 March 2018

External Audit – Audit Plan 2017/18

This matter is the responsibility of the Leader of the Council, Councillor John Williams

Report Author: Paul Carter, Assistant Director – Resources and Support

1 Purpose of the Report

- 1.1 This report introduces the External Audit Plan for 2017/18. This is prepared by our external auditors, Grant Thornton, and is detailed in the appendix to this report.
- 1.2 The report summarises their approach to the 2017/18 audit programme, together with the auditors view on risk, materiality and value for money.

2 Recommendations

- 2.1 Members are requested to note the External Audit Plan for 2017/18 received from Grant Thornton.

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
The details of any specific risks are contained in the report			

4 Background and Full details of the Report

- 4.1 Each year our external auditors, Grant Thornton, provide a plan, which details their approach to the audit work required in respect of the preceding financial year (2017/18). Specifically this audit work focuses on the provision of an audit opinion in relation to the accounts, value for money (VFM) and associated key risks.
- 4.2 The plan for 2017/18 is set out in Appendix A.

5 Links to Corporate Aims / Priorities

- 5.1 There are no direct implications.

6 Finance / Resource Implications

- 6.1 The report sets out the external auditors view on key risk areas for the Council and their approach to auditing them.

7 Legal Implications

7.1 There are no legal implications from this report.

8 Environmental Impact Implications

8.1 None

9 Safeguarding and/or Community Safety Implications

9.1 None

10 Equality and Diversity Implications

10.1 None

11 Social Value Implications

11.1 None

12 Partnership Implications

12.1 None

13 Health and Wellbeing Implications

13.1 None

14 Asset Management Implication

14.1 None

15 Consultation Implications

15.1 None

Democratic Path:

- **Corporate Governance Committee – Yes**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: ☐ **Once only** ☐ **Ad-hoc** ☐ **Quarterly**

☒ **Twice-yearly** ☐ **Annually**

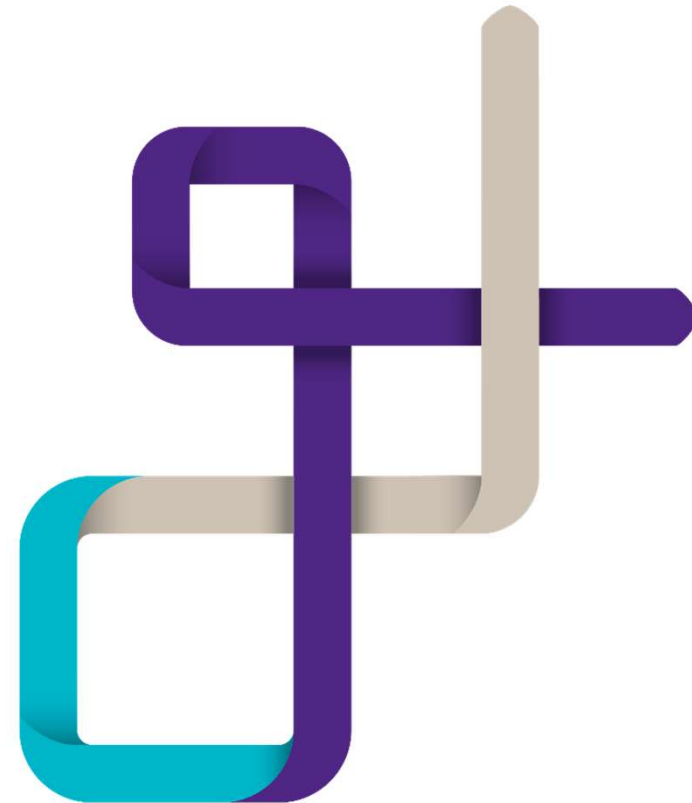
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External Audit Plan

Year ending 31 March 2018

Taunton Deane Borough Council
March 2018



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Taunton Deane Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Taunton Deane Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Corporate Governance committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Corporate Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of Net Pension Liability
- Valuation of Property Plant & Equipment
- Revenue recognition from West Somerset Recharges
- Migration of data from SAP to the E5 system

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.648m (PY £1.529m), which equates to 2.0% of your gross expenditure for the prior year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £82k (PY £76k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Medium term financial position, including the Transformation Programme and proposal for a new Council

Audit logistics

Our interim visit took place in January and February 2018 and our final visit will take place between 29th May and 11th July 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £50,629 (PY: £50,629) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery	Changes to financial reporting requirements	Key challenges
<p>Commercialisation</p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version was due to be published in December 2017. Although the Council has yet to engage in any alternative service delivery models, management should refer to the new requirements if considering new arrangements.</p>	<p>Devolution</p> <p>The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas.</p> <p>Locally, Taunton Deane Borough Council and West Somerset District Council have submitted a proposal to the Secretary of State to create a new single District Council to replace the existing two councils from April 2019. An announcement is expected imminently.</p> <p>Accounts and Audit Regulations 2015 (the Regulations)</p> <p>The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p> <p>Housing Revenue Account (HRA)</p> <p>DCLG has issued revised guidance on the calculation of the Item 8 Determination for 2017/18, which :</p> <ul style="list-style-type: none"> - extends transitional arrangements for reversing impairment charges and revaluation losses on dwelling assets and applies this principle to non-dwelling assets from 2017/18, - confirms arrangements for charging depreciation to the HRA and permitting revaluation gains that reverse previous impairment and revaluation losses to be adjusted against the HRA. <p>Changes to the CIPFA 2017/18 Accounting Code</p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.</p>	<p>A proposed new Council</p> <p>The council, in conjunction with West Somerset District Council have submitted a proposal to the Secretary of State to form a new local council.</p> <p>Both councils believe this change is essential to ensure best use is made of their limited resources so they can continue to provide effective and efficient services to their communities.</p> <p>Management expect that further savings can be achieved through economies of scale arising from the creation of new joint council.</p> <p>The secretary of State has at the time of this report, not yet issued a final decision</p> <p>Financial pressures</p> <p>Taunton Deane Borough Council's revenue support grant from central government is due to be withdrawn from 2019/20, having reduced from over £3.5m in 2012/13. The Council, as with all public sector bodies is facing increased financial pressures to provide good services to local rate payers with less funding, as well as achieving new sources of income.</p> <p>The Council continues to work hard to ensure appropriate arrangements are in place for sustainable resource deployment.</p>

Our response

- We will consider your arrangements for managing and reporting your financial resources, including your progress on forming a new Council as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, revised stock valuation guidance for the HRA and the impact of impairment assessment.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions – Excluding West Somerset DC recharges	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Taunton Deane Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Taunton Deane Borough Council.</p>
The revenue cycle includes fraudulent transactions – Recharges to West Somerset DC	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have identified this revenue stream as a risk requiring special audit consideration.	<p>Having considered the risk factors set out in ISA240 and the nature of this revenue stream at the Council, we have determined that the risk of fraud arising from revenue recognition cannot be rebutted in this respect because:</p> <ul style="list-style-type: none"> • The basis for the amount recharged to West Somerset should be supported by appropriate evidence • there is the possibility that recharges are incorrectly made.
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	<p>The Council revalues its land and buildings on a rolling basis over five years, to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work Consideration of the competence, expertise and objectivity of any management experts used. Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions. Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
New General Ledger (E5) implemented from 1 April 2017	Introduction of a new Ledger (E5) and migration of data from the old ledger (SAP). We identified a risk that the data had not been migrated correctly as requiring special audit consideration.	<p>We will review the arrangements management have in place to manage the transfer of the SAP ledger into E5.</p> <p>We will utilise our computer audit colleague's expertise to provide additional assurance that the opening balances have been correctly transferred</p>

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	<p>Payroll expenditure represents a significant percentage (23%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and is prepared by an external agency, there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none">• evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness;• gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls;• complete a walkthrough test to confirm the operation of the process and associated controls in line with our understanding;• we will carry out a detailed analytical review of payroll for months 1 – 9, which will include testing a sample of starters and leavers. <p>Further work planned</p> <ul style="list-style-type: none">• complete and conclude on the analytical review carried out at the interim and investigate any unexpected variances• substantive analytical review of year end accruals

Reasonably possible risks identified (continued)

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Operating expenses	<p>Non-pay expenses on other goods and services also represents a significant percentage (59%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none">• evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness;• gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;• complete a walkthrough test to confirm the operation of the process and associated controls in line with our understanding; <p>Further work planned</p> <ul style="list-style-type: none">• reconciliation of creditor ledger to the general ledger;• testing for unrecorded liabilities;• substantive analytical review of year end accruals

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

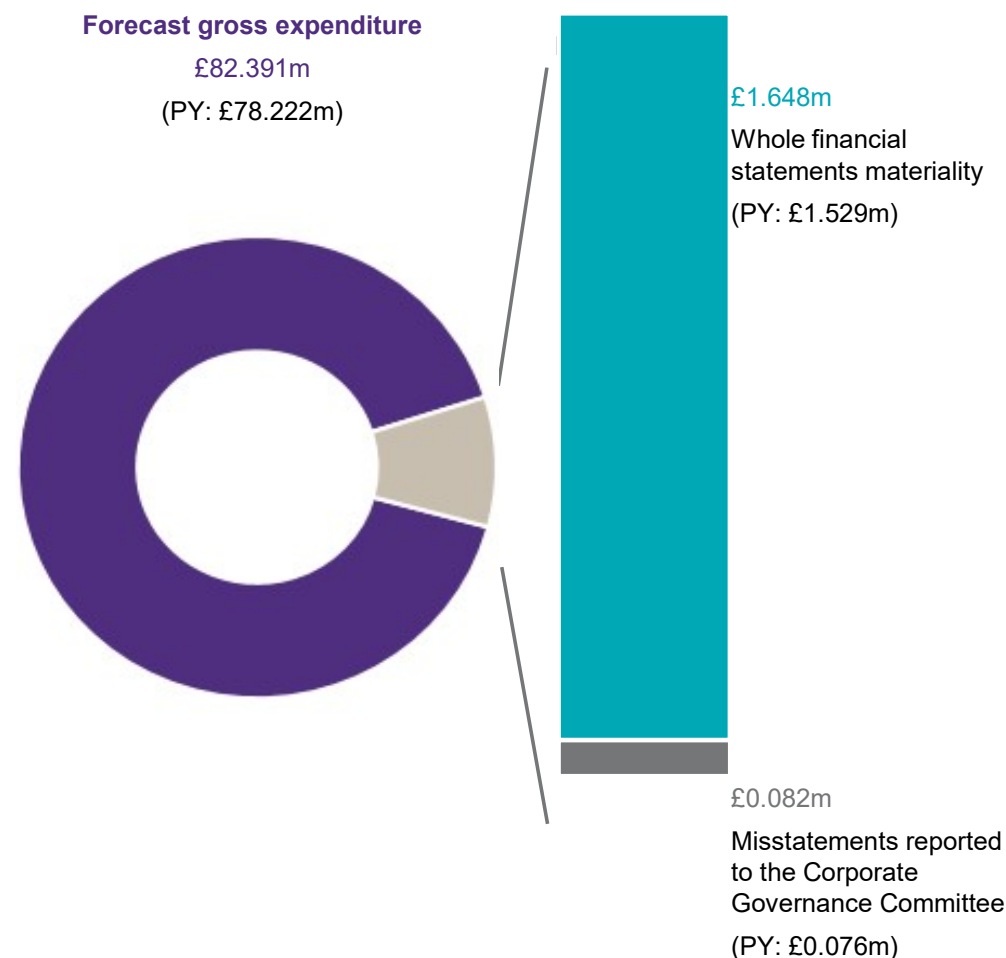
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £1.648m (PY £1.529m), which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £82k (PY £76k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

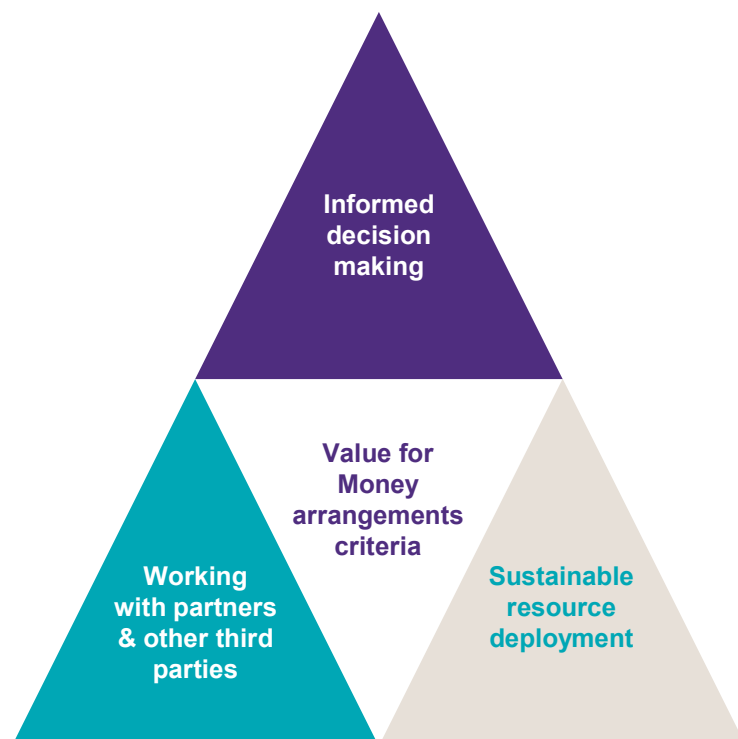
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Medium term financial position, including the Transformation Programme and proposal for a new Council

The Council has a balanced financial plan for 2018/19 and an indicative budget surplus for 2019/20. However there is a forecast budget gap by 2022/23 of £0.170m. The forecast budget gap for 2022/23 would increase by circa £1.5m if the savings which are expected to be delivered via the transformation Programme are not achieved over the next 5 years.



In order to achieve financial savings and efficiencies, the Council has a detailed a significant Transformation Programme, which would culminate in the creation of a new Council with West Somerset District Council. The two Councils have submitted a proposal to the Secretary of State to allow the creation of a new Council, with a decision expected imminently. If approved, it is expected that the new Council would operate from April 2019.

We will review the Council's medium term financial plan, including the assumptions that underpin the plan. We will review how the Council is progressing with its Transformation Programme, with a particular emphasis on the transformation of services, as well as reviewing the progress on the proposal to create a new Council.

Audit logistics, team & audit fees



Peter Barber Engagement Lead

Overall quality control; accounts opinions; final authorisation of reports; attendance at Corporate Governance Committee



Sarah Crouch Audit Manager

Overall audit management; consideration of VFM work; quality assurance of audit work and outputs



Stephen Clarke Audit Incharge

Management of audit fieldwork, including accounts; coordination of work completed by audit assistants; coordination of work of specialists and advisors

Audit fees

The planned audit fees are no less than £50,629 (PY: £50.629) for the financial statements audit and no less than £9,419 (PY: £7,793) for housing benefit certification. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline. Last year the Council presented the draft statements for audit by June enabling us to sign off against this earlier deadline. Both the Council and us, as your auditors, are, therefore, well placed to meet the requirements under the regulations.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 13). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline.

Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

The following non-audit services were identified

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	2,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,000 in comparison to the total fee for the audit of £50,629 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related services to be undertaken by Grant Thornton UK LLP in the current financial year. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Revised ISAs

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern.	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



Taunton Deane Borough Council

Corporate Governance Committee – 26 March 2018

External Audit – Progress Report and Update

This matter is the responsibility of the Leader of the Council, Councillor John Williams

Report Author: Paul Carter, Assistant Director – Resources and Support

1 Purpose of the Report

- 1.1 The attached report provides the Corporate Governance Committee with a progress update regarding the work of the external auditors, Grant Thornton, together with information relating to emerging issues which may be relevant to the Council.

2 Recommendations

- 2.1 Members are requested to note the update report.

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
The details of any specific risks are contained in the report			

4 Background and Full details of the Report

- 4.1 The Council's external audit function is undertaken by Grant Thornton. The external Auditors, as part of their work, provide regular progress updates to Members via the Corporate Governance Committee together with updates in relation to emerging national issues, which may be of relevance to the Council. These are detailed in the attached report.

5 Links to Corporate Aims / Priorities

- 5.1 There is no direct contribution to the Corporate Priorities.

6 Finance / Resource Implications

- 6.1 This is an update report only and there are no specific financial implications.

7 Legal Implications

- 7.1 The Council has a statutory duty to produce financial statements.

8 Environmental Impact Implications

8.1 None

9 Safeguarding and/or Community Safety Implications

9.1 None

10 Equality and Diversity Implications

10.1 None

11 Social Value Implications

11.1 None

12 Partnership Implications

12.1 None

13 Health and Wellbeing Implications

13.1 None

14 Asset Management Implication

14.1 None

15 Consultation Implications

15.1 None

Democratic Path:

- **Corporate Governance Committee – Yes**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: ☐ Once only ☐ Ad-hoc ☐ Quarterly

☒ **Twice-yearly** ☐ **Annually**

Contact Officers

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Audit Progress Report and Sector Update

Taunton Deane Borough Council

March 2018



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Introduction



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This paper provides the Corporate Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Corporate Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the link below to be directed to the website <https://www.grantthornton.co.uk/en/industries/public-sector/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2018

Financial Statements Audit

We have completed our planning for the 2017/18 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We undertook our interim audit in January 2018. Our interim fieldwork visit included:

- An updated review of the Council's control environment
- An updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The findings from our interim audit are summarised at pages 6 to 8. Recommendations are included in the action plan at Appendix 1.

The statutory deadline for the issue of the 2017/18 opinion has been brought forward by two months to 31 July 2018. We are discussing our plan and timetable with officers.

The final accounts audit is due to begin on the 14th June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We have undertaken our initial VFM risk assessment and reported this to you in our Audit Plan.

We will report on the findings from our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work will be reported to you in our certification letter.

Meetings

We met with Finance Officers in January as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our most recent event was our Chief Accountants workshop held in February, attended by officers from Taunton Deane Borough Council. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	January 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below :

	Work performed	Conclusions and recommendations
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none">• Communication and enforcement of integrity and ethical values• Commitment to competence• Participation by those charged with governance• Management's philosophy and operating style• Organisational structure• Assignment of authority and responsibility• Human resource policies and practices	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> <p>However, we note that budget monitoring information was not made available to budget holders and decision makers until Month 9. We understand that technical issues prevented officers extracting the information from the Midland Trent financial system, but that from Month 9 onwards it has been reinstated. We also understand that finance staff reviewed the data in the interim for known high risk areas.</p> <p>This weakness in the internal financial control prevented officers from reviewing expenditure against budgets and members challenging the budget position during the year and taking action where necessary. We recommend the Council ensure that appropriate, timely access to budget monitoring information is made available to all budget holders and relevant members going forward.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

	Work performed	Conclusions and recommendations
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Our work has not identified any weaknesses which impact on our audit approach.
Early substantive testing	Property plant and equipment We had planned to check the engagement letter sent to the valuer to confirm the appropriateness of the work to be undertaken, including the assets to be valued and the valuation methods to be used. This engagement letter was still not available at the time of our audit visit.	The terms of engagement with the valuer have not yet been provided to us. We recommend that the terms of the valuation should be completed before the valuer begins their valuation work in plenty of time for the end of the year.

	Work performed	Conclusions and recommendations
Early substantive testing	Housing Benefit Expenditure We have tested a sample of payments made to claimants in the Housing Benefit system and found that the payments made are correctly calculated based on the claimants circumstances	Our work has not identified any weaknesses which impact on our audit approach. We will update this work at the year end for the rest of the period.
	Operating Expenses We have selected a sample of operating expenses and tested them to invoices and to the Creditors Ledger and to the General Ledger to confirm that the coding was appropriate. We have also checked that VAT has been correctly allocated to the appropriate cost codes.	Our work has not identified any weaknesses which impact on our audit approach. We will update this work at the year end and agree the evidence supports the figures in the accounts
	Pension Scheme – Information for the Actuary We have tested the information supplied to Somerset County Council for onward submission to the Scheme Actuary is in accordance with the month 9 payroll details.	Our work has not identified any weaknesses which impact on our audit approach. We will confirm that the year end that the details received from the Actuary have been based on the information supplied by the Council and that the report is correctly reflected in the accounts.
	Other early testing We have gathered information on a number of areas, including Council Tax Precepts, Grant Income, Cash, Recharges and Employee Remuneration in order to prepare for our testing at the year end.	Our work has not identified any weaknesses which impact on our audit approach. We will test this information at the year end to ensure that figures are correctly reflected in the accounts.

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

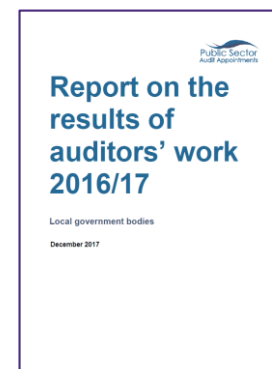
The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates;
- corporate governance issues; and
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.



Changes to the prudential framework of capital finance

The Ministry of Housing Communities and Local Government has updated the Local Authority Investments Guidance and the Minimum Revenue following its publication of consultation responses on 2 February 2018.

A total of 213 consultation responses were received by the MHCLG by the 22 December 2017 deadline from across local government. Following consideration of the responses the Government has:

- made some technical changes to the Investments Guidance and MRP Guidance
- amended proposals relating to useful economic lives of assets
- implemented the Investments Guidance for 2018-19, but allowed flexibility on when the additional disclosure first need to be presented to full Council
- deferred implementation of MRP Guidance to 2019-20 apart from the guidance "Changing methods for calculating MRP", which applies from 1 April 2018.

Key changes are noted below.

Statutory Guidance on Local Authority Investments

Transparency and democratic accountability – the revised guidance retains the requirement for an Investment Strategy to be prepared at least annually and introduces some additional disclosures to improve transparency. However, as the changes to the CIPFA Prudential Code include a new requirement for local authorities to prepare a Capital Strategy, the revised guidance allows the matters required to be disclosed in the Investment Strategy to be disclosed in the Capital Strategy.

Principle of contribution – the consultation sought views on the introduction of a new principle requiring local authorities to disclose the contribution that non-core investments make towards core functions. Authorities' core objectives include 'service delivery objectives and/or placemaking role.' This clarification has been made to recognise the fact that local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and that they may want to hold long term investments to facilitate this.

Introduction of a concept of proportionality – the Government is concerned that some local authorities may become overly dependent on commercial income as a source of revenue for delivering statutory services. The consultation sought views on requiring local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income. A majority of respondents supported the introduction of a concept of proportionality, recognising the importance that local authorities make decisions based on an understanding of the overall risk that they face.

Borrowing in advance of need – by bringing non-financial investments (held primarily or partially to generate a profit) within the scope of the Investments Guidance, the consultation proposals made it clear that borrowing to fund acquisition of non-financial assets solely to generate a profit is not prudential. The Investment Guidance requires local authorities who have borrowed in advance of need solely to generate a profit to explain why they have chosen to disregard statutory guidance. It is also important to note that nothing in the Investment Guidance or the Prudential Code overrides statute, and local authorities will still need to consider whether any novel transaction is lawful by reference to legislation.

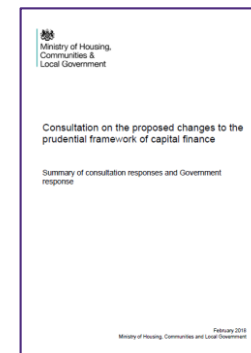
Minimum Revenue Provision Guidance

The consultation sought views on proposals to update the guidance relating to MRP to ensure local authorities are making prudent provision for the repayment of debt.

Meaning of a charge to the revenue account – the Government does not believe that crediting the revenue account is either prudent or within the spirit of the approach set out in the relevant Regulations. For this reason a charge to the account should not be a negative charge.

Impact of changing methods of calculating MRP – the Government does not expect any local authority to recalculate MRP charged in prior years due to the proposed changes in methodology.

Introduction of a maximum economic life of assets – the consultation sought views on setting a maximum useful economic life of 50 years for freehold land and 40 years for other assets. The MRP Guidance will set a maximum life of 50 years, but allow local authorities to exceed this where the related debt is PFI debt with a longer term than 50 years, or where a local authority has an opinion from an appropriately qualified person that an operational asset will deliver benefits for more than 50 years.



Changes to capital finance framework

Challenge question:

Has your Director of Finance briefed members on the impact of the changes to the prudential framework of capital finance?

CIPFA publications - The Prudential Code and Treasury Management Code

CIPFA have published an updated 'Prudential Code for Capital Finance in Local Authorities'. Key developments include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003, and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

Since the Prudential Code was last updated in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda. It reflects the increasing diversity in the sector and new structures, whilst providing for streamlined reporting and indicators to encourage better understanding of local circumstances and improve decision making.

The introduction of a capital strategy allows individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment. The Code is available in hard copy and online.



CIPFA have also published an updated Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Code provides a framework for effective treasury management in public sector organisations.

The Code defines treasury management as follows:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

It is primarily designed for the use of local authorities (including police and crime commissioners and fire authorities), providers of social housing, higher and further education institutions, and the NHS. Local authorities in England, Scotland and Wales are required to 'have regard' to the Code.

Since the last edition of the TM Code was published in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda.

There are significant treasury management portfolios within the public services, for example, as at 31 March 2016, UK local authorities had outstanding borrowing of £88bn and investments of £32bn.

The Code is available in hard copy and online.

CIPFA Publication

Challenge question:

Has your Director of Finance briefed members on the impact of the changes to the prudential code?

Overview of the General Data Protection Regulation (GDPR)

What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

Questions for your organisation:

- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?

Through a local lens: SOLACE summit 2017

The Industrial Strategy matters to places but places also matter to the Industrial Strategy.

This was a strong message coming out of discussions at the recent SOLACE (Society of Local Authority Chief Executives) summit where we facilitated 100 local authority CEOs and senior leaders to consider how the Industrial Strategy could be brought to life at a local level.

For some time now we have engaged in an ongoing and inclusive dialogue with communities and business, local authority and third sector leaders from across the country, to share aspirations, ideas and insight focused on building a vibrant economy for the UK. These discussions have helped to form the basis of our Vibrant Economy 'Blueprint for the UK' and they will go on to inform our recommendations to Government around a place-based approach to the Industrial Strategy.

This year's summit provided us with an invaluable opportunity to take this dialogue further.

We focused on the integral role local government will have in delivering the Industrial Strategy. Delegates applied a local lens to the national growth agenda, encouraging them to consider what strategies and approaches were already working in their place; what they could be doing more of to support growth in their area, and how they could steer the Industrial Strategy agenda from a local level.

Using the appreciative inquiry technique, we discussed the following questions:

What role would leaders and local institutions be playing if they were delivering positive outcomes from the industrial strategy?

Looking ahead and considering our diverse local authority agendas, the industrial strategy and surrounding policy landscape what aspects might work well for everyone?



You can see and hear what delegates thought on our [website](#)

Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



Grant Thornton Publication

Challenge question:

Is your Authority considering the risks and governance issues for its commercialisation agenda?



Supply Chain Insights tool helps support supply chain assurance in public services

Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
 - organisation and category
 - service provider
 - date at a monthly level
- benchmark your spend against your peers
- identify:
 - organisations buying similar services
 - differences in pricing
 - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

Supply Chain Insights

Grant Thornton

Challenge question:

Has your Authority considered how our Supply Chain Insight tool can help support your supply chain assurance?



Cost Assurance

Did you know....

40

Number of Public Sector engagements to date

£125m

Annual spend analysed

£3.55m

Rebate opportunities identified

£1.1m

Fee income identified

2.84%

Error rate – rebates versus spend volume

55%

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton Challenge question:

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

<http://supplychaininsights.grantthornton.co.uk/>

PSAA website links

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

MHCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

CIPFA website link

<http://www.cipfa.org/policy-and-guidance/publications/the-prudential-code-for-capital-finance-in-local-authorities-2017-edition-book>

National Audit Office link

<https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/>

Appendix 1 – Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Management should ensure that Budget monitoring regularly takes place</p> <p>It has been identified that budget monitoring was not undertaken until Quarter 3 due to technical issues with getting the information out of the Midland Trent system. This demonstrates a lack of internal control around income and expenditure, and means it has been impossible for budget holders to assess their progress and members to challenge the budget position. We recommend the Council ensure that appropriate, timely access to budget monitoring information is made available to all budget holders and relevant members going forward.</p>	Medium	<p>Management has been fully aware of the temporary limitations in budget monitoring and reporting following the implementation of a new finance system at TDBC, and has implemented proportionate mitigation to check areas of higher risk / volatility. Effort was focussed on stabilising financial information in the first half of the year, and normal budget monitoring has resumed from Q3 2017/18. There are no ongoing limitations to budget monitoring.</p>	<p>Completed December 2017 / January 2018</p> <p>Assistant Director Strategic Finance and S151 Officer.</p>
2	<p>Management should ensure that the Valuer is provided with clear instructions</p> <p>As part of our interim audit, we requested the instructions provided to the valuer for their revaluation work for the year, but they have not yet been provided. We recommend that terms of engagement should be provided before the valuer begins their valuation work and in plenty of time for the year end.</p>	Low	<p>As at 7 March the terms of engagement are still in the process of being finalised – expected to be completed mid-March. However the Valuer has been instructed as to which assets are to be valued and it is not foreseen that there will be any delays in the information being received back.</p>	<p>Completed March 2018</p> <p>Assistant Director – Resources & Support</p>

Taunton Deane Borough Council

Corporate Governance Committee 26th March 2018

Grant Thornton - Certification Report 2016/17

Report of the Assistant Director – Corporate Services (Richard Sealy)

This matter is the responsibility of the Leader of the Council, Cllr John Williams

1. Executive Summary

This report introduces the Certification Report 2016/17, which has been compiled by our external auditors, Grant Thornton, in relation to the certification of our Housing Benefit Subsidy Claim.

The report, which will be presented by Grant Thornton, summarises their findings from their work in relation to the above claim and return for 2016/17.

2. Background

- 2.1 Each year our external auditors, Grant Thornton, review the Council's arrangements in relation to grant claims and returns.
- 2.2 Their full report together with detailed recommendations and details of the cost of this work are attached to this report.

3. Finance Comments

- 3.1 The claim and return submitted by the Council (and reviewed by our external auditors) total £30.7m. This is clearly a significant financial matter for the authority and we must ensure that proper arrangements are in place to meet the "conditions" of the grants.
- 3.2 The report indicates that, whilst a qualification has been made in respect of the Housing Benefit Scheme Claim, this qualification has had no financial impact.
- 3.3 The report highlights a number of areas where improvements are required together with the agreed management response and target delivery dates.

4. Legal Comments

4.1 There are no legal implications from this report.

5. Links to Corporate Aims

5.1 No direct implications.

6. Environmental Implications

6.1 No direct implications.

7. Community Safety Implications

7.1 No direct implications.

8. Equalities Impact

8.1 No direct implications.

9. Risk Management

9.1 Any risks identified will feed into the corporate risk management process.

10. Partnership Implications

10.1 The Director – Operations and the Internal Audit Team (SWAP – South West Audit Partnership) have taken the findings of this report into account when identifying the areas of risk to be audited next year.

11. Recommendations

11.1 Members are requested to note the report.

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Grant Thornton
An instinct for growth™

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18 January 2018

Dear Paul

Certification work for Taunton Deane Borough Council for year ended 31 March 2017

We are required to certify the Housing Benefit subsidy claim submitted by Taunton Deane Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £30.7 million. Further details are set out in Appendix A.

We identified one issue from our certification work which we wish to highlight for your attention. This is set out in Appendix A.

As a result of the error identified, the claim was amended.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £7,793. This is set out in more detail in Appendix B.

Yours sincerely

Peter Barber - Director
For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£30,664,142	Yes	£290	No	See below

Findings from certification of housing benefits subsidy claim

The claim was amended due to the following issue:

Overpayment classification

We identified one error where a Non-HRA rent rebate overpayment was incorrectly classified as eligible rather than Local Authority error. Officers were able to review the whole of the population and we agreed the amendment required to the claim as a result. The audit team reviewed and re-performed a sample of the work of the Council

Recommended actions for officers

We recommend that the Council, as part of its internal quality assurance process, should increase its focus or level of testing in respect of the area where we identified the error in our testing.

Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	10,390	7,793	7,793	-	N/A
Total	10,390	7,793	7,793		

Taunton Deane Borough Council

Corporate Governance Committee – 26 March 2018

SWAP Internal Audit – Internal Audit Plan 2017/18 Progress

This matter is the responsibility of Executive Councillor Richard Parrish

Report Author: Alastair Woodland, Assistant Director, SWAP

1 Executive Summary

- 1.1 The Internal Audit function plays a central role in corporate governance by providing assurance to the Corporate Governance Committee, looking over financial controls and checking on the probity of the organisation.
- 1.2 The 2017-18 Annual Audit Plan is to provide independent and objective assurance on TDBC's Internal Control Environment. This work will support the Annual Governance Statement.

2 Recommendations

- 2.1 Members are asked to note progress made in delivery of the 2017/18 internal audit plan and significant findings since the previous update in December 2017.

3 Risk Assessment

- 3.1 Any large organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. TDBC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement.

Risk Matrix

Description	Likelihood	Impact	Overall
Without the delivery of the approved audit plan there is the risk of insufficient audit work being completed to provide a reasonable assurance to stakeholders that there is an effective control framework in place, adequately mitigating risks to the authority's risk appetite.	3	3	9

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			Impact				

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background

4.1 This report summarises the work of the Council's Internal Audit Service and provides:

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in December 2017.
- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.

4.2 The Internal Audit Progress Report for 2017/18 is contained within the attached SWAP Report.

5 Links to Corporate Aims

5.1 Delivery of the corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, South West Audit Partnership.

6 Finance

6.1 There are no specific finance issues relating to this report.

7 Legal Implications

7.1 There are no specific legal issues relating to this report.

8 Environmental Impact Implications

8.1 There are no direct implications from this report.

9 Safeguarding and/or Community Safety Implications

9.1 There are no direct implications from this report.

10 Equality and Diversity Implications

10.1 There are no direct implications from this report.

11 Social Value Implications

11.1 There are no direct implications from this report.

12 Partnership Implications

12.1 There are no direct implications from this report.

13 Health and Wellbeing Implications

13.1 There are no direct implications from this report.

14 Asset Management Implications

14.1 There are no direct implications from this report.

15 Consultation Implications

15.1 There are no direct implications from this report.

Democratic Path:

- **Corporate Governance Committees – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

Reporting Frequency : ☐ **Once only** ☐ **Ad-hoc** ☒ **Quarterly**

☐ Twice-yearly ☐ Annually

List of Appendices (delete if not applicable)

Appendix A	SWAP Internal Audit Progress Report 2017/18
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Taunton Deane Borough Council

Report of Internal Audit Activity

Plan Progress 2017/18 March 2018

Contents

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	Appendix B – Internal Audit Work Plan	Page 6 – 8
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Internal Audit Plan Progress 2017/2018

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Follow Up**
- **Non-Opinion / Advisory Reviews**



Role of Internal Audit

The Internal Audit service for the Taunton Deane Borough Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Corporate Governance Committee at its meeting on 20th March 2017.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Follow Up
- Non-Opinion / Advisory Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to this Committee and approved by this Committee at its meeting in March 2017.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2017/2018

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action



Internal Audit Work

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Annual Audit Plan 2017/18. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in [Appendix A](#) of this document.

Overall good progress is being made on the Audit Plan 2017-18. Current progress as at the beginning or March can be seen from [Appendix B](#).

As agreed with this Committee where a review has a status of ‘Final’ and has been assessed as ‘Partial’ or ‘No Assurance’, I will provide further detail to inform Members of the key issues identified. Since the December 2017 update there are no ‘Partial Assurance’ or ‘No Assurance’ reviews I need to bring to your attention.

There is one non-opinion/advisory audit that I need to bring to your attention regarding a Planning Complaint. Further details can be found within [Appendix C](#).

Internal Audit Plan Progress 2017/2018

We keep our audit plans under regular review to ensure that we are auditing the right things at the right time.



Approved Changes to the Audit Plan

The audit plan for 2017/18 is detailed in [Appendix B](#). Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to Taunton Deane Borough Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Audit Client Officer.

Since the December 2017 committee report there has been one change to the Internal Audit Plan. We were asked to investigate an allegation made against the planning department. To accommodate this review the time set aside for development control was used.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;



Audit Framework Definitions

Control Assurance Definitions

- Substantial
- Reasonable
- Partial
- No Assurance
- Non-Opinion/Advisory

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
No Assurance	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Non-Opinion/Advisory – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendations are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Audit Framework Definitions

Categorisation of Recommendations


When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

- Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of Senior Management & the Audit Committee.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor				5 = Major		Comments
						Recommendation						
						1	2	3	4	5		
FINAL												
Operational Audit	Impact of Universal Credit/Welfare Reform	Q1	Final	Reasonable	4	0	0	4	0	0		
Operational Audit	Use of Non-Contracted Suppliers - DLO	Q1	Final	Partial	8	0	0	6	2	0		
Governance, Fraud & Corruption	Compliance with IR35	Q1	Final	Reasonable	4	0	0	4	0	0		
Operational Audit	Trade materials	Q1	Final	Non-Opinion	0	0	0	0	0	0		
Operational Audit	Car Parking maintenance	Q1	Final	Partial	6	0	0	3	3	0		
Follow Up	Crematorium follow up	Q2	Final	Follow up	9	0	0	5	4	0		
Follow Up	Building Control follow up	Q2	Final	Follow up	1	0	0	1	0	0		
Operational Audit	Housing Compliance – Gas Safety	Q2	Final	Partial	8	0	0	7	1	0		
Operational Audit	Grants - DFG & Other	Q2	Final	Reasonable	7	0	1	6	0	0		
Governance, Fraud & Corruption	Council Tax Base Review	Q3	Final	Advisory	1	0	0	0	1	0		
Key Control	Discretionary Payments - Housing	Q3	Final	Reasonable	3	0	0	2	1	0		
Governance, Fraud & Corruption	Use of Consultants	Q2	Final	Reasonable	3	0	0	3	0	0		


Internal Audit Work Plan

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor	↔		5 = Major		Comments
						Recommendation					
						1	2	3	4	5	
Follow Up	User Access Management follow up	Q2	Final	Follow Up	6	0	0	4	2	0	
ICT	New TDBC Website post implementation	Q1	Final	Reasonable	4	0	0	4	0	0	
Governance, Fraud & Corruption	Planning Complaint	Q3	Final	Advisory	1	0	0	1	0	0	
Governance, Fraud & Corruption	Culture & Ethics Survey	Q4	Final	Advisory	0	0	0	0	0	0	
Key Control	System Parameter testing Civica	Q4	Final	Advisory	0	0	0	0	0	0	
Governance, Fraud & Corruption	Organised Crime - Compliance Checklist	Q2	Final	Reasonable	5	0	0	5	0	0	
DRAFT											
Governance, Fraud & Corruption	Business Rate Avoidance	Q3	Draft								
Key Control	Creditors	Q3	Draft								
Key Control	Debtors	Q3	Draft								
Governance, Fraud & Corruption	Post Implementation Review - Finance System, HR & Payroll	Q2	Drafting								
Governance, Fraud & Corruption	New premises - project management	Q2	Drafting								

Internal Audit Work Plan

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor			5 = Major		Comments
						Recommendation					
						1	2	3	4	5	
IN PROGRESS											
Governance, Fraud & Corruption	Transformation Programme	Q1, Q2, Q3, Q4	In Progress								
Key Control	Main Accounting – Collection Fund	Q3	In Progress								
ICT	Disaster Recovery	Q3	In Progress								
Key Control	Payroll	Q4	In Progress								
Governance, Fraud & Corruption	Procurement Analysis	Q4	In Progress								
Governance, Fraud & Corruption	DPA/GDPR Follow Up	Q4	In Progress								
NOT STARTED											
ICT	Cyber Security	Q3, Q4									
DEFERRED											
Operational Audit	Business Development - Project & Programme Management	Q4			Replaced by Council Tax Base Review. Rescheduled for quarter 1 2018-19 plan.						
Key Control	Housing Rents Follow Up	Q4			Replaced by Council Tax Base Review. Full review to be scheduled for quarter 1 of 2018-19 plan.						
Operational Audit	Development Control	Q4			Replaced by Planning Complaint this audit has been dropped.						

Audit completed since the December 2017 update:

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Corporate Governance Committee.



Summary of Audit Findings and High Priority Service Findings

The following information provides a brief summary of each audit review finalised since the last Committee update in December 2017. Each audit review is displayed under the relevant audit type, i.e. Operational; Key Control; Governance; Fraud & Corruption; ICT and Special Review.

Since the December 2017 update there are no Partial Assurance audit opinions that I need to bring to your attention and one Non-Opinion/Advisory.

Governance Fraud & Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will in some cases enable SWAP to provide management with added assurance that they are operating best practice as these reviews are often conducted across multiple client sites.

Planning Complaint – Advisory

We were asked to look into concerns raised by a customer of the Council in relation to a planning application that was refused and the process of allocating sites to the Core Strategy. A number of allegation were made around the conduct and fairness of certain officers. The review focused on three main allegations. The review found each allegation as ‘not proven’ and therefore there was no need for a further investigation to be undertaken. A control weakness was identified around the level of detail in case officer reports to aid transparency in decisions made.

Taunton Deane Borough Council

Corporate Governance Committee – 26 March 2018

SWAP Internal Audit – Internal Audit Plan 2018/19 & Audit Charter

This matter is the responsibility of Executive Councillor Richard Parrish

Report Author: Alastair Woodland, Assistant Director, SWAP

1 Executive Summary

- 1.1 This report introduces the Internal Audit Plan for 2018/19 and also incorporates an 'Internal Audit Charter' which sets out the operational relationship between TDBC and the South West Audit Partnership (SWAP).
- 1.2 This is a flexible plan that may be amended during the year to deal with shifts in priorities or new and emerging risks. The following plan has the support of the Section 151 Officer.

2 Recommendations

- 2.1 The Corporate Governance Committee is requested to approve the Internal Audit Plan for 2018/19.
- 2.2 The Corporate Governance Committee is requested to approve the Internal Audit Charter.

3 Risk Assessment

- 3.1 Any large organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the risks it may face. TDBC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetables for management to implement.

Risk Matrix

Description	Likelihood	Impact	Overall
Without the delivery of the approved audit plan there is the risk of insufficient audit work being completed to provide a reasonable assurance to stakeholders that there is an effective control framework in place, adequately mitigating risks to the authority's risk appetite.	3	3	9

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			Impact				

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background

Internal Audit Plan 2018-19

- 4.1 The Internal Audit service for Taunton Deane Borough Council is delivered by South West Audit Partnership (SWAP).
- 4.2 Taunton Deane Borough Council's audit plan for 2018-19 is based on 340 days.
- 4.3 The internal audit plan for 2018/19 is set out in the attached report from SWAP. I am satisfied that this plan is focussed on key risks areas, and will help me provide TDBC with assurance on internal controls.
- 4.4 This has been discussed and supported by the Councils Joint Management Team and is now shared with Members for approval.

Internal Audit Charter

- 4.5 The internal audit service provided by the South West Audit Partnership (SWAP), works to a Charter that defines its roles and responsibilities and the roles and responsibilities of the Borough's managers as they relate to internal audit. Best practice in corporate governance requires that the Charter be reviewed and approved annually by the Corporate Governance Committee.
- 4.6 The Charter was last reviewed by the Corporate Governance Committee at their meeting on 20th March 2017.

5 Links to Corporate Aims

- 5.1 Delivery of the corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, South West Audit Partnership, to ensure objectives are achieved.

6 Finance

- 6.1 There are no specific finance issues relating to this report.

7 Legal Implications

- 7.1 There are no specific legal issues relating to this report.

8 Environmental Impact Implications

- 8.1 There are no direct implications from this report.

9 Safeguarding and/or Community Safety Implications

- 9.1 There are no direct implications from this report.

10 Equality and Diversity Implications

- 10.1 There are no direct implications from this report.

11 Social Value Implications

- 11.1 There are no direct implications from this report.

12 Partnership Implications

- 12.1 There are no direct implications from this report.

13 Health and Wellbeing Implications

- 13.1 There are no direct implications from this report.

14 Asset Management Implications

- 14.1 There are no direct implications from this report.

15 Consultation Implications

- 15.1 There are no direct implications from this report.

Democratic Path:

- **Corporate Governance Committees – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

Reporting Frequency: ☐ **Once only** ☐ **Ad-hoc** ☒ **Quarterly**
☐ **Twice-yearly** ☐ **Annually**

List of Appendices (delete if not applicable)

Appendix A	SWAP Internal Audit Plan and Charter 2018/19
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Taunton Deane Borough Council

Report of Internal Audit Activity

Internal Audit Plan 2018-19 & Audit Charter

Contents

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Internal Audit Plan 2018/2019

The role of the internal auditor is to provide *independent, objective assurance* to management and members that key risks are being managed effectively.



Purpose of this report

The purpose of this report is for members to approve the Internal Audit Charter and the Annual Internal Audit Plan for 2018-19.



Role of Internal Audit

The role of the internal auditor is to provide independent, objective assurance to management that key risks are being managed effectively. To do this, the internal auditor will evaluate the quality of risk management processes, systems of internal control and corporate governance frameworks, across all parts of an organisation, and provide an opinion on the effectiveness of these arrangements.

By reporting to senior management that important risks have been evaluated, and highlighting where improvements are necessary, the internal auditor helps senior management to demonstrate that they are managing the organisation effectively on behalf of their stakeholders. Hence, internal auditors, along with senior management and the external auditors are a critical part of the governance arrangements of an organisation, with the work undertaken significantly contributing to the statutory Annual Governance Statement (AGS).

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities must “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. These standards define the way in which the Internal Audit Service should be established and undertakes its functions.

The role of the internal auditor is to provide *independent, objective assurance* to management and members that key risks are being managed effectively.



Role of Internal Audit Continued

The position of Internal Audit within an organisation's governance framework is best summarised in the three lines of defence model shown below.

The Three Lines of Defense Model



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

Source: IIA Position Paper January 2013

The role of the internal auditor is to provide *independent, objective assurance* to management and members that key risks are being managed effectively.



Role of Internal Audit Continued

It is the role of management to establish effective systems of governance, risk management and Internal Controls to:

- safeguard the Council's resources and prevent fraud;
- ensure the completeness and reliability of records;
- monitor adherence to laws, regulations, policies and procedures;
- promote operational efficiency demonstrate the achievement of value for money; and
- manage risk

It is the responsibility of management to establish controls needed to confirm that their systems are working effectively, that all information is accurate, and the risk of fraud and error is minimised.

Internal audit's role is to provide assurance that management are undertaking the appropriate checks over their systems to confirm that they are working effectively. It is not the role of internal audit to re-perform management's checks or to undertake such checking on management's behalf. In order to safeguard Internal Audits independence, Internal Audit does not have any operational responsibilities and is not responsible for any of the decision making or policy setting within the Council.

An Internal Audit Charter is a formal document that defines internal audit's purpose, authority, responsibility and position within an organisation.



Internal Audit Charter

An Internal Audit Charter is a formal document that defines internal audit's purpose, authority, responsibility and position within an organisation.

The Internal Audit Charter describes how internal audit will provide value to the organisation, the nature of the services it will provide and the specific focus or emphasis required of internal audit to help the organisation achieve its objectives. Having an Internal Audit Charter also establishes the internal audit activity's position within the organisation, including reporting lines, authorising access to records, personnel, and physical properties relevant to the performance of engagements; also defining the scope of internal audit activities. A copy of the current Internal Audit Charter is attached at **Appendix B.**

It is the role of the Audit Committee to review and approve the 'Internal Audit Charter' on an Annual basis. The current 'Internal Audit Charter' was last reviewed and approved by this Committee at its meeting on 20th March 2017. The only change to the Internal Audit Charter is in relation to some responsibilities being added to the Assistant Director of SWAP that were previously just the responsibility of the Chief Executive of SWAP and Directors of SWAP.

Internal Audit Plan 2018/2019

Our audit activity is split between:

- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Operational Audits**
- **Follow up Audits**
- **Non-Opinion/Other Reviews**



Internal Audit Plan

The plan is presented in **Appendix A** to this report and represents the internal audit activity for the 2018/19 financial year.

Our Internal Audit Plan has been developed to take into account management's assessment of risk via the Corporate Risk Register as well as risks identified in the Service Risks Registers. In addition to this, we have held planning meetings with all Assistant Directors to gauge areas where our time would be best spent to provide them required assurance.

We also use our own risk assessment against each activity assessing reputational impact, change factor, financial risk, legal/statute, strategic priorities and health & safety risk. This allows us to prioritise possible areas to be included in the plan on the basis of risk.

The audit plan has been developed to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. The plan is therefore a statement of intent. Any changes to the agreed plan will only be made through a formal process involving the Section 151 Officer and reported to this Committee.

It should be noted that plan days are only indicative for planning our resources. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review. Any changes to individual plan items, in terms of days, are managed within the annual payment made by the Council. The plan is pulled together with a view to providing assurance to both Officers and Members that current risks faced by the Authority are adequately controlled and managed.

Internal Audit Plan 2018/2019

Our audit activity is split between:

- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Operational Audits**
- **Follow up Audits**
- **Non-Opinion / Advisory Reviews**



Internal Audit Plan Continued

The audit plan is notionally broken down across various audit categories; the following summarises each:

Key Control Audits – focus primarily on key risks relating to the Council’s major financial systems. The External Auditors have emphasised for this year that while they do not place reliance on the work of Internal Audit, they will continue to take assurance from it. The scope of some of these reviews will therefore change in emphasis to include controls that haven’t been included in previous years.

Governance, Fraud & Corruption Audits – The focus of the Governance reviews is primarily the key risks relating to cross cutting areas that are controlled and/or impact at a corporate rather than service level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting most of these reviews at all our Partner Sites.

Fraud will continue to be a focal point of our work programmes in all areas, but to support the Council we have a specialist team that are able to respond and carry out ad-hoc investigations if the need should arise.

IT Audits – are completed to provide the Authority with assurance with regards to their compliance with industry best practice. Some of these audits have come from previous year assessments and our awareness of current IT risks.

Operational Audits – are detailed evaluation of service or functions control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.



Internal Audit Plan Continued

Our audit activity is split between:

- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Operational Audits**
- **Follow up Audits**
- **Non-Opinion / Advisory Reviews**

Follow Up Audits – Where an audit receives a Partial or No Assurance level, SWAP are required to carry out a follow up review to provide assurance that identified weaknesses have been addressed and risks mitigated. Known follow ups from work undertaken in the 2017-18 plan have been built in. A contingency has also been built into the plan so that, should any early reviews be awarded this level of assurance, they can be followed up in a timely manner.

Non-Opinion / Advisory Reviews – are undertaken at the specific request of management, where they may have some concerns or are looking for advice on a particular subject matter. Such reviews are not normally afforded an audit opinion.

Taunton Deane Internal Audit Plan 2018-19	
Audit Type and Area	
Key Financial Control (85 Days)	
Main Accounting	
Creditors	
Debtors	
Housing Rents	
Treasury Management	
Payroll	
System Parameters - Civica	
Governance, Fraud & Corruption (83 Days)	
Healthy Organisation	
Business Development/Growth – Project & Programme Management	
Insurance Arrangements	
Supplier Resilience	
General Data Protection Regulations (GDPR) Compliance	
Transformation (40 Days)	
Business Process Engineering	
Strategic Framework	
New Council Governance	
Benefits Realisation Management	
IT Audit (36 Days)	
New Universal Transaction Portal	
Programme of Consolidation	
Refresh of Network Security Infrastructure	
Operational Audits (38 Days)	
Crematorium Service Review	
Housing – Fire Safety Management	
Homelessness Reduction Act compliance	
Follow Up Audits (14 Days)	
Use of Non-Contracted Suppliers – DLO	
Parking Maintenance	
Housing Compliance – Gas Safety	
DLO External Income	
Management Time (44 Days)	
Follow up Contingency	
Corporate Advice	
Committee Reporting & Attendance	
Planning & Client Liaison	

Delivering Audit Excellence



Internal Audit Charter

Taunton Deane Borough Council

South West Audit Partnership Ltd

South West Audit Partnership Ltd

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Version	1.1
Date of last revision	9 March 2018
Last revision author	A R Woodland
Date for next review	March 2019

INTERNAL AUDIT CHARTER

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Taunton Deane Borough Council, and to outline the scope of internal audit work.

Approval

This Charter was approved by the Corporate Governance Committee on 25th September 2006 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Corporate Governance Committee¹ on 20th March 2017.

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Section 151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management and of Internal Audit

Management²

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Corporate Governance Committee.

¹ The Standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Corporate Governance Committee in this instance represents the Board.

² In this instance Management refers to the Joint Management Team.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

Internal Audit

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). SWAP has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for Taunton Deane Borough Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP, the Executive Director and Assistant Director also report to the Section 151 Officer, and report to the Corporate Governance Committee as set out below.

The Assistant Director will be the first and primary point of contact for Taunton Deane Borough Council for all matters relating to the Corporate Governance Committee, including the provision of periodic reports. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of the partner or client.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Taunton Deane Borough Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
 - evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
 - appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
-
-

- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Taunton Deane Borough Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.
- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Corporate Governance Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least two times a year to the Corporate Governance Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Corporate Governance Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Director - Operations (Section 151 Officer) and to other relevant line management.

The Assistant Director will submit an annual report to the Corporate Governance Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Corporate Governance Committee, the Council's Chief Executive Officer or the External Audit Manager.

Revised March 2018

Taunton Deane Borough Council

Corporate Governance Committee – 26th March 2018

Corporate Risk Management Update

This matter is the responsibility of Cllr Richard Parish, Lead Member for Resources

Report Author: Richard Doyle, Corporate Strategy & Performance Officer

1 Purpose of the Report

- 1.1 This report provides an update on the corporate risks which are being managed by the Joint Management Team (JMT). The Committee are invited to debate whether all necessary corporate risks have been identified.

2 Recommendations

- 2.1 It is recommended that:-

- The committee note the current position in relation to the identification and tracking of corporate risk and discuss any areas of concern with officers present.
- The committee debate whether all necessary corporate risks have been identified.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
There is the general risk that if the Council fails to make good use of the management of risk processes it is likely to lead to uncontrolled exposure to many high level strategic and operational risks.	Feasible (3)	Major (4)	Medium (12)
<i>The mitigation for this will be the identification and management of risk at all levels of the organisation and oversight of the key strategic risks facing the Council by Members and JMT.</i>	Unlikely (2)	Significant (3)	Low (6)

4 Background and Full details of the Report

- 4.1 Taunton Deane Borough Council recognises the importance of effective identification, evaluation and management of all key strategic and operational risks. This is endorsed by the increased focus on the importance of Corporate Governance to public sector bodies. The Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2003:

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes the arrangements for the management of risk.”

- 4.2 Risk management is a key element of the Council’s overarching Governance arrangements.
- 4.3 The Corporate Risk Register is a ‘live’ document which highlights the key corporate risks facing the Council. The register is a joint one between Taunton Deane and West Somerset Council and is formally reviewed by JMT on a regular basis as part of the corporate performance review day. The last JMT review took place on **19th May 2017**.
- 4.4 These regular reviews ensure that new strategic-level risks can be recognised; continuing risks can be re-assessed in the light of management actions to date; and risks which are no longer considered important can be removed.
- 4.5 Risk registers exist with divisions, teams, projects and programmes. All these Risk Registers were updated in **December 2017**.
- 4.6 Risks which are managed at a corporate level are those which have a significant risk to the delivery of a corporate priority or which are cross-cutting risks that don’t naturally sit with a single department or team. These risks have been identified and escalated from other risk registers within the Councils, officer concerns or from external sources.
- 4.7 There are currently **15** strategic risks identified and approved by JMT (**12** joint risks, **1** WSC risk and **2** TDBC specific risks).
- 4.8 Mitigating actions have continued to be delivered in respect of the various risks. These are set out in the risk register and will continue in order to manage down the risks to an acceptable level.
- 4.9 An extract of the corporate risk register is provided in Appendix A. Members are invited to review the register and consider whether all the appropriate Corporate Risks have been identified.
- 4.10 The key to the risk scoring used is shown in the following two tables:

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	Extremely unlikely or virtually impossible	< 10%
2. Slight	Unlikely to occur	10 – 25%
3. Feasible	Fairly likely to occur	25 – 50%
4. Likely	More likely to occur than not	50 – 75%
5. Very Likely	Almost certainly will occur	> 75%

Likelihood	5	V.Likely	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Feasible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Slight	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	V. Unlikely	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Significant	Major	Critical
			Impact				

4.11 The risk matrix below shows the spread of corporate risks, based on the latest assessment. The numbers shown relate to the Risk Number within Appendix A.

PROBABILITY (A)	Very Likely 5					
	Likely 4				93	6
	Feasible 3			14	9,10,11 16,17	
	Slight 2			13	3,4,5,8	2,15
	Very Unlikely 1					
		Negligible 1	Minor 2	Significant 3	Major 4	Critical 5
	IMPACT (B)					

5 Links to Corporate Aims / Priorities

- 5.1 There are no direct links to corporate aims/priorities although good governance (of which risk management is a part) underpins good performance.

6 Finance / Resource Implications

- 6.1 There are financial risks identified within the Corporate Risk register.

7 Legal Implications

- 7.1 There are no direct legal implications within this report.

8 Environmental Impact Implications

- 8.1 There are no direct environmental risks within this report.

9 Safeguarding and/or Community Safety Implications

- 9.1 Safeguarding is part of risk 14

10 Equality and Diversity Implications

- 10.1 Equalities is part of risk 14

11 Social Value Implications

- 11.1 There are no Social Value risks associated with this report.

12 Partnership Implications

- 12.1 The corporate risk register is maintained jointly between Taunton Deane Borough Council and West Somerset Council and reflects the 'One Team' approach to service delivery between the Councils.

13 Health and Wellbeing Implications

- 13.1 There are no Health and Well-being implications associated with this report.

14 Asset Management Implications

- 14.1 Risk 5 identifies a risk in relation to asset management.

15 Consultation Implications

- 15.1 There are no Consultation implications associated with this report.

Democratic Path:

- **Corporate Governance Committee - Yes**
- **Corporate Scrutiny – No**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: Twice yearly

List of Appendices

Appendix A	Extract of joint Corporate Risk Register
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APPENDIX A

Risk Num	Org	Risk Group Heading	Risk Description	Risk Owner	Latest Probability	Latest Impact	Latest Score
2	BOTH	Transformation	<p>THE TRANSFORMATION PROGRAMME</p> <p>RISK - failure to deliver the Business Case on time and/or to target.</p> <p>KEY EFFECTS - programme benefits not realised- real or opportunity cost in terms of financial or non-financial efficiency. Reputational damage.</p>	Shirlene Adam	2	5	10
3	BOTH	Transformation	<p>SHARED SERVICES ACROSS SOMERSET & WIDER PUBLIC SECTOR</p> <p>Government policy is pushing wider transformation of the public sector.</p> <p>RISK - the organisation is too inward looking and wider opportunities may be missed (opportunity risk) and /or the council is not shaping its destiny through not engaging in strategic conversations (eg devolution).</p> <p>KEY EFFECTS - failiure to maximise efficiencies. Having strategic change imposed (eg being done to) on terms agreed by others.</p>	Penny James	2	4	8
4	BOTH	Political	<p>NATIONAL LAW & POLICY</p> <p>Changes advocated or made maybe missed or not evaluated in a timely manner.</p> <p>RISK - that the Councils are failing to meet an existing legislative requirement or fail to implement new requirements.</p> <p>KEY EFFECTS - The Councils are non-compliant leading to financial and /or reputational damage.</p>	Penny James	2	4	8
5	BOTH	Financial	<p>ASSET MANAGEMENT</p> <p>RISK - failure to manage existing assets appropriately. KEY EFFECTS -</p> <ul style="list-style-type: none"> • Legal and reputational - increased risk & liabilities in relation to disrepair (condition) & compliance (Health and Safety) matters 	Paul Carter	2	4	8

6	BOTH	Financial	<p>MEDIUM TERM FINANCIAL PLANNING (MTFP)</p> <p>The key financial risk factors are: continuing budgetary pressures due to demographic change and the impact of the Gov's austerity measures (such as: Business Rates retention, Revenue Support Grant, Council Tax & Council Tax Support, Income from Fees & Charges, Capital investment), uncertainty as to the long-term sustainability / affordability of the existing contract with Somerset Waste Partnership, the shrinking of the General Fund (impact on the HRA).</p> <p>RISK - failure to agree and deliver a sustainable MTFP for the next 5 years</p> <p>KEY EFFECTS - may include:</p> <ul style="list-style-type: none"> • short-term or 'knee jerk' decisions with detrimental long-term implications • Government intervention • Adverse impact on the council's limited reserves & financial standing • Potential service closure / reduced service quality & therefore inability to deliver customer expectations • Insufficient capital resources to fund Corporate Strategy objectives • Unable to maximise investment returns • For TDBC inability to financially resource its growth ambitions • For West Somerset the risk is of being unable to continue to operate as a viable separate sovereign council, delivering an acceptable level of service to the community. 	James Barrah	4	5	20
8	BOTH	Leadership & People	<p>POLITICAL LEADERSHIP & MEMBER ENGAGEMENT</p> <p>Both Councils are led by strong Conservative administrations. It is important to engage the whole council in the change programme to ensure it is member led & steered.</p> <p>RISK - lack of member engagement and therefore member ownership.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • lack of cross party buy in and ownership • loss of member input, ideas & challenge 	Penny James	2	4	8

9	TDBC	Corporate Aim (TDBC)	<p>CORPORATE (STRATEGIC) RISK RE TDBC'S VISION AND AIMS FOR A "QUALITY PLACE"</p> <p>(Quality sustainable growth & development. A vibrant economic environment, A vibrant social, cultural and leisure environment)</p> <p>If the Growth Programme is not successful in the delivery of its projects (quality and timescale)</p> <p>RISK - Failure to deliver the ambitions or realise the outcomes & benefits as defined in the "Growing our Garden Town" document</p> <p>KEY EFFECTS - Taunton's key economic challenges may not be addressed, thus having a detrimental impact on the local economy and quality of life, ie:</p> <ul style="list-style-type: none"> • transport & infrastructure needs not met - traffic worsens, inability to attract inward business investment • long-term increased flood risk (climate change) is not mitigated - no additional protection offered to existing development, future planned growth is prevented • Taunton town centre regeneration does not happen and the town centre stagnates • Taunton's full economic potential is not realised and opportunities for economic growth are not exploited (eg Hinkley Point) • Housing growth (as per proposals in the Development Plan) is not delivered, and/or unplanned development occurs • Employment land (as per proposals in the Development Plan) is not delivered, or fails to provide the optimum mix of uses to attract the targeted growth clusters • opportunity cost in terms of New Homes Bonus and Business Rates • Poor reputation for Taunton and TDBC 	Brendan Cleere	3	4	12
10	WSC	Corporate Aim (WSC)	<p>HINKLEY POINT C</p> <p>RISK 1 - that the development could have an adverse impact on the local environment, tourism, accommodation and highways.</p> <p>RISK 2 - failure to realise the Economic & Social opportunities which the development could bring</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • increase in housing demand & lack of affordable housing leading to homelessness increases and the council is unable to discharge its homelessness obligations; • increased congestion (impacting on Growth & Regeneration goals / inward investment) • Local businesses are not able to win contracts to participate in the project • Local people aren't trained and are unable to gain employment on the project 	Andrew Goodchild	3	4	12

11	BOTH	Communities	<p>WELFARE REFORMS</p> <p>There is an on-going requirement to reduce benefit payments (CTRS, Business Rates, Universal Credit) - the Welfare Reforms will mean that people in the welfare system will receive less Council Tax support. It will also mean that Universal Credit will be paid directly to tenants rather than the HRA housing landlord.</p> <p>a) RISK - of the Council failing to adequately support our community and services for the impact of the Government's Welfare Reform Agenda.</p> <p>b) RISK - of the TDBC Housing Service having substantially reduced collection rates on introduction of Universal Credit</p> <p>KEY EFFECTS-</p> <ul style="list-style-type: none"> • taxes and rents harder to collect • reduced rent collection could affect ambitions of HRA business plan • Impact on MTFP due to government changes which will affect HRA Income & 30 year B.P. • more vulnerable people - individuals & families may be unable to manage • increased pressure and demand on services • Timetable unknown • Result in more evictions which will increase pressure on the Housing Options & Homelessness Teams 	Simon Lewis Paul Carter	3	4	12
13	TDBC	Communities	<p>GYPSIES & TRAVELLERS</p> <p>Local Authorities have a (planning) duty to allocate suitable provision for Gypsies & Travellers. TDBC has had previous experience of illegal Gypsy & Traveller encampments.</p> <p>RISK - that TDBC cannot defend against future illegal encampments if we are unable to identify suitable provision.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • unable to respond to community or political pressure; • financial impact (eg high legal fees); • reputational damage • lack of land management and gypsy liaison expertise 	Tim Burton Paul Carter	2	3	6

14	BOTH	Corporate Governance	<p>CORPORATE GOVERNANCE ARRANGEMENTS ON RUNNING THE BUSINESS</p> <p>There is a need for robust arrangements, and on-going monitoring and focus on embedding effective corporate governance arrangements (ie budget monitoring, risk management, debt management, performance management, Treasury management, compliance with audit recommendations, asset management, Equalities duties, Business Continuity Planning, Information Governance & Security, Health & Safety management).</p> <p>RISK - of failure to comply with key internal controls & corporate governance arrangements. KEY EFFECTS - include:</p> <ul style="list-style-type: none"> • inaccurate budget forecasting & financial loss • failure to adhere to HRA ring fence • project or service failure or under-performance • reputational damage • Government intervention • Failure to comply with statutory duties & regulations (eg Health & Safety, Equalities, Data Security / Data Protection, Safeguarding) causing harm or injury • lack of resilience to unexpected events / failure of IT systems / data loss • safeguarding 	Paul Fitzgerald	3	3	9
15	BOTH	Corporate Governance	<p>BUSINESS CONTINUITY</p> <p>RISK - The Council may be unable to deliver critical services in the event of a critical loss of accommodation, data, power, staff or premises.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • major disruption to services; • Impact upon customers if critical services (payment of housing costs, homeless service, Deane helpline etc) are disrupted or unavailable. • Reputational damage; 	Paul Carter	2	5	10
16	BOTH	Leadership & People	<p>STAFF ENGAGEMENT & DEVELOPMENT</p> <p>RISK - that due to increased opportunities in the private sector, as the economy improves, and austerity continues within the public sector that the organisation finds it difficult to attract and retain the right skills - leads to use of expensive agency workers or disruption to service provision.</p> <p>The Organisation has also been through a period of significant restructure and needs to ensure its staff are fully engaged in the changes underway and being planned.</p>	Shirlene Adam	3	4	12

17	BOTH	Communities	<p>COMMUNITY IMPACT OF AUSTERITY</p> <p>RISK - Austerity measures will impact on services to the community.</p> <p>KEY EFFECTS - This may manifest in a number of ways including (but not limited to):</p> <ul style="list-style-type: none"> • direct impact on household income e.g. through cap / reduction in benefits - leading to increased debt and subsequent issues • Lack of income where households are subject to DWP sanctions - leading to crisis and requirement for food banks • Reduced ability to pay council tax, housing rent (Council or private) and utility bills, leading to potential evictions, homelessness and health issues • reduction in level of support that can be delivered by the district councils directly, or through grant-funded providers e.g. reduced ability to support One Team measures through rent changes to HRA - leading to reduced support for deprived communities • Reduced ability to support Under 21s where they are unable to claim HB and need support with potential of increased homelessness and sofa surfing and associated risks (e.g. CSE) • impact of service reductions by other local authorities such as County Council (e.g. P4A and P2I cuts leading to increased homelessness) • Increasing aging population with unmet Health and Social Care needs struggling to live comfortably 	Simon Lewis Paul Carter	3	4	12
93	BOTH		<p>DATA PROTECTION</p> <p>Risk - Failure to have adequate Data Protection Policies and procedures in place which are compliant with the new General Data Protection Regulation coming into force in May 2018.</p> <p>Key Effects</p> <p>Higher financial penalties imposed.</p> <p>Reputational damage.</p> <p>A lack of trust from the public regarding how we handle their personal data.</p>	Richard Sealy	4	4	16

Taunton Deane Borough Council

Corporate Governance Committee – 26th March 2018

Corporate Governance Action Plan Update

This matter is the responsibility of Cllr Richard Parrish, Lead Member for Resources

Report Author: Richard Doyle, Corporate Strategy & Performance Officer

1 Purpose of the Report

- 1.1 This report provides an update of progress against the Annual Governance Statement Action Plan for 2017/18.

2 Recommendations

- 2.1 It is recommended that:-

- The committee Members are asked to note current progress in relation to completing the actions identified within the Annual Governance Statement.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
There is the general risk that if the Council fails to keep its controls and governance arrangements under review they could cease to be appropriate and lead to uncontrolled exposure to high level strategic and operational risks.	Feasible (3)	Major (4)	Medium (12)
<i>The mitigation for this will be for the Council to formally review the internal controls for governance of its affairs, identify opportunities for improvement and implement these.</i>	Unlikely (2)	Significant (3)	Low (6)

4 Background and Full details of the Report

- 4.1 The Annual Governance Statement (AGS) is a statutory document which provides assurance on the governance arrangements in place within the Council. The statement is produced following a review of the council's governance arrangements.

- 4.2 The AGS includes an action plan to address any new governance issues identified by the Corporate Governance Officers Group; relying on reports from internal and external audit as well as their own understanding of the organisation.

5 The Action Plan

- 5.1 The action plan is set out in Appendix A.

6 Links to Corporate Aims / Priorities

- 6.1 There are no direct links to corporate aims/priorities although good governance (of which risk management is a part) underpins good performance.

6 Finance / Resource Implications

- 6.1 None – this is a governance matter.

7 Legal Implications

- 7.1 Regulation 4 of The Accounts and Audit (England) Regulations 2011 requires that the Council must conduct a review at least once a year of the effectiveness of its systems of internal control and committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

8 Environmental Impact Implications

- 8.1 There are no direct environmental risks within this report.

9 Safeguarding and/or Community Safety Implications

- 9.1 There are no safeguarding and /or community safety implications associated with this report.

10 Equality and Diversity Implications

- 10.1 There are no equality and diversity implications associated with this report.

11 Social Value Implications

- 11.1 There are no Social Value risks associated with this report.

12 Partnership Implications

- 12.1 There are no direct partnership implications associated with this report.

13 Health and Wellbeing Implications

- 13.1 There are no direct health and wellbeing risk associated with this report.

14 Asset Management Implications

- 14.1 Risk 5 identifies a risk in relation to asset management.

15 Consultation Implications

15.1 There are no Consultation implications associated with this report.

Democratic Path:

- **Corporate Governance Committee - Yes**
- **Corporate Scrutiny – No**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: Twice yearly

List of Appendices

Appendix A	AGS Action Plan 2017/18
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Appendix A

Annual Governance Statement - Action Plan for 2017/18

	Action now planned for 2017/18	Timescale for Completion	Responsible Officer	Monitoring Body	Progress
1	Review our approach to the Risk Management culture. Research and consider risk appetite statements, improving manager's perception of risk and taking into account good practice elsewhere.	March 2018	AD Corporate Services	Corporate Governance Officer Group	With the design of the new framework for behaviours as part of the Transformation Programme, we are developing a risk management culture as part of the transition. The recent launch of the consultation on the staff restructure highlighted the need to empower staff to improve their perception of risk and to become risk takers. Also as part of the 18/19 Audit Plan there will be an audit on "Healthy organisation" which will assess risk management arrangements.
2	To prepare the Corporate Governance process for Transformation and the possibility of a new Council	March 2018	AD Strategic Finance and S151 Officer & Assistant Chief Executive	Corporate Governance Officer Group	There is a 'New Council' work stream as part of the overall Transformation Programme with a designated Governance Project to develop a proposed governance structure and constitution for the new council should it be established. Overall timescale of having a new authority up and running for elections in May 2019 is still on track.

Taunton Deane Borough Council

Corporate Governance Committee – 26th March 2018

Overdue high priority SWAP Audit Recommendations

This matter is the responsibility of Cllr Richard Parrish, Portfolio Holder for Corporate Resources

Report Author: Richard Doyle, Corporate Strategy & Performance Officer

1 Purpose of the Report

- 1.1 This report provides Members with a position statement on the SWAP audit recommendations for Taunton Deane Borough Council, which were assessed as high and very high priority, where the agreed remedial action is overdue.

2 Recommendations

- 2.1 It is recommended that:-
- The committee review the overdue actions.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The Council is exposed to risk through inadequate systems and processes identified through SWAP audits.	Likely (4)	Major (4)	High (16)
The mitigation for this is the timely completion of agreed remedial actions,	Unlikely (2)	Major (4)	Medium (8)

4 Background and Full details of the Report

- 4.1 Taunton Deane BC engage the South West Audit Partnership (SWAP) to carry out internal audit functions; checking the adequacy of controls and procedures across the whole range of Council services.
- 4.2 At the start of each financial year an audit plan is agreed between SWAP and the Council which identifies the areas of highest potential organisational and operational risk within the Council.

- 4.3 When an audit takes place a report is provided to the service manager concerned which gives an audit conclusion and opinion.
- 4.4 Any control or procedural weaknesses are identified within an action plan appended to the audit report.
- 4.5 All findings will be allocated one of 5 priority ratings. With priority 5 carrying the most significant risk to the service (not necessarily to the wider Council) and priority 1 the least significant risk.

The definitions used are provided below:

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

- 4.6 Each finding within the action plan contains a target implementation date which has been agreed between SWAP and the service manager concerned.
- 4.7 All priority 4 and 5 recommendations are captured in a register to ensure progress against the recommendations can be tracked and progress reported to JMT and the Audit/Corporate Governance Committees at Taunton Deane and West Somerset Councils.
- 4.8 This report highlights the Priority 4 and 5 audit actions affecting Taunton Deane Borough Council, where the agreed remedial action is overdue. On this occasion there are **26 priority 4** priority actions which are overdue but **zero overdue priority 5** recommendations for Taunton Deane Borough Council.
- 4.9 A summary of the overdue actions is provided in Appendix A.

5 Links to Corporate Aims / Priorities

- 5.1 There are no direct links to corporate aims/priorities although good governance and robust controls and processes underpin good performance.

6 Finance / Resource Implications

- 6.1 Unmitigated risks identified by SWAP could expose the Council to unanticipated claims, expenditure or exposure to fraud.

7 Legal Implications

- 7.1 There are no direct legal implications within this report although unmitigated risks could expose the Council to unanticipated claims.

8 Environmental Impact Implications

- 8.1 There are no direct environmental impact implications associated with this report.

9 Safeguarding and/or Community Safety Implications

- 9.1 There are no safeguarding implications associated with this report. There are Community safety implications in relation to public safety risks associated with tree surveys.

10 Equality and Diversity Implications

- 10.1 There are no equality and diversity implications associated with this report.

11 Social Value Implications

- 11.1 There are no Social Value implications associated with this report.

12 Partnership Implications

- 12.1 The majority of Council services are delivered through shared services arrangements with West Somerset District Council.

13 Health and Wellbeing Implications

- 13.1 There are no direct health and wellbeing implications associated with this report.

14 Asset Management Implications

- 14.1 There are asset management implications associated with this report.

15 Consultation Implications

- 15.1 There are no Consultation implications associated with this report.

Democratic Path:

- **Corporate Governance Committee - Yes**
- **Corporate Scrutiny – No**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: Twice yearly

List of Appendices (delete if not applicable)

Appendix A	Summary of overdue priority 4 and 5 SWAP audit recommendations
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APPENDIX A

Audit Report	Finding	Priority	Recommendation	Management Response	Original Implementation Date	Progress Update	AD Responsible	Org
TDBC - Asset Management - Final Report - 09.12.2015	1.1a Asset Management Plan does not reflect the current role and responsibilities of the new integrated Property and Development function.	4 - High	I recommend that the Asset Manager refreshes the current Asset Management Plan to embrace the current role and responsibilities of the new integrated Property and Development function and reviews proposed actions for individual property to ensure they are still appropriate drivers of asset management.	The current Asset Management Plan, whilst needs refreshing, is still live until end of 15/16. In line with work plan, this is to be refreshed during early 2016 and will reflect subsequent Asset Strategy and new structure and responsibilities.	June 2016	Aug 17 - 95% of prepatory work around data capture for preparing new asset strategy now complete largely through consultants. This comprises stock condition survey data, land review findings, asbestos surveys and fire risk assessments. Draft strategy now anticipated October.	Paul Carter	TDBC
TDBC - Asset Management - Final Report - 09.12.2015	2.1a The make-up of asset records for property has a number of components, none of which are integrated. Those that are computer based have some 'searchability'.	4 - High	I recommend that the Asset Manager in his review of property records ensures that property data is rationalised and collated into a readily accessible and searchable form and one which provides for appropriate document attachment.	Already committed to delivering as part of Commercial Rents SWAP Audit Management Action. Permanent solution will be the implementation and subsequent use of a new Asset Management System. As interim measure (if required) will collate core data currently from multiple sources into one spreadsheet but this will not enable document attachment.	December 2016 (for interim measure if becomes necessary)	Aug 17 - No material progress has been made in the development of a new integrated database to hold all property records due to ICT capacity, impact of transformation and Council's new IT solution and lack of corporate approval. Having invested in CAPITA Open Contractor within Housing it is the preference to use this system for the General Account as the asset database. We now hold significantly more data than we did at timeof audit and therefore risk is now greater. Action has been taken however to hold asset data changes within a suite of spreadsheets held in folders on a local J Drive. These spreadsheets support the existing data records and provide an interim but poor work around until a decision is made on the solution.	Paul Carter	TDBC
TDBC - Asset Management - Final Report - 09.12.2015	4.3a Traditionally data is not broken down sufficiently to allow individual ownership costs to be identified.	4 - High	I recommend that the Asset Manager progresses asset cost determination so that reliable cost data can be used for both internal and external comparisons which can then appropriately inform management decision making on the future suitability of such assets in service delivery.	Agreed. Processes and communication/ awareness to be in place to enable greater accuracy of data for 16/17 financial year.	March 2016	Update Jan 2017 - WORK IN PROGRESS: A commitment has been made to progress this issue in order to recognise the full costs of property ownership but not yet fully in place. 20.01.17 Asset Manager Comments – Those most significant costs will be known by March 2017 once Savills Stock Condition Survey is complete. Lesser cost items such as utilities and insurance will form part of a commitment within the new Asset Strategy.	May, Terry;	TDBC
TDBC - Creditors – 12.06.14	1.5a Ten out of twenty purchase orders had been raised retrospectively. This is consistent with Southwest One's analysis of retrospective purchase orders up to the end of August 2012 which showed almost 35% of purchase orders were retrospective.	4 - High	I recommend the Shared Accounting Manager continues to monitor the frequency and users who raise retrospective purchase orders with the aim of bringing about a change of culture in the procure-to-pay process.	Agreed – we will continue to monitor retrospective purchase orders and will through the P2P innovation sessions consider ways to reduce the instances of retrospective orders occurring	31.03.2013	August 2017 Responsibility for PO compliances has now passed back to TDBC following the end of the contract with SWOne. The procurement team are planning on running some joint training sessions with Accounts Payable to remind staff of the importance of raising PO's in advance. Reports via the E5 system are also being developed.	Paul Carter	TDBC
TDBC - Crematorium and Burials - Final Report - 23.10.2015	1.3a CAS Replacement Software.	4 - High	I recommend that the Cemeteries and Crematorium Manager liaises with the procurement team to ensure that when tendering for replacement software the following issues are considered;Validation of plot references; I would recommend that the use of spaces is avoided, and consider populating the system with all available plots prior to roll out so that plot references can be checked and then selected when inputting new ownership details,Exception reporting functionality,Fields required by the LACO are made mandatory,Automatic daily back up to avoid loss of data,Document management and scanning of paperwork,Availability of burial details to be published on the internet to enable interested parties to search themselves.	Currently in process and all issues will be considered and discussed.	Current	September 2017 – A number of companies have now been identified and have demonstrated their systems at the crematorium. A scoping document has been created for the replacement system need and has been forwarded to both procurement and I.T. Presently we are awaiting to aee if this will be progressed. Not completed	Hall, Chris;	TDBC

TDBC - Disaster Recovery - 28.08.2015	1.2a The scope of the DR test provided proof of concept but did not demonstrate business operations could be recovered.	4 - High	I recommend that the scope of future testing be expanded to ensure the applications and business activities can be recovered and made operational using the Disaster Recovery and planned Business Continuity facilities.	Agreed. We will agree the scope of future testing with the SWO ICT Service by 30 Sep 2015 and undertake a further test by 31 Dec 2015	28.08.2015	02.03.17 Testing to take place in Q2 2017	Richard Sealy	TDBC
TDBC - Software Asset Management - 18.09.2015	1.1a Software asset management strategy: There is no documented plan and defined aims for the management of software assets.	4 - High	I recommend the ICT and Information Manager work with Southwest One and Somerset County Council to establish a timeframe for producing a documented software asset management strategy and once created that this strategy is readily available, and is subject to periodic review.	We will work with SWOne to establish the terms on which such a strategy would be created, and subject to a satisfactory outcome of this process will proceed to develop the strategy. In the meantime other actions in this report provide a sound basis for a more robust approach to software asset management.	April 2016	02.03.17 South West One exit process has clearly identified assets brought across from South West One. ICT are implementing as part of transformation a complete register of ICT hardware and software assets and data.	Carter Paul;	TDBC
TDBC - Software Asset Management - 18.09.2015	2.4a Renewal of the Microsoft ESA: We are unable to confirm that the Council is a named affiliate and can benefit in its own right from the renewal or buy out options.	4 - High	I recommend that the ICT and Information Manager confirm with Southwest One that the Council is a named affiliate to the Microsoft ESA and can maintain its Microsoft licensing beyond the end of the Southwest One contract. If necessary the Council should be added as an affiliate to the ESA.	Agreed. We will work with SWOne to ensure that TDBC is a named affiliate on the Microsoft ESA	October 2015	02.03.17 As part of the South West One exsit process we have identified the licences required from South West One and that this has been fully funded by SW1. Awaiting formal transfer agreement with South West One.	Carter Paul;	TDBC
TDBC Commercial Rents and Properties 1617 Follow Up Final Report		4 - High	I recommend the Asset Manager ensures a complete and up-to-date central record is maintained in relation to all commercial properties and leases.	The permanent solution is an integrated Asset Management System. A project is already advancing to identify requirements, identify suitable systems and then to procure and implement such a system. This has been and continues to be a complex and lengthy project. The interim solution (if necessary) is to bring together all datasets into Excel and migrate all key data into one spreadsheet.	April 2017	Aug 17 - No material progress has been made in the development of a new integrated database to hold all property records due to ICT capacity, impact of transformation and Council's new IT solution and lack of corporate approval. Having invested in CAPITA Open Contractor within Housing it is the preference to use this system for the General Account as the asset database. We now hold significantly more data than we did at time of audit and therefore risk is now greater. Action has been taken however to hold asset data changes within a suite of spreadsheets held in folders on a local J Drive. These spreadsheets support the existing data records and provide an interim but poor work around until a decision is made on the solution.	Paul Carter	TDBC
TDBC Crematorium and Burial Services Final Report 10.08.16	It was identified during testing that there are no documented procedures in place for any tasks that the officers perform. For example:Income collection Invoice raising Booking cremations Banking Aged Debts This increases the risk of tasks not being performed or being incorrectly completed. Without procedures tasks cannot be easily passed to other staff members when officers are absent and long term sickness could cause increased difficulties if the tasks they complete cannot be easily picked up by another officer.	4 - High	I recommend that the current Cemeteries & Crematorium Manager all procedures are documented for the main tasks completed by the officers.	As reported there are no documented procedures in place. This is due to the fact that the majority of administrative tasks are relatively straight forward, there is a team of four who are all long serving members of staff and two other trained members of staff who could be called upon in an emergency. I am also not aware of any other crematorium that provides documented procedures, but there may be some as this is to be considered as good practice. This financial year the IT system is due to be replaced and shortly a new Manager and Registrar will be appointed, this will be the ideal opportunity to provide such written procedures.	31 st August 2016	September 2017 - so far over 40 procedures have been authored and placed in both a physical folder and a shared folder within the cemetery and crematorium office. these procedures are a working progress and will carry on. In progress	Chris Hall	TDBC
TDBC Crematorium and Burial Services Final Report 10.08.16	During testing it was seen that an additional charge entered as miscellaneous had been deleted from the CAS system and no record of the entry was recorded in the system. All staff with access to the CAS system currently have the ability to delete items. The system records if a record has been deleted but this information can be removed completely by a clean-up process. The audit trail can only help identify who deleted the record if you know when the event occurred as it does not record information against the record but just as an event log for the whole system. This makes locating the event record in the audit trail very difficult unless you know when it occurred. As items can be deleted from the system, there is a risk that entries are deleted fraudulently and invoices are not raised. Findings 3.2, 3.3, 3.4, 3.5 and 3.8 all address weaknesses with the CAS software's financial management including budget monitoring and raising invoices. Financial management controls within TDBC are normally managed through the council's Financial Management System (SAP) and the weaknesses identified would be substantially mitigated through developing processes to incorporate SAP.	4 - High	I recommend that the Cemetery and Crematorium Manager implements a new procedure to use the Council's Financial Management System (SAP) to record and produce itemised invoices detailing all charges to debtors.	CAS audit trail, this is noted and CAS will be replaced during the current financial year and this will be the responsibility of the new Cemeteries and crematorium manager.	31 st December 2016	September 2017 - A number of companies have now been identified and have demonstrated their systems at the crematorium. A soping document has been created for the replacement system need and has been forwarded to both procurement and I.T. At present I.T has stated their conclusion was to wait for the outcome of the UTP procurement before committed to any other major system replacements, as that is likely to deliver functionality that would be duplicated in other systems. The procurment of the new cemetery and crematorium system has stalled and we continue to use CAS. Not complete	Chris Hall	TDBC

TDBC Crematorium and Burial Services Final Report 10.08.16	As stated in finding 3.1, changes can be made to records on the CAS system after invoices have been generated. To make these changes a password has to be entered. Currently the password is known by all officers with access to the CAS system. As a control, the password does not work as all officers can still make changes once an invoice has been generated. The system does not record additional entries as outstanding and if entered for a previous period they will not be picked up and included in the next invoice run. There is a risk that not all income is being collected.	4 - High	In combination with recommendation 3.1a. I recommend that the Cemetery and Crematorium Manager ensures a new system is procured and controls are implemented either through this system or the council's financial management system that allow the following:Interface with the TDBC finance system so that manual input is minimise or no longer required · Record all invoice numbers and datesProvide clear audit trails allowing simple searches to find required informationAllow cash receipting against the relevant invoice numbers so over and under payments can clearly be seen. Allow reports to be run from the system showing various financial information. This should include aged debt reports. Produce clear invoices which include VAT breakdowns, VAT registration number, business address, and payment terms. Ensure no changes can be made to records after an invoice has been raised.	CAS audit trail, this is noted and CAS will be replaced during the current financial year and this will be the responsibility of the new Cemeteries and crematorium manager.	31st December 2016	September 2017 - Presently the staff at the crematorium are using E5 for all financials which means more administration work as we need to enter the information for both systems.	Hall, Chris;#121	TDBC
TDBC Crematorium and Burial Services Final Report 10.08.16	A further weakness was identified during testing relating to the use of the CAS system to generate invoices as there are no payment terms shown on invoices raised. Therefore there is no information provided to the debtor on how soon invoices must be paid or how they should be paid. Furthermore, when discussed with the Bereavement Manager audit were informed that no payment terms are in place with any customers. This increases the risk of overdue debt increasing as the customer can claim that they are not overdue with their payment as no terms are in place. A control could be implemented by raising debts through the Accounts Receivable team, and could be considered when identifying the requirements for the new system.	4 - High	Use of SAP will generate invoices on the standard TDBC template that will include payment terms.	CAS audit trail, this is noted and CAS will be replaced during the current financial year and this will be the responsibility of the new Cemeteries and crematorium manager.	31st December 2016	September 2017 - The scoping Document for the new system identifies all the financial weaknesses that the audit report raises. Any new system that is chosen will have to abide by all of these findings. Presently the service uses the Councils current financial system to invoice all of its clients. In progress	Hall, Chris;#121	TDBC
TDBC Crematorium and Burial Services Final Report 10.08.16	At point of testing there was £121,413.40 outstanding on invoices prior to April 16. Of these £87,677.90 is owed by one company. Although the overdue debts are followed up by the bereavement manager three main issues were identified which could be contributing to the amount of overdue income: 1. There are no payment terms in place which makes chasing payments difficult if you cannot prove that they are overdue. 2. There are no overdue letter templates in place to be sent out as part of the debt recovery process. 3. There is a reluctance to chase funeral directors for payments as they are dealing with bereaved families and certainly a reluctance to put any form of penalty against the company for fear of loss of business and reputational damage. There is a risk that these debts will not be recovered and will eventually be written off and income to the council will be lost. For the customer with a debt of £87,677.90. This debt had been chased however the customer was not able to locate the invoice on their system and the Bereavement Manager was unable to confirm the invoice numbers and amounts that had been unpaid. During the testing period a cheque was received for a portion of this debt but a large value is still outstanding. The normal process for TDBC debtors are recorded and monitored through SAP. Unpaid invoices would then be followed up by the AR team. The system in place is not a feeder system and therefore only income is recorded in SAP. It is also unlikely that any old debts will be recorded and reported to JMT as part of the top 20 debtors as they are not captured on SAP.	4 - High	Invoices raised through SAP will be subject to the TDBC debt recovery procedures employed by SWOne. For existing debt still on the CAS system it is recommended that the standard TDBC Debt Management policy is implemented to ensure satisfactory recovery.	I feel I must apologise for the outstanding invoices, I had not been made aware of the situation at that time. I do believe that the introduction of procedures mentioned in this report will remedy the situation.	31st December 2016	September 2017 - Outstanding debtors other than one who no longer trades have entered a payment plan with the us to service any debts. As we are using the councils system any unpaid or aged debts will be handled through a uniform system in place. In progress	Hall, Chris;#121	TDBC

TDBC Crematorium and Burial Services Final Report 10.08.16	During testing, the previous audit recommendations were discussed with the Cemetery and Crematorium Manager to identify what progress had been made. There were two priority three recommendations previously and one priority four recommendation regarding replacing the CAS software. None of the recommendations had been completed at point of testing, the Cemetery and Crematorium Manager stated that the procurement of new software had been put back until his replacement was appointed.	4 - High	I recommend that the Assistant Director – Operational Delivery ensures that audit recommendations are completed by the responsible officers.	During the current financial year the system is due for replacement, there has been a demonstration on site of the ClearSkies software and the service is waiting for a demonstration of the Gower software. The new manager will have the opportunity to obtain a new software package appropriate to Taunton Deane requirements and compatibility.	31st December 2016	September 2017 - The service is currently waiting to see if the procurement for this new system will still take place in the short term. A scoping document has been completed by the service and is currently with I.T. Once given the authorisation to go ahead with the update for the system we can then identify the best replacement software and implement the change. Not Complete	Hall, Chris;#121	TDBC
TDBC Disaster Recovery Follow Up Final Report 201617		4 - High	I recommend that the Assistant Director review the Disaster Recovery capabilities provided by SWOne and through review and agreement with Section Heads identify the six critical applications that should be recovered. In addition the capabilities and timeliness of the services provided should be reviewed for appropriateness, and shared with Business Continuity planners in order that their expectations can be adjusted accordingly. Although it is not stated in the Disaster Recovery plan, SWAP understands that the first application could take three or more business days to recover from the time the Disaster is declared to SWOne.	Agreed	March 2015	March 2017 At the point of Southwest One exit, TDBC implemented Dell AppAssure Rapid Recovery. This particular tool improves recovery times for critical systems as well as providing a DR copy of critical data at Chelston. A DR test is planned for Q4 2017.	Richard Sealy	TDBC
TDBC Housing Compliance (Gas Safety) Final Report		4 - High	We also recommend that the Property Manager (M&E) ensures that if an LGSR is not received with a defined timeframe a second service is arranged to ensure this is completed.	Agreed. This will become even more dynamic and efficient as we increasingly utilise Gastag job allocation function. Out of the 26 properties identified without a valid LGSR certificate during the audit timespan, allowing more time, there were subsequently 7 properties that we could not identify a valid LGSR certificate for. Of those remaining 7, 5 were completed but paperwork was irretrievable and these properties required re-scheduling. A further 2 also required re-scheduling due to a combination of no access and data quality issues.	31/10/17		Paul Carter	TDBC
TDBC Housing Rents 2016-17 Final Report	We have not been able to test that these steps are being followed and are unable to place assurance as to the effectiveness of these stages. As can be seen from the current tenant arrears figures shown below, the debt position has increased. This could suggest that recovery processes and monitoring of debts need to be reviewed. However, there could also be an impact as a result of universal credit however without testing we are unable to verify this. Current Tenant Arrears • As at 3 April 2016 - £420,371.94 • As at 26 March 2017 - £538,716.21 We were able to see evidence of recovery records outlining current progress on each tenant's arrears for one Estate Officer – however these records have not been assessed for accuracy. A previous audit finding identified that debt recovery processes did not have full up to date system notes despite ongoing recovery actions, as we have not been able to complete testing in this area we have not been able to give assurance that the recommendation to remind staff has been implemented effectively. A recommendation has been made under 2.2a to reflect record keeping.	4 - High	I recommend that the Housing Services Lead ensures there is a clear line of responsibility for the management of current tenant arrears. Responsible officers should be responsible for the recovery processes and management of arrears across all Housing stock.	Agreed	September 2017		Simon Lewis	TDBC

TDBC Open Spaces External Clients Final Report 16 17	<p>Debt Management Process</p> <p>The level of aged debt is very high, the grounds maintenance debt is the second highest in the council following S106 debt. As at 29 March 2017, the amount of debt over 30 days was £108,021 (£25,000 of this is over a year overdue). This is a slight increase from a previous report provided as at 31 October 2015 which showed overdue debt was at £97,075.</p> <p>Since the return of services from South West One in December 2016, debt management has been assigned to the Assistant Technician to complete. The process to be followed should be the Council's Debt Management Policy, however this is not currently being followed. The Assistant Technician did not appear sure of the actual process to be followed and indicated that debts were not passed to legal if non-payment continued beyond a set point. Guidance and training for staff involved in the debt management process now services have returned from South West One would be essential to ensuring that processes are well managed and may prevent the debt position from increasing.</p> <p>The Open Spaces debts are currently not being chased until they are 60 days overdue for payment. The Open Spaces Manager informed us that this is a deliberate process in order to manage a known backlog of aged debts. When chasing debts there will be delays while queries raised are investigated and resolved. Depending on the query type this can take time to resolve and push the age of the debt up. There is also a risk that evidence needed to resolve queries has been lost or misplaced in the time between causing further delays.</p> <p>Debts should be chased much earlier, the Debt Management Policy states that the first chase would be no more than two weeks after the due date at the latest. The earlier queries can be identified and resolved, the greater likelihood that payments will be received and the aged debt position improved. The debt recovery processes currently being followed are not backed up with any centralised record although the Assistant Technician keeps a copy of the aged debt report with comments of the progress made and status of the invoices, this is not available to all staff. This record kept in her network folder and only shows information for the debts she has chased. Without a centralised record of action taken there is a risk that not all debts are being chased. There is also no detail available to inform staff of those debts needing a chase if an officer is off sick or on annual leave. There is a risk that without following a set policy and keeping a record of all action taken that the level of debt could keep increasing and the service becomes unsustainable as income is not being received.</p>	4 - High	<p>I recommend that the Open Spaces Manager ensures the following:</p> <ul style="list-style-type: none"> • The Corporate Debt Policy is adhered to with outstanding debts being pursued from two weeks after the due date • Training on debt management and recovery is offered to those officers undertaking this role – ensuring that staff are aware of the importance of record keeping should a legal process need to be followed. 	<p>Agreed – however there is currently backlog that is being prioritised and efforts will be made to reduce the number of days going forward and target 14 days from October. Other points can be undertaken from May.</p>	31/10/17		Chris Hall	TDBC
TDBC Use of non-contracted suppliers at the DLO_Final_1718	<p>The Council's Contract Procedure Rules (CPRs) outline the processes that need to be followed when procuring goods and services. The processes to be followed vary depending on the value of the contract to be carried out. This goes from obtaining a single quote to tendering for work and following the EU Procurement Directives. They are outlined in Paragraphs 15a, 15b, 15c and 15d. However there is an additional paragraph which is specifically related to the DLO. Paragraph 17 states:</p>	4 - High	<p>I recommend the Assistant Chief Executive and Monitoring Officer ensures that Paragraph 17 of the Contract Procedure Rules is removed.</p>	Agreed	31/10/17		Bruce Lang	TDBC

TDBC Use of non-contracted suppliers at the DLO_Final_1718	If non-contracted suppliers are employed by the Council for considerable lengths of time they will accrue similar rights to those of an employee. This has recently been recognised and addressed by Council Management. There is also a risk that the business models of the non-contracted suppliers is based on the income received from the Council. Without a contract in place this creates financial, legal and reputational issues for both the Council and non-contracted suppliers. There is a desire across the DLO and Corporate Procurement to engage in relation to the use of non- contracted suppliers with a view to improving the internal control framework in relation to the appointment, monitoring and general management of contractors and securing added value for the taxpayer. Currently this desire has not been realised and if not addressed there is a risk of historical practices continuing.	4 - High	I recommend that the Procurement Manager engages with the Assistant Director (Property and Development) and Assistant Director (Operational Delivery) with a view to ensuring that: • Staff at the DLO have received up-to-date procurement training. This should cover: issuing instructions to contractors; obtaining quotes; quality control; clear invoicing, separation of duties between the awarding of jobs and authorisation of invoices and budget monitoring. • All work currently being delivered by non-contracted suppliers is reviewed, the marketplace is tested to determine whether better value can be achieved and suppliers are secured under contract in accordance with CPRs.	This piece of work is potentially very broad covering a wide range of suppliers and contractors. The solution(s) will vary depending on the particular requirement. Prioritisation will be required. This date is put forward as a date by which this prioritisation will be complete and by which key procurements will be underway, but not necessarily completed, and a date by which the training will be delivered.	31/10/17		Paul Carter	TDBC
TDBC WSC Parking Maintenance Final Report 2017 18	The budget for car park maintenance across West Somerset While we have now obtained assurance that there are sufficient funds to address the highest priorities across car parks within the districts of Taunton Deane (including the Orchard Multi-Storey Car Park) and West Somerset, during the course of this review we were provided with three sets of figures for the car parking maintenance budget at West Somerset. Initially £20.2k, then £18.7k and latterly £86.8k. A variance of £66.6k. While it is acknowledged that the Council is undergoing transformation and that a new financial system is currently being embedded, if Management does not have clarity and certainty on the car parking maintenance budget for West Somerset there is a likelihood that the risks associated with its car parks will not be managed effectively leading to the health and safety of the general public being put at risk, potential legal recourse and an increased financial burden on the Council.	4 - High	We recommend in the short term that the Community and Client Services Manager assists the Car Parking Operations Manager in the monitoring of the car park maintenance budgets across both Councils.	The initial budget was indeed £18,700, revised to £20,200 by the accountant. So these two figures represent the base budget and an in year amendment by the accountant. This budget had been found to be insufficient in the previous financial year and resulted in some internal journals to ensure that essential maintenance costs were covered at year end. Rather than have the same occur at year end during the current financial year, the audit proved a timely reminder of the need to look at this. As a result, additional funds of £26,600 were identified within the existing budget that could be safely moved to cover maintenance issues. This created a new total of £46,800. Additionally, it was known that there was £40,000 in reserve for capital works. There was some confusion about the method for accessing this. Once this had been resolved, this was added to the existing maintenance budget to give a total of £86,800. This clarity was not available to the audit team as it had not been fully resolved at the time of the audit. However, the management team are now confident in these figures and that this will be overseen as part of the normal budget monitoring process.	October 2017		Chris Hall	TDBC
TDBC WSC Parking Maintenance Final Report 2017 18	Despite there being a Corporate Risk Management Framework in operation at the Council the manner in which the risks, associated with car parks across the districts of Taunton Deane and West Somerset were being graded, did not reflect this approach. It is acknowledged that the Programme of Works did include priorities, but as alluded to elsewhere within this report they were prioritised in a subjective manner primarily based upon opinion and the risk to health and safety. A scoring mechanism based on assessments of impact and probability would have been expected. Management assure us that the key risks associated with car parks across both districts are being fed-up to Senior Management, however a clear understanding of when a risk becomes a corporate risk was not demonstrated to the Auditor or the process whereby it should be escalated. There is a risk that the Corporate Risk Management approach may not be embedded as well as it should be across the Parking Services Unit at both Councils and this could lead to an inconsistent approach, some maintenance being incorrectly prioritised over another area, which could lead to the health and safety of the general public being put at risk, potential legal recourse and an increased financial burden on the council.	4 - High	We recommend that the Community and Client Services Manager assists the Car Parking Operations Manager to adopt the Council's Corporate Risk Management approach across car parking in both districts.	The Car Parks Manager will work with relevant staff to ensure adoption of the Corporate Risk Management approach on a 5x5 scale of likelihood and impact instead of the current priority scoring mechanism. This will then be discussed and agreed as to at what level of risk matters are brought to the attention of senior management. This is likely to be everything that reaches 4x4 and above.	October 2017		Hall, Chris;#121	Both

TDBC WSC Parking Maintenance Final Report 2017 18	The methodology for assessing the risks to car parks has not been documented. However priority ratings are applied within the Programme of Works, whereby one is the highest priority and four the lowest. The letter 'C' indicates capital work. Priority ratings are applied by Management and are based on a subjective assessment of risk, mainly related to the risk of health and safety to the public. There are no documented explanations of what is high or low risk with a consideration of impact and likelihood whereby impact considers more than just health and safety, but also strategic priorities and opportunities, reputational damage, finance and criticality of the service. A subjective approach to assigning priority ratings could in the least result in inconsistent ratings and at the most result in some maintenance being incorrectly prioritised over another area, which	4 - High	We recommend that the Car Park Operations Manager documents the methodology for the assessment of risks within car parks across the districts of Taunton Deane and West Somerset. This should be in the form of a matrix with documented likelihood and impact scores. SWAP's methodology for assessing risk is attached as Appendix A. and may be used as a basis to work from.	SWAP's methodology will be used as a basis as suggested.	October 2017		Hall, Chris;#121	Both
TDBCWSC User and Access Management Final Report	Removal of Audit Trail WSC AD users are removed from the directory after a varying length of time, usually 6 months. Other sub-systems such as Acolaid and Northgate also follow the same pattern. This means that their audit trail is also removed. In the event of a dispute or investigation in the future, absence of audit trail would mean resolution is difficult. There is also a requirement to keep audit trail for some transactions under Data Protection legislation. This risk will be made greater in the future when potentially a single point of access will become the norm.	4 - High	The Assistant Director ensures accounts are suspended, not delete until necessary audit trail is no longer required. Guidelines should be created which reflects these requirements and system administrators instructed to follow it.	On the assumption that this finding applies to individual business systems access rather than AD accounts, a 6 monthly review will be carried out of all system accounts, with the individual system owners being required to authorise on going access.	30/04/17		Sealy, Richard;#108	TDBC
TDBCWSC User and Access Management Final Report	Approval of Physical Access There are no standard forms to request a proximity pass, the request usually comes in one of two ways:- An email from ICT at South West One, notifying Facilities that the employee has started. ICT are involved because they set up the individual on the flexi-time system (the card issued is used for both flexi-time and building access). - A member of staff will arrive at Facilities with a colleague asking for a pass to be created. The pass is activated automatically for both TDBC and WSC should the employee be a part of the 'One Team'. Changes to card access follow the same logic, there is no formal request process. There is an increased risk that, in the absence of appropriate formal request and authorisation that cards can be produced fraudulently and access exploited.	4 - High	The Assistant Director establishes a formal procedure relating to the request and issuing of a proximity pass which includes authorisation from an agreed list of signatories. This list of signatories will need to be provided to Facilities Management to ensure that authorisation procedures are followed.	Agreed	31 March 2017		Sealy, Richard;#108	Both

Taunton Deane Borough Council

Corporate Governance Committee – 26 March 2018

GDPR Action Plan Update

This matter is the responsibility of Executive Councillor Richard Parrish

Report Author: Richard Sealy, Assistant Director Corporate Services

1 Purpose of the Report

- 1.1 This report provides an update on the actions being taken by the Council in preparation for the implementation of the new (EU) General Data Protection Regulations (GDPR) which come into force on 25 May 2018 and the associated (UK) Data Protection Act, which is currently working its way through Parliament.
- 1.2 The report follows from the GDPR overview provided to the Members of the Committee at the December 2017 meeting.

2 Recommendations

- 2.1 To note the actions being taken in order to comply with GDPR.

3 Risk Assessment

- 3.1 GDPR compliance is recognised as a key corporate risk and is recorded on the Corporate Risk Register. The GDPR Compliance Action Plan and associated activities are the key mitigating actions for that risk.
- 3.2 Risk Matrix

Description	Likelihood	Impact	Overall
<i>Risk</i> - Failure to have adequate Data Protection Policies and procedures in place which are compliant with the new General Data Protection Regulation coming into force in May 2018 <i>Key Effects</i> Potential higher financial penalties imposed Potential reputational damage A lack of trust from the public regarding how we handle their personal data	4	4	16

<i>The mitigations for this are the proposed changes as set out in the report</i>	2	3	6
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Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			Impact				

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 GDPR – Background and Key Changes

- 4.1 The General Data Protection Regulations (EU) 2016/679 were actually passed by the EU in 2016, but do not come into force until 25 May 2018. They will be accompanied by a new UK Data Protection Act, which is currently still going through Parliament. The latter piece of legislation covers the areas over which the GDPR provides for local discretion. We will have to ensure we comply with both pieces of legislation and this essentially replaces the current Data Protection Act (1998).
- 4.2 This new legislation covers virtually any organisation or individual who is collecting and processing personal data. So it applies to the Council, but also covers personal data that Elected Members collect as part of their role as a councillor.
- 4.3 The purpose behind the new GDPR Regulations is to provide a consistent approach

across the EU to data protection, to keep pace with technological changes and to attempt to redress the balance between the rights of the individual and the organisations that use and process their personal data. The technology and algorithms used for analysing and matching data provided by individuals in order to market services, make automated decisions etc. have become very sophisticated. Most of us provide data about ourselves without knowing what it is going to be used for, who is using it and how long it is going to be held for. Under the current legislative regime there is little that we can do about this. Consequently GDPR seeks to give back individuals control of their personal data.

4.4 GDPR provides individuals with a number of new rights and emphasises a number of existing rights. The key rights of individuals are summarised below:

- *The right to be informed* – of what, why and in what way their data is being processed – so we need to ensure we have clear Privacy Policies
- *The right of access* – individuals have the right to know what personal data of theirs we hold. They can continue to access their data via a Subject Access Request. However, these are free of charge from 25 May 2018 (currently there is a £10 fee) and now are subject to a shorter one month response time.
- *The right to rectification* – we must correct incorrect data
- *The right to erasure* – essentially this is a right to be forgotten – we must delete data that we no longer have consent or a legal basis for holding
- *The right to restrict processing* – individuals can ask us to stop processing their data. Whether we do so is dependent upon our reasons for holding the data because much of what we do is covered by legislation, which effectively gives us implied consent
- *Rights in relation to automated decision making* – essentially this is to provide protection against targeted marketing and automated decision making

4.5 In order to ensure these rights are being respected and are enforceable the GDPR regulations also bring in a number of key changes, which organisations must comply with. These are summarised below:

- *Data Breaches* – where breaches occur and we identify them as being reportable to the Information Commissioner's Office (ICO) we must report them within 72 hours
- *Consent* – in future and where consent is required for processing personal data individuals will have to positively 'opt in'. This means we have to provide clear consent notices which explain what we will use their data for and will need to record the consent provided. Individuals will also be able to remove their consent at any time (i.e. 'opt out') and we have to be able to accommodate this and cease processing their data
- *Subject Access Requests* – this is an existing right, but currently individuals have to pay a £10 fee and we have 40 days to respond. Under GDPR the fee is being removed and the response period is being reduced to a calendar month. This is likely to result in an increase in the number of requests we receive, which can be extremely time consuming for us to deal with
- *Increased fines* – the GDPR regulations significantly increase the fines regime. The regulations state a maximum of £16.8m or 4% of global turnover. This is clearly intended to provide them with the legislative teeth to tackle the multinationals, but potentially has significant implications for all organisations
- *Privacy Impact Assessments* – these are now a mandatory requirement where we are making changes to procedures or policies that involve the use of personal data
- *Data Protection Officer (DPO)* – there is now a legal requirement to employ a

recognised DPO, who needs to be an expert in the legislation and free from conflicts of interest. (NB. We do not have to employ them directly, but can buy this service in from another organisation)

- 4.6 A more detailed guide to the new regulations can be found on the Information Commissioner's website at the following address:
<https://ico.org.uk/media/for-organisations/guide-to-the-general-data-protection-regulation-gdpr-1-0.pdf>

5 GDPR – Our Compliance Action Plan

- 5.1 The new regulations introduce a number of significant changes and clearly provide for a much more robust data protection regime. We obviously need to review and change our procedures to ensure we comply with the new regulations. However, it is important that we do this in a positive way and use this as an opportunity (in conjunction with the changes we are implementing through Transformation) to ensure that the changes we make provide us with a robust data and information management approach, which both support GDPR and our future ways of working.
- 5.2 With this in mind we have devised a GDPR Compliance Action Plan (see Appendix A), which identifies the key actions we need to take and also seeks to align these changes with delivery of the broader transformation changes. As stated above, this is to ensure that we implement a data and information management approach for the future, which both meets the needs of GDPR and our new ways of working.
- 5.3 The plan is based on the headings and format recommended by the Information Commissioner's Office. It identifies the key outcomes we need to achieve and the key tasks required to deliver them. It is very much a 'living document' and is still being developed and fine-tuned.
- 5.4 The plan identifies a number of key tasks that we need to complete in advance of the new legislation coming into force on 25 May 2018 e.g. training and awareness, Information Asset Register update, policy and procedure changes, contract procedures etc.
- 5.5 It also identifies actions that we need to progress and deliver in conjunction with the delivery of the Transformation changes to develop our future approach to data and information management. These will potentially involve some fundamental changes to how we store data and how we work. Logically the delivery of these changes should be aligned with Transformation and the transition to the new operating model.
- 5.6 Consequently, whilst we will not have delivered the entire plan by 25 May 2018, we will have delivered the basic changes required to enable compliance and can demonstrate that we have a clear roadmap to a robust future approach to data and information management.

6 Links to Corporate Aims / Priorities

- 6.1 There are no direct links to corporate aims/priorities

7 Finance / Resource Implications

- 7.1 There are potentially going to be costs associated with implementing software changes to our existing line of business systems, developing our broader information architecture and in providing training in order to ensure GDPR compliance. In particular we need to be able to easily identify, disclose, amend and delete data in future. We are in the process of identifying these costs.
- 7.2 Additionally, the penalties we can be charged for data breaches are potentially a lot higher (£m's) than under the current legislation, which makes this a higher risk area. Consequently we have identified the detailed Action Plan to deliver compliance and a comprehensive approach to information and data management in future in order to mitigate this risk.

8 Legal Implications

- 8.1 The GDPR Regulations and new Data Protection Act are significant pieces of new legislation, which we need to fully understand and implement.

9 Environmental Impact Implications

- 9.1 There are no environmental impact implications associated with this report.

10 Safeguarding and/or Community Safety Implications

- 10.1 There are no direct safeguarding or community safety implications associated with this report.

11 Equality and Diversity Implications

- 11.1 There are no direct equality and diversity implications associated with this report.

12 Social Value Implications

- 12.1 There are no direct social value implications associated with this report.

13 Partnership Implications

- 13.1 We will need to review our data sharing and processing arrangements with any partner organisations with whom we share personal data.

14 Health and Wellbeing Implications

- 14.1 There are no health and well-being implications associated with this report.

15 Asset Management Implications

15.1 There are no asset management implications associated with this report.

16 Consultation Implications

16.1 There are no consultation implications associated with this report.

Democratic Path:

- **Corporate Governance – Yes**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: 6 monthly

List of Appendices (delete if not applicable)

Appendix A	GDPR Compliance Action Plan
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Contact Officers

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APPENDIX A - GDPR Compliance Action Plan

Outcomes	Key Tasks	Target Date
Communication/Awareness/Training		
Staff and members are aware of the key changes and revised procedures and their responsibilities. A regular training approach & programme identified to ensure ongoing training.	Undertake further communications across the organisation (staff and members) to outline the key changes & timeline.	30/04/2018
	Organise the delivery of training in the legislative changes, new procedures and responsibilities to all staff & members	24/05/2018
	Work with HR to incorporate GDPR training into the new starters induction process	24/05/2018
	Develop and implement a regular refresh training programme.	31/10/2018
Data Protection Officer Role		
Appoint a Data Protection Officer (reports directly to senior management, has no conflict of interests, can be provided by an outside body).	Work with SLT to identify how & where the DPO role fits within the new operating model.	24/05/2018
	Identify our responsibilities / opportunities in relation to parish and town councils	31/03/2018
Information Assets		
A detailed and up to date record of: > WHAT information/data we hold (personal and special categories of data) > WHY we hold it (legal basis) > WHERE we hold it and in what form > HOW LONG (retention period)	Identify the approach to compiling an Information Asset Register (IAR) that allows us to quickly collect the information and in a manner that supports the development of our future Information Management Architecture Create an updated Information Asset Register template & combine with existing IAR	30/03/2018
	Conduct a Data Audit with each service area to populate the new IAR	24/05/2018
	Document and implement procedures to ensure the regular review and update of the IAR.	31/10/2018
Information Management Future Approach		
A new approach to Information Management which supports the delivery of the New Operating Model & GDPR compliance and which delivers a simple, intuitive and easy to manage approach to creating, storing accessing, disclosing, retaining and deleting ALL information and data held by	Identifying and getting agreement to the principles, approach & timeline for developing our future Information Management Architecture	30/03/2018
	Implement our new approach to Information Management including procedural and technology changes including a new Document Management System.	To be identified

Outcomes	Key Tasks	Target Date
both councils.	Identify and implement a plan for all legacy information and data.	To be identified
Consent		
<p>We have a clear and transparent approach to consent which:</p> <ul style="list-style-type: none"> > Identifies where we are relying on implied consent > Allows customers to give and withdraw consent, where necessary > Enables and aligns with our new ways of working 	Review, update and implement our privacy and Fair Processing Notices to comply with GDPR and to align with our future ways of working (NB will need to be undertaken in conjunction with the Transformation Team)	24/05/2018
	Implement procedural and technical changes to ensure we are obtaining positive consent (where consent is required) to allow us to process personal data	24/05/2018
	Implement procedural and technical changes to allow us to automatically cease the processing of personal data where consent is withdrawn (NB this may require the removal of links to certain data or the deletion of data)	To be identified
Data Retention & Deletion		
<p>We are clear on how long we should retain each piece of personal data and have procedures in place for the proactive deletion of data once the retention period has expired</p>	Work with each of our line of business system providers to identify and implement any changes required to ensure compliance with our retention & deletion obligations. (NB. This exercise will include identifying any costs associated with making these changes)	30/09/2018
	Identify data held in other areas i.e. paper records, e-mails, network drives etc. & implement procedural & technology changes to ensure compliance with our retention & deletion obligations. (NB. The solutions for these other areas will be identified as part of our future approach to Information Management as outlined above)	To be identified
Privacy by Design (Privacy Impact Assessments)		
<p>Clear procedures in place which ensure that Privacy Impact Assessments are undertaken in respect of any new projects or procedural changes that involve personal data to ensure that the use of this data is appropriate, complies with GDPR and that proper safeguards are in place</p>	<p>Draft and implement a procedure (including a procedure to ensure ongoing compliance) to ensure that Privacy Impact Assessments are pro-actively carried out for any changes involving the processing of personal data (NB this will need to be built into the Transformation Project BPR process)</p>	30/04/2018

Outcomes	Key Tasks	Target Date
Subject Access Requests		
The SAR process complies with the new legislation (i.e. no fee and 1 month response time). In the longer term, develop this as a self-service function.	Develop, document, implement and provide training in the new procedures.	30/04/2018
	Work with the Transformation Project Team to develop as a self-service function in the longer term.	To be identified
Contracts		
Ensure that future new and renewed contracts comply with the new regulations and provide sufficient protection for the councils.	Work with the procurement team to provide training and to introduce new procedures	31/03/2018
Information Sharing		
Ensure that we have a clear data sharing agreements in place with every organisation with whom we share personal data and that these agreements: > Are clearly written > Comply with GDPR > Set out what data is being shared and what it is used for > Clearly defined roles	Review, update and agree with suppliers/third parties revised data sharing agreements.	24/05/2018
	Consider any additional technology changes required to support the safe transfer of data with partner organisations i.e. e-mail security (Egress) and official protective markings.	24/05/2018
Data Breach Management		
Implement changes to the data breach procedure to ensure compliance with the new legislation (i.e. the 72 hour timeline).	Update our procedures and communicate to staff, members and third party organisations.	24/05/2018
Data Protection Policy		
Our Data Protection Policy and associated procedures are compliant with the new regulations.	Review and update the Data Protection Policy and procedures to ensure compliance with the new regulations (NB need to ensure alignment with our future operating model and Information Management Architecture)	31/03/2018

Project Roles

Project Manager (PM)	Assumes pure project management function
DPA expert	DP expert who will focus on policy & procedure change
Training	Assumes buy in external trainers
Technical/Trans Prog	Technical resource within the Trans Prog Team to deliver
External IM Consultants	To advise on & assist in developing the future Info Man
Admin	Assumes use Corp Business Support Team

working with the Trans Prog team as necessary

er the technical changes required to set up the future Info Man Architecture
Architecture & Info Asset Register

Corporate Governance Committee Forward Plan

19/06/2018, Report:Health and Safety Six Monthly Update

Reporting Officers:Catrin Brown

Report:Review of Financial Regulations

Report:RIPA(Regulation of Investigatory Powers Act) Inspection Report Sept 2018

Reporting Officers:Bruce Lang

Report:Grant Thornton - Audit Plan

Reporting Officers:Rebecca Usher

Corporate Governance Committee – 19 March 2018

- Present: Councillor Sully (Chairman)
Councillor Adkins, Cavill, Hall, Horsley, Mrs Stock-Williams, Mrs Smith, Ms Smith-Roberts, Tucker and Webber.
- Officers: Richard Sealy (Assistant Director – Corporate Services), Richard Doyle (Corporate Strategy and Performance Officer), Alastair Woodland (Assistant Director – South West Audit Partnership), Peter Barber (Assistant Director – Grant Thornton) Sarah Crouch (Audit Manager – Grant Thornton) and Andrew Randell (Democratic Services Officer).

(The meeting commenced at 6.15 pm)

1. Apologies

Apologies were received by Booth, Govier, Hunt Nicholls and Ryan.

2. Minutes

The Minutes of the meetings of the Corporate Governance Committee held on 4 December 2017 were taken as read and were signed.

3. Declaration of Interests

No interests were declared

4. External Audit – Audit Plan 2017/18

Members considered the report previously circulated, concerning the External Audit – Audit Plan 2017/18.

This report introduced the External Audit Plan for 2017/18. This was prepared by external auditors, Grant Thornton, and was set out in the appendix to the report.

The report summarised the approach to the 2017/18 audit programme, together with the auditors view on risk, materiality and value for money.

Each year the external auditors, Grant Thornton, provided a plan, which detailed their approach to the audit work required in respect of the preceding financial year (2017/18). Specifically this audit work focused on the provision of an audit opinion in relation to the accounts, value for money (VFM) and associated key risks.

During the consideration of this item, no comments were made.

Resolved that The Corporate Governance Committee noted the report.

5. External Audit – Progress Report and Update

Members considered the report previously circulated, concerning the External Audit – Progress Report and Update.

The report provided a progress update regarding the work of the external auditors, Grant Thornton, together with information relating to emerging issues which may be relevant to the Council.

The Council's external audit function was undertaken by Grant Thornton. The external Auditors, as part of their work, provide regular progress updates to Members via the Corporate Governance Committee together with updates in relation to emerging national issues, which may be of relevance to the Council. These are detailed in the attached report.

During the consideration of this item, the following points were made:-

- Confirmation was given that the work undertaken by Grant Thornton was fully funded and fell within existing costs.
- The budget was approved by all Councillors, budget monitoring was responsible for the Scrutiny and Governance committees. This was a quarterly reporting process with reports available to all Councillors.
- Delays in budget monitoring was questioned. Executive monitors this, it was recognised that payroll was not available so there was not the opportunity to scrutinise this, due to the implementation of the new E5 system.
- This related to the migration from the previous SAP system. The integration between payroll and finance caused some delays in the financial reporting process.
- The non-payroll elements of the budget could still be monitored.
- It was questioned if the recommendations were followed up after the audit and who reports these to Councillors. Specific finance related recommendations were picked up by the Assistant Directors for Finance and Resources. Audit had scheduled meetings periodically with officers to make them aware.
- Councils are looking at opportunities to invest for greater incomes as part of a greater focus on commerciality.
- Ensuring Councils are more risk aware than risk averse was recognised.

Resolved that:- The Corporate Governance Committee noted the report

6. External Audit Certification Report.

Members considered the report previously circulated, concerning the External Audit Certification Report.

Each year our external auditors, Grant Thornton, reviewed the Council's arrangements in relation to grant claims and returns. The full report together with detailed recommendations and details of the cost of this work were attached to the report.

The claim and return submitted by the Council (and reviewed by our external auditors) total £30.7m. This is a significant financial matter for the authority and proper arrangements are needed to be put in place to meet the "conditions" of the grants.

The report indicated that, whilst a qualification has been made in respect of the Housing Benefit Scheme Claim, this qualification has had no financial impact.

The report highlighted a number of areas where improvements are required together with the agreed management response and target delivery dates.

During the consideration of this item, no comments were made.

Resolved that:- The Corporate Governance Committee noted the report.

7. SWAP Internal Audit – Internal Audit Plan 2017/18 Progress.

Members considered the report previously circulated, concerning SWAP Internal Audit – Internal Audit Plan 2017/18 Progress.

The Internal Audit function plays a central role in corporate governance by providing assurance to the Corporate Governance Committee, looking over financial controls and checking on the probity of the organisation.

The 2017-18 Annual Audit Plan provided independent and objective assurance on TDBC's Internal Control Environment. This work supported the Annual Governance Statement.

During the consideration of this item, the following points were made:-

- Delivering value with the property area has been questioned in the past. A review picking up a number of corporate areas including asset management had been undertaken to consider high level controls. This area had a huge potential to generate both income and savings.
- Part of the main issue was lack of staff being retained in this area due to the demand of surveyors in the private sector.
- It was recognised that as part of the new structure and transformation; better mechanisms were needed for staff with specific skills that have a commercial value, to pay the market value and a competitive rate for those with the right skills.
- A specific area around the addressing this and the movement on assets was addressed as part of the new structure.

Resolved that:- The Corporate Governance Committee approved the audit plan.

8. SWAP Internal Audit – Internal Audit Plan 2018/19 & Audit Charter.

Members considered the report previously circulated, concerning the SWAP Internal Audit – Internal Audit Plan 2018/19 & Audit Charter.

The report introduced the Internal Audit Plan for 2018/19 and also incorporated the 'Internal Audit Charter' which set out the operational relationship between TDBC and the South West Audit Partnership (SWAP).

This was a flexible plan that could be amended during the year to deal with shifts in priorities or new and emerging risks. The plan had the support of the Section 151 Officer.

The Internal Audit service for Taunton Deane Borough Council was delivered by South West Audit Partnership (SWAP).

Taunton Deane Borough Council's audit plan for 2018-19 was based on 340 days.

The internal audit plan for 2018/19 is set out in the report attached from SWAP. This plan focussed

on key risks areas, and would help provide TDBC with assurance on internal controls.

This has been discussed and supported by the Councils Joint Management Team and was now shared with Members for approval.

The internal audit service provided by the South West Audit Partnership (SWAP), works to a Charter that defines its roles and responsibilities and the roles and responsibilities of the Borough's managers as they relate to internal audit. Best practice in corporate governance required the Charter be reviewed and approved annually by the Corporate Governance Committee.

The Charter was last reviewed by the Corporate Governance Committee at their meeting on 20th March 2017.

During the consideration of this item, no comments were made.

Resolved that:- The Corporate Governance Committee approved the audit charter.

9. Corporate Risk Management Update.

Members considered the report previously circulated, concerning the Corporate Risk Management Update.

Taunton Deane Borough Council recognised the importance of effective identification, evaluation and management of all key strategic and operational risks. This was endorsed by the increased focus on the importance of Corporate Governance to public sector bodies. The Council also had a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2003.

Risk management was a key element of the Council's overarching Governance arrangements.

The Corporate Risk Register is a 'live' document which highlighted the key corporate risks facing the Council. The register was a joint one between Taunton Deane and West Somerset Council and is formally reviewed by JMT on a regular basis as part of the corporate performance review day. The last JMT review took place on 19th May 2017.

These regular reviews ensured that new strategic-level risks can be recognised; continuing risks could be re-assessed in the light of management actions to date; and risks which were no longer considered important can be removed.

Risk registers existed with divisions, teams, projects and programmes. All these Risk Registers were updated in December 2017.

Risks which were managed at a corporate level are those which had a significant risk to the delivery of a corporate priority or which are cross-cutting risks that don't naturally sit with a single department or team. These risks were identified and escalated from other risk registers within the Councils, officer concerns or from external sources.

There were **15** strategic risks identified and approved by JMT (**12** joint risks, **1** WSC risk and **2** TDBC specific risks).

Mitigating actions continued to be delivered in respect of the various risks. These were set out in the risk register and would continue in order to manage down the risks to an

acceptable level.

An extract of the corporate risk register was provided in Appendix A. Members were invited to review the register and consider whether all the appropriate Corporate Risks had been identified.

During the consideration of this item, the following points were made:-

- The Medium Term Financial Plan had been assigned to Paul Fitzgerald.
- The scoring remained the same in relation to the transformation programme, it was recognised that there was a significant amount of work involved in the transformation and recruitment process whilst maintaining communications.
- The New Council involved a number of technology changes which needed implementation. The volume of work and resourcing the transformation was a recognised risk.
- Loss of key staff was recognised as part of the risk. Managing loss of staff was an important part of transition planning around the significant change and the formation of the new organisation.
- The timetable was a comparatively short period of time with the vast majority being completed before the end of the calendar year. Regular updates were provided at Making a Difference Events.

Resolved that:- The Corporate Governance Committee noted the report.

10. Corporate Governance Action Plan.

Members considered the report previously circulated, concerning the Corporate Governance Action Plan.

This report provides an update of progress against the Annual Governance Statement Action Plan for 2017/18.

The Annual Governance Statement (AGS) is a statutory document which provides assurance on the governance arrangements in place within the Council. The statement is produced following a review of the council's governance arrangements.

The AGS includes an action plan to address any new governance issues identified by the Corporate Governance Officers Group; relying on reports from internal and external audit as well as their own understanding of the organisation.

During the consideration of this item, no comments were made:-

Resolved that:- The Corporate Governance Committee noted the report.

11. Overdue high priority SWAP Audit Recommendations.

Members considered the report previously circulated, concerning Overdue high priority SAP Audit Recommendations.

Taunton Deane BC engage the South West Audit Partnership (SWAP) to carry out internal audit functions; checking the adequacy of controls and procedures across the whole range of Council services.

At the start of each financial year an audit plan is agreed between SWAP and the Council which identified the areas of highest potential organisational and operational risk within the Council.

When an audit takes place a report is provided to the service manager concerned which gave an audit conclusion and opinion.

Any control or procedural weaknesses were identified within an action plan appended to the audit report.

All findings would be allocated one of 5 priority ratings. With priority 5 carrying the most significant risk to the service (not necessarily to the wider Council) and priority 1 the least significant risk.

Each finding within the action plan contains a target implementation date which had been agreed between SWAP and the service manager concerned.

All priority 4 and 5 recommendations are captured in a register to ensure progress against the recommendations can be tracked and progress reported to JMT and the Audit/Corporate Governance Committees at Taunton Deane and West Somerset Councils.

This report highlights the Priority 4 and 5 audit actions affecting Taunton Deane Borough Council, where the agreed remedial action is overdue. On this occasion there are 26 priority 4 priority actions which are overdue but zero overdue priority 5 recommendations for Taunton Deane Borough Council.

A summary of the overdue actions was provided in Appendix A.

During the consideration of this item, the following points were made:-

- Concerns were expressed over the use of retrospective purchase orders. This was due to the implementation of the E5 system.
- Cheques were in place to prevent fraud through checking and generating purchase orders.
- It was recognised there was more going work to update in relation to this.
- Concerns were expressed over updates from auditors and how recommendations from auditors were followed up at subsequent meetings.
- It was requested for an update be considered at the next Corporate Governance meeting in June with more up to date information.
- The new asset management database would be up and running using the Capita property services software. Discussions on this was with the IT department.

- Policies for debt recovery was 60 days, a timeframe of 2 weeks was being considered.
- Debt levels at the crematorium was questioned, an update would be provided to the committee.
- A reporting method setting out RAG status for Corporate Governance was requested.

Resolved that:- The Corporate Governance Committee noted the report.

12. GDPR Action Plan Update.

Members considered the report previously circulated, concerning the GDPR Action Plan Update.

The General Data Protection Regulations (EU) 2016/679 were actually passed by the EU in 2016, but do not come into force until 25 May 2018. They would be accompanied by a new UK Data Protection Act, which was still going through Parliament. The latter piece of legislation covered the areas over which the GDPR provided for local discretion. To ensure we comply with both pieces of legislation and this essentially replaces the current Data Protection Act (1998).

This new legislation covers virtually any organisation or individual who is collecting and processing personal data. So it applies to the Council, but also covers personal data that Elected Members collect as part of their role as a councillor.

The purpose behind the new GDPR Regulations is to provide a consistent approach across the EU to data protection, to keep pace with technological changes and to attempt to redress the balance between the rights of the individual and the organisations that use and process their personal data. The technology and algorithms used for analysing and matching data provided by individuals in order to market services, make automated decisions etc. have become very sophisticated. Most of us provide data about ourselves without knowing what it is going to be used for, who is using it and how long it is going to be held for. Under the current legislative regime there is little that we can do about this. Consequently GDPR seeks to give back individuals control of their personal data.

GDPR provides individuals with a number of new rights and emphasises a number of existing rights. The key rights of individuals are summarised below:

- *The right to be informed* – of what, why and in what way their data is being processed – so we need to ensure we have clear Privacy Policies
- *The right of access* – individuals have the right to know what personal data of theirs we hold. They can continue to access their data via a Subject Access Request. However, these are free of charge from 25 May 2018 (currently there is a £10 fee) and now are subject to a shorter one month response time.
- *The right to rectification* – we must correct incorrect data
- *The right to erasure* – essentially this is a right to be forgotten – we must delete data that we no longer have consent or a legal basis for holding
- *The right to restrict processing* – individuals can ask us to stop processing their data. Whether we do so is dependent upon our reasons for holding the data because much of what we do is covered by legislation, which effectively gives us implied consent
- *Rights in relation to automated decision making* – essentially this is to provide protection against targeted marketing and automated decision making

During the consideration of this item, the following points were made:-

- There was provision for vexatious requests if this was unreasonable.
- Data that's been collected and held in databases would be held and deleted where required.
- Legacy data from both Councils would need to be addressed.
- Actions to address the major areas were included in the action plan.
- SWAP were working with many Councils on this and were providing guidance.
- A basic level of compliance from Councillors and Officers was being arranged through training by 25th May.
- Through technology enablement, a lot of GDPR policy updates would be updated.
- Correctly capturing consent of customers opting in and out was needed. Fundamental changes of how data was stored, handled and disclosed was needed.
- The existing data protection officer will remain in place and there will be a role going through the transformation process.
- Consent notices for the customer would need to be created, stating what data would be used for.
- Somerset Association for Local Councils were advising Parish Councils on GDPR.

Resolved that:- The Corporate Governance Committee noted the update.

13. Forward Plan.

Submitted for information the proposed Forward Plan of the Corporate Governance Committee.

Resolved that the Corporate Governance Committee Forward Plan be noted.

(The meeting ended at 7.55pm).

