

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).

