

You are requested to attend a meeting of the Corporate Governance Committee to be held in The John Meikle Room, The Deane House, Belvedere Road, Taunton on 20 June 2017 at 18:15.

Agenda

- 1 Appointment of Chairman
- 2 Appointment of Vice-Chairman
- 3 Apologies.
- 4 Minutes of the meeting of the Corporate Governance Committee held on 20 March 2017 (attached).
- 5 Public Question Time.
- 6 Declaration of Interests
To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct.
- 7 Update on Health and Safety Performance. Report of the Health and Safety Manager. (attached)
Reporting Officer: Catrin Brown
- 8 External Audit Fees 2017/18. Report of the Corporate Performance Officer. (attached).
Reporting Officer: Richard Doyle
- 9 External Audit (Grant Thornton) Update Report. Report of the Assistant Director - Corporate Resources. (attached).
Reporting Officer: Richard Sealy
- 10 SWAP Internal Audit – Internal Audit Plan 2016/17 Outturn. Report of the Assistant Director, South West Audit Partnership. (attached).
Reporting Officer: Alastair Woodland
- 11 SWAP Internal Audit – Internal Annual Opinion Report 2016/17. Report of the Assistant Director, South West Audit Partnership. (attached).
Reporting Officer: Alastair Woodland

- 12 Review of Effectiveness of Internal Audit. Report of the Corporate Strategy and Performance Officer (attached)

Reporting Officer: Richard Doyle
- 13 Draft Annual Governance Statement 2016/17. Report of the Corporate Strategy and Performance Officer. (attached)

Reporting Officer: Richard Doyle
- 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

24 July 2017

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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Lift access to the John Meikle Room and the other Committee Rooms on the first floor of The Deane House, is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available off the landing directly outside the Committee Rooms.



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

For further information about the meeting, please contact the Corporate Support Unit on 01823 356414 or email r.bryant@tauntondeane.gov.uk

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Corporate Governance Committee Members:-

Councillor A Sully	(Chairman)
Councillor R Ryan	(Vice-Chairman)
Councillor V Stock-Williams	(Vice-Chairman)
Councillor M Adkins	
Councillor C Booth	
Councillor N Cavill	
Councillor E Gaines	
Councillor A Govier	
Councillor T Hall	
Councillor J Horsley	
Councillor J Hunt	
Councillor S Nicholls	
Councillor J Reed	
Councillor Mrs F Smith-Roberts	
Councillor C Tucker	
Councillor D Webber	

Corporate Governance Committee – 20 March 2017

Present: Councillor Sully (Chairman)
Councillor Adkins, Bowrah, Cavill, Coles, Coombes, Hall, Hunt, Nicholls, Mrs Reed.

Officers: Paul Fitzgerald (Assistant Director - Resources), Heather Tiso (Revenues and Benefits Service Manager), Paul Carter (Assistant Director – Corporate Services), Alistair Woodland (Assistant Director – South West Audit Partnership), Richard Doyle (Corporate Strategy and Performance Officer) and Andrew Randell (Democratic Services Officer).

Also Present: Peter Barber - Associate Director, Grant Thornton
Richard Lillis

(The meeting commenced at 6.15 pm)

1. Apologies/Substitutions

Apologies: Councillors Booth, Govier, Mrs Tucker and Ryan
Substitution: Councillor Coombes for Ryan
Councillor Coles for Booth
Councillor Bowrah for Mrs Tucker

2. Minutes

The Minutes of the meetings of the Corporate Scrutiny Committee held on 6 December 2016 were taken as read and were signed.

3. Declaration of Interests

Councillor Adkins declared a personal interest as a Somerset County Councillor. Councillor Coles declared a personal interest as a Member of Somerset County Council and Member of Devon and Somerset Fire and Rescue Service. Councillor Hunt declared a personal interest as a Somerset County Councillor.

4. Grant Thornton – External Audit Progress Report and Update

Considered report previously circulated, which introduced the External Audit Progress Report and Update, which had been prepared by the Council's external auditors, Grant Thornton. A copy of the External Audit Progress Report and Update had also been enclosed with the report.

Members considered the report previously circulated 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 report updated Members on the status, progress and completed work in relation to the auditor's planned schedule of work, year ending 31 March 2017. The Auditors

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 no points were made

Resolved that the report be noted.

5. Grant Thornton External Audit Plan

Considered report previously circulated, which provided a report in relation to the External Audit Plan.

The Auditor's report summarised their approach to the 2016/17 audit programme, provided information on the work already undertaken, the tasks yet to be completed, the timescales and the auditors view on risk.

The audit work required related to the preceding financial year (2016/17). 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.

A copy of the plan for 2016/17 was attached with the covering report.

During the discussion of this item the following points were made:-

- Materiality set at £1,500k was based on a 2% figure of gross expenditure which was determined at £75,000k.
- The revised contribution of the pension deficit had been incorporated in the Medium Term Financial Plan.
- Members expressed concerns that the pension strain would be unaffordable following the merger which would have greater impact than current provision.
- It was determined that the actuary would need to look at the workforce as a whole and assess this based on the details of the workforce.
- A fixed sum had been set aside for the transformation costs for the purposes of redundancies and transformation costs. Members voiced concerns that this could outstrip potential savings.

Resolved that the External Update Report be noted.

6. SWAP Internal Audit – Internal Audit Plan 2016/2017 Progress Report.

Considered report previously circulated, concerning the South West Audit Partnership (SWAP) Internal Audit Plan 2016/2017 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 2016/2017 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 December 2016 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 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.

During the discussion of this item the following points were made:-

- Assurance was given that safeguards would be put in place over SAP succession planning.
- A regular position statement would be sent out to highlight concerns and provide contingency arrangements.
- The recommendations and progress of building control and Crematorium would be tracked to ensure that risks and recommendations would be addressed.

Resolved that the report be noted.

7. SWAP Internal Audit – Internal Audit Plan 2017/2018 & Audit Charter.

Considered report previously circulated, concerning SWAP Internal Audit – Internal Audit Plan 2017/2018 & Audit Charter:-

The internal audit charter defined its roles and responsibilities and accountabilities of the boroughs managers as they relate to internal audit. A summary was provided detailing the role of internal audit.

Details of the four operational audits completed during the period were reported, together with details of the seven managed audits completed to draft or final report state.

A requirement to have an Audit charter in place and for this to be approved annually. The plan had been approved by senior management. The plan set out was flexible and could change with risks.

The list of audits were reported in Appendix A. The audit charter was set out in Appendix B.

Also reported that six governance audits had been completed to draft or final report stage and the remaining two audits would be completed by the year end.

During the discussion of this item the following points were made:-

- Appendix A was referred to. The contingency was separate from reserve. 8 Reserve days set aside for contingency. There are no other contingencies so if additional work is required this is done by dropping some existing work scheduled.
- Considering the audit Plan, 12 days were scheduled for the new website. This was the post implementation review. The detailed scope is set out at the initial meeting in which key risks were looked at. Information relating to this would be circulated.

- The work around the website was to ensure information flow, feeding into back office systems is working well, payments feeding into back office systems and the operational function of the website is working along with accessibility.

Resolved that the Internal Audit Plan and Charter be approved.

8. Corporate Governance Action Plan

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

This report provided an update of progress against the Annual Governance Statement Action Plan.

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 included 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.

The progress against the action plan set out in appendix A was set out.

Following the presentation of this item no points or questions were made.

Resolved that the report be noted.

9. Overdue high Priority SWAP Audit Recommendations

Considered report previously circulated, the report provided 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.

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.

The control and procedural weaknesses were identified within an action plan appended to the report.

During the discussion of this item the following points were made:-

- Concerns were expressed over the number of high priority SWAP Audit Recommendations. Reassurance was given that this was a reduction on the previous number reported and were being followed up on a monthly basis.
- The aim was for the risks to be lower at the next update provided to members. Updates on specific areas would be circulated to members on the committee.

- An update on the integration of systems used by asset management would be provided to the committee

Resolved that the report be noted.

10. Corporate Risk Management Update

Considered report previously circulated, considering the Corporate Risk Management Update.

This report provided an update on the corporate risks which are being managed by the Joint Management Team.

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

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 formally reviewed by JMT on a quarterly basis as part of the corporate performance review day. The last JMT review took place on 30th September 2016. The next review is scheduled for 19th May 2017.

These regular reviews ensure 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 are no longer considered important removed.

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

Risks which are managed at a corporate level were those which had a significant risk to the delivery of a corporate priority or which were cross-cutting risks that didn'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.

There were 17 strategic risks identified and approved by JMT (13 joint risks, 1 WSC risk and 3 TDBC specific risks).

Mitigating actions had 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.

During the discussion of this item the following points were made:-

- The new SAP replacement system was due to go live on 21st March 2017.
- A new HR and Payroll system was in the process of being implemented.
- There would be an extensive programme of testing to be undertaken on the systems. The risks were recognised along with members concerns on the implementation of new systems.
- If there were no significant issues in testing then the systems would go live.

- It was recognised that there was still a risk involved in the Medium Term Financial Plan.

Resolved that the report be noted

11. Corporate Governance Committee Forward Plan

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

Resolved that the changes to the Corporate Governance Committee Forward Plan be noted.

12. Exclusion of the Press and Public

During the discussion of this matter, it was **resolved** that the press and public be excluded from the meeting to allow a further confidential presentation to be made to Councillors and discussion to take place of the confidential appendices to the report with regard to contract end provisions, the financial implications, staffing implications and a risk review. The exclusion was considered necessary because of the likelihood that exempt information would otherwise be disclosed relating to Clause 3 of Schedule 12A to the Local Government Act, 1972 and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

13. CONFIDENTIAL Update on Corporate Counter Fraud Arrangements

Considered report previously circulated, considering the Update on Corporate Counter Fraud Arrangements.

During the discussion of this item the following points were made:-

- It was questioned if savings could be achieved by the service.
- Members were of the view that the service should be kept in house, once the service was more successful in detecting fraud in the then there would be less potential of detection.
- In the proposals then if fraud was not detected then the new provider would not receive any funding. Taunton Deane Borough Council would retain the right to terminate the contract.
- The contract term was set at three years, with the formation of a new council, the contract could be reviewed and changed within the term to ensure continuity.
- An update would be provided to Councillors within three months to set out how the new contract is progressing.
- The reports clarity was commended by the committee

Resolved that: - The Corporate Governance Committee support the recommendation that Proposal B be selected as the preferred provider to deliver the Corporate Counter Fraud service from 1 April 2017.

(The meeting ended at 7.40pm).

Usual Declarations of Interest by Councillors

Corporate Governance Committee

- Members of Somerset County Council – Councillors Govier and Hunt.

Taunton Deane Borough Council

Corporate Governance Committee – 20th June 2017

Update on Health and Safety Performance

Report of the Corporate Health and Safety Advisor

(This matter is the responsibility of the Chief Executive and Leader of the Council.)

1. Executive Summary

This report provides an update on the progress of a range of Health and Safety matters across the organisation. These include:

- Accident and Incident Data for the period
- Report on actions agreed by Health and Safety Committee
- Policy updates

2. Recommendations

The committee are asked to note the ongoing actions to continuously improve our health and safety operating culture.

3. Background and Full details of the Report

The tables below set out the accident statistics for year 2016 – 17.

TDBC Accident Totals 1st April 2016 - 31st March 2017				
Classification	TDBC & WSC	DLO & Crematorium	Public	Tenants (public areas)
Reportable	0	1	0	0
Non-reportable	12	40	5	6
Near Miss	4	16	0	0
2016 – 17 Period Total	16	57	5	6
2015 – 16 Period total (<i>as a comparison</i>)	2	63	2	1
2017 – 18 (to 31 st May 2017)	1	7	1	9

3.1 The accidents are categorised as follows:

Reportable accidents – these are reported to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases and Dangerous Occurrences (RIDDOR) legislation. Examples of such are accidents where a member of the public is taken to hospital as a result of an accident or where an employee has more than 7 days absence as a result of an injury arising from an accident. Dangerous Occurrences would include exposure to hazardous substances (such as asbestos) in a quantity likely to cause harm.

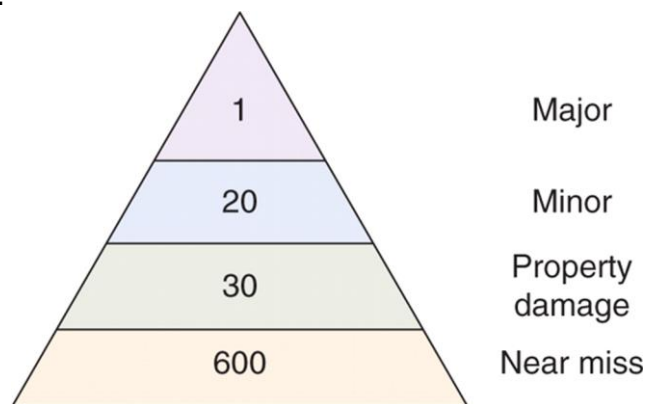
In 2016 – 17 (as set out in the table above) one incident was reported to HSE where an Open Spaces employee strained his back whilst carrying out grounds maintenance work and was absent for more than 7 days.

Non reportable

These are accidents that do not need to be reported under RIDDOR but that we must keep a record of. These form the majority of the notifications received and more detail on the type and nature of these accidents is explained below. As part of our continuous improvement cycle we must investigate and learn lessons to prevent these accidents from recurring. Employees are encouraged to record all accidents and there are accident books at all council locations.

Near misses

These are incidents or hazards where no one was actually hurt or harmed but where the consequences could have been significant. It is important to learn from such incidents so that employees are protected from harm in the future. There are near miss cards available at all council buildings and they can be collected from locations such as Deane Depot stores or the Deane House by those who are based off site.



The accident triangle above demonstrates the relationship between numbers and types of incidents.

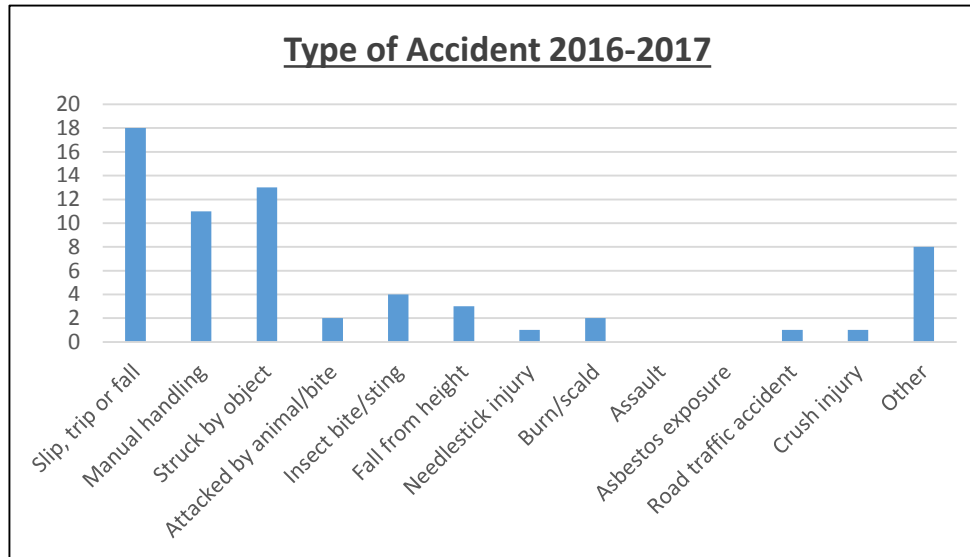
3.2 Trends

The table shows that there has been an increase in accidents within the TDBC and WSC reporting area (12) – these are split with 6 in each of the council's work areas. These all are minor accidents such as scalds from using the hot water boiler in the kitchen and slips and trips. None of these resulted in any lost time / absence from work. There has also been an increase in accidents involving tenants – this results from an improvement in reporting processes and all relate to slips and trips within the sheltered sector which are being effectively reported and actioned. There has been a decrease in accidents reported by the DLO, and

an increase in near miss reporting. Seven of the near miss incidents relate to asbestos containing materials and these continue to be reported to the Asbestos Working Group where they are considered in detail and remedial measures monitored.

3.3 Types of accidents

The tables below set out the types of accidents



The greater proportion of accidents in the year 2016 – 17 arise as follows:

Slips, trips and falls is the biggest cause of accidents for TDBC and WSC. This is consistent with national statistics as slips and trips are the single most common cause of accidents at work.

Struck by object – this category is where the injury has been caused by coming into contact with either a fixed or moving object, and often includes using work equipment. Remedies include ensuring that personal protective equipment guidelines are adhered to – wearing gloves for instance and managers reiterating guidance to employees to take their time and work with care.

Manual handling activities are the third largest category, again this is consistent with national findings.

3.4 Actions to reduce accidents going forward:

Building services employees have received formal manual handling training as well as training for working at height and using ladders.

Housekeeping – there are inspections of workplaces by Unison and the H&S manager (including monthly documented checks at Deane depot). Other locations such as the nursery and Wilton lands depot have also been checked and have forward action plans.

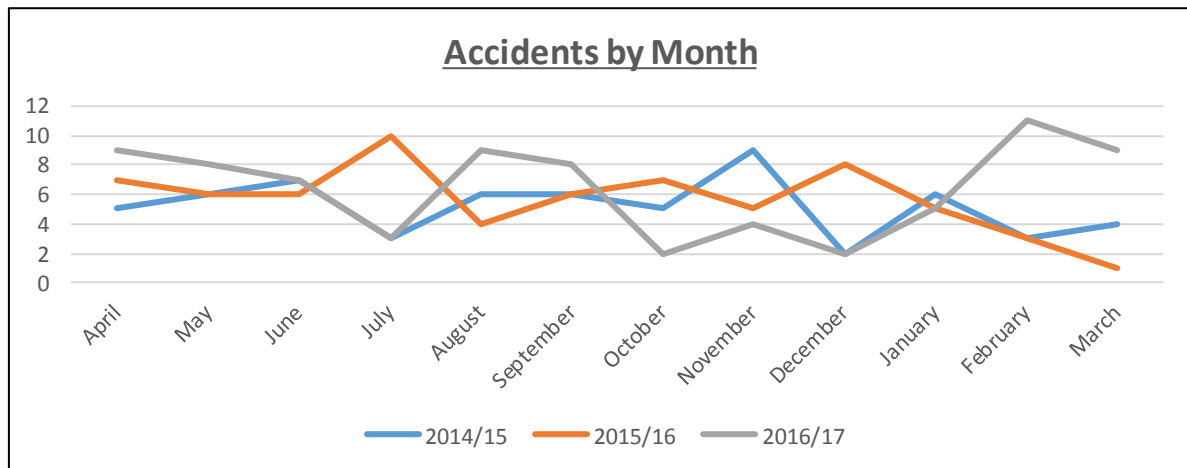
There will be a significant focus on increasing near miss reporting in order to identify where resources should be targeted.

Monthly meetings with Open Spaces and Building Services managers take place to consider progress against a health and safety action plan and to look at the types of notifications received and what lessons can be learnt.

Emergency response

Four sessions of emergency first aid training were provided in February 2017 to Open Spaces and Building Services employees. This was aimed at those who work in high risk activities out on site and was in order to give immediate responses on how to stop a bleed and deal with concussion type injuries.

3.5 Accidents by month



Accidents are also analysed by month. The tables above show that there has been an increase in accident numbers in February and March of 2017.

Consideration of the figures looked into whether the increase in numbers was related to the move of Deane DLO to Deane Depot and whether this has changed working practices – with less direct supervision and more individuals working from alternative locations and from home. This was not however found to be the case when considering each incident and 3 related to tenants in communal areas.

3.6 Report on actions agreed by the health and safety committee

The health and safety committee continues to meet quarterly and there is an ongoing forward plan. The committee met on 27th April 2017 and considered the strategy for the forthcoming year. The strategy set out focusses on enabling the organisation to undertake transformation safely and reviewing the policies to allow this. This includes those relating to home working, lone working and working with display screen equipment. The health and safety policy for the organisation will also be reviewed during 2017-18. The health and safety manager is also providing advice to the accommodation project board, reviewing contractors' documentation and carrying out the necessary risk assessments.

3.7 Policy Updates

The Project Manager – Landlord Health & Safety Compliance has produced (with the relevant service areas) the following policies for implementation following approval from the Leadership Team Operations and the health and safety committee:

- Electrical Safety
- Fire Safety
- Gas Safety
- Water hygiene

A training workshop to introduce the policies was carried out for those who are responsible for premises and more are planned during 2017 – 18.

The Asbestos Working Group have approved a draft Asbestos Policy and Management plan, and surveys of both corporate and housing stock are currently being undertaken. A software package has been purchased which will store the data and enable it to be shared so that contractors and council employees will have reliable information for safe working.

4. Finance / Resource Implications

Any emerging issues or additional training will have to be funded from existing budgets. Line managers are expected to prioritise and refer any difficulties through their Theme Manager to CMT.

5. Legal Implications

Failure to meet or maintain minimum legal compliance will increase Corporate and individual risk, with the potential for criminal and civil actions

6. Links to Corporate Aims / Priorities

Competent employees working safely in the delivery of the Council's services form an essential contribution to the Corporate Aims.

7. Environmental Impact Implications

There are no environmental implications arising from this report.

8. Community Safety Implications

There are no community safety implications arising from this report.

9. Equality and Diversity Implications

There are no equalities impacts over and above those already required to be identified in existing delivery plans and arrangements.

10. Safeguarding Implications

There are no safeguarding implications arising from this report.

11. Risk Assessment

The report does not require a risk assessment.

12. Partnership Implications (if any)

There are no partnership implications arising from the report.

13. Health and Wellbeing Implications

The report supports the health and wellbeing aims of the organisation.

14. Asset Management Implications (if any)

There are no asset management implications arising from the report.

15. Consultation Implications (if any)

There are no consultation implications arising from the report.

Contact: Catrin Brown
01823 356578 / 07788 350831
c.brown@tauntondeane.gov.uk

Taunton Deane Borough Council

Corporate Governance Committee 20 June 2017

External Audit Fees 2016/17

Leader of the Council: Councillor John Williams

Report Author: Richard Doyle, Corporate Strategy & Performance Officer

1 Purpose of the Report

- 1.1 This report details the fee forecast for external audit services in 2017/18.

2 Recommendations

- 2.1 Members are requested to note the Report.

3 Background and Full details of the Report

- 3.1 Each year our external auditors, Grant Thornton, provide details of the forecast fees to be charged for the main audit and the grant certification work relating to the current year.
- 3.2 The attached letter provides details of the fees and the schedule of payments. Grant Thornton have also provided an outline audit timetable to show the phasing of their work.
- 3.3 Any additional audit work, outside of the planned audit and grant certification work will be billed separately and will be an addition to the fee quoted.

4 Links to Corporate Aims / Priorities

- 4.1 There are no direct implications.

5 Finance / Resource Implications

- 5.1 The main audit fee is £50,629 (which is the same as 2016/17). This does not include the fee for the grant certification work which has yet to be set. The fee for this last year was £7,793.

6 Legal Implications

- 6.1 There are no legal implications from this report.

7 Environmental Impact Implications

- 7.1 There are no direct implications.

8 Community Safety Implications

8.1 There are no direct implications.

9 Equality and Diversity Implications

9.1 There are no direct implications.

10 Social Value Implications

10.1 There are no direct implications.

11 Partnership Implications

11.1 There are no direct implications.

12 Health and Wellbeing Implications

12.1 There are no direct implications.

13 Asset Management Implications

13.1 There are no direct implications.

14 Consultation Implications

14.1 There are no direct implications.

List of Appendices

Appendix A	Grant Thornton – Audit Fee Letter for 2017/18 dated 25 April 2017
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Contact Officers

Name	Richard Doyle	Name	Richard Sealy
Direct Dial	01823 218743	Direct Dial	01823 217558
Email	r.doyle@tauntondeane.gov.uk	Email	r.sealy@tauntondeane.gov



Grant Thornton

Paul Fitzgerald
Director of Operations and Section 151 Officer
Taunton Deane Borough Council
The Deane House
Belvedere Road
Taunton
TA1 1HE

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

T +44 (0)117 305 7600

www.grant-thornton.co.uk

25 April 2017

Dear Paul

Taunton Deane Borough Council

Planned audit fee for 2017/18

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no changes to the overall work programme for local government audited bodies for 2017/18. PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £50,629.

The audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2017/18 will be undertaken under this Code, on the basis of the [2017/18 work programme and scales of fees](#) set out on

the PSAA website. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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.

Certification of grant claims and returns

At the request of the Department for Work and Pensions, auditors appointed by PSAA will continue to certify local authority claims for housing benefit subsidy for 2017/18.

The Council's indicative fee for this certification work has yet to be set by PSAA. We will write to you to confirm the fee when this has been confirmed.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2017	12,658
December 2017	12,657
March 2018	12,657
June 2018	12,657
Total	50,629
Housing Benefit Certification	
March 2018	tbc

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2017 to January 2018. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June and July 2018.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	Dec 17 – Jan 18	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	Jun – Jul 17	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jun – Jul 17	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	Jul 17	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	Jul 17	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	Dec 17	Grant certification report	A report summarising the findings of our housing benefit certification work

Our team

The key members of the audit team for 2017/18 are:

	Name	Phone Number	E-mail
Engagement Lead	Peter Barber	0117 305 7897	peter.a.barber@uk.gt.com
Engagement Manager	Rebecca Usher	0117 305 7662	rebecca.usher@uk.gt.com
In Charge Auditor	Stephen Clarke	0117 305 7884	stephen.t.clarke@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner, via jon.roberts@uk.gt.com.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P Barber', written over a light blue horizontal line.

Peter Barber
Engagement Lead

For Grant Thornton UK LLP

Taunton Deane Borough Council

Corporate Governance Committee 20 June 2017

External Audit (Grant Thornton) Update Report

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

Report Author: Richard Sealy, Assistant Director – Corporate Services

1 Purpose of the Report

- 1.1 This is a regular update report for Members by our external auditors, Grant Thornton. Specifically the report provides an update in relation to their work for the 2016/17 financial year and also provides an update in relation to emerging national issues.

2 Recommendations

- 2.1 Members are requested to note the update report.

3 Risk Assessment

Risk Matrix

The details of any specific risks identified will be contained in the attached report.

4 Background and Full details of the Report

- 4.1 Each year our external auditors, Grant Thornton, are required to carry out prescribed audit work and this report provides a useful progress update on the work undertaken to date.
- 4.2 Additionally, the report shares headlines on some national issues that may have an impact upon the Council.

5 Links to Corporate Aims / Priorities

- 5.1 There are no direct implications.

6 Finance / Resource Implications

- 6.1 There are no direct implications.

7 Legal Implications

- 7.1 There are no legal implications from this report.

8 Environmental Impact Implications

8.1 There are no direct implications.

9 Community Safety Implications

9.1 There are no direct implications.

10 Equality and Diversity Implications

10.1 There are no direct implications.

11 Social Value Implications

11.1 There are no direct implications.

12 Partnership Implications

12.1 There are no direct implications.

13 Health and Wellbeing Implications

13.1 There are no direct implications.

14 Asset Management Implications

14.1 There are no direct implications.

15 Consultation Implications

15.1 There are no direct implications.

Democratic Path:

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

List of Appendices

Appendix A	Grant Thornton – Audit Report and Update
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Contact Officers

Name	Richard Doyle	Name	Richard Sealy
Direct Dial	01823 218743	Direct Dial	010823 217558
Email	r.doyle@tauntondeane.gov.uk	Email	r.sealy@tauntondeane.gov.uk

Corporate Governance Committee Progress Report and Update Taunton Deane Borough Council Year ended 31 March 2017

20 June 2017

Peter Barber

Engagement Lead

T 0117 305 7897

E peter.a.barber@uk.gt.com

Rebecca Usher

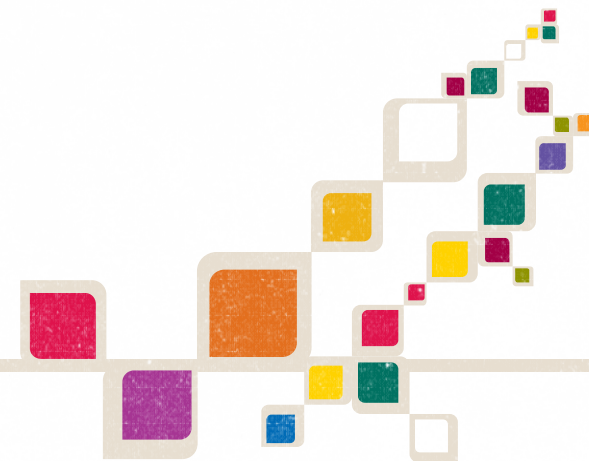
Manager

T 0117 305 7662

E rebecca.usher@uk.gt.com



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 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 your business 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.



Introduction

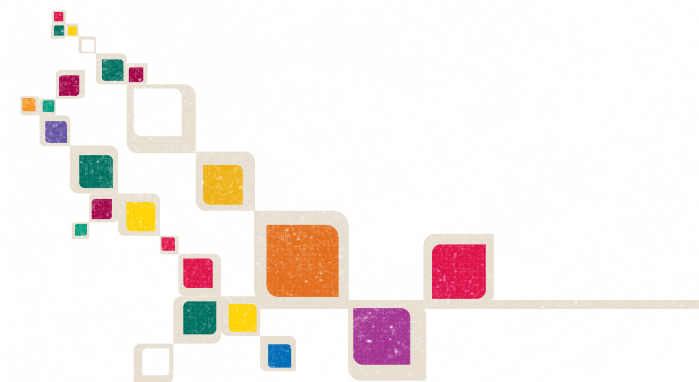
This paper provides the Corporate Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Corporate Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of past publications:

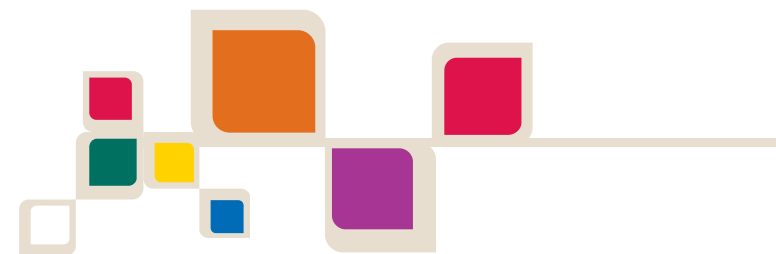
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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.

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 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 your business 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.

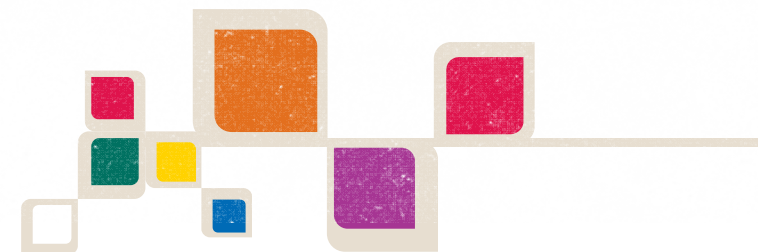


Progress at 31 May 2017



2016/17 work	Planned Date	Complete?	Comments
Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016	April 2016	yes	The 2016/17 fee letter was issued in April 2016
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016-17 financial statements.	March 2017	Yes	Included on agenda for 20 th March 2017 Audit Committee
Interim accounts audit Our interim fieldwork visit plan included: <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	February 2017	Yes	Reported in the Audit Plan
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2016/17 financial statements • proposed opinion on the Council's financial statements • proposed Value for Money conclusion • review of the Council's disclosures in the financial statements against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	To commence June 2017	No	At the time of this report, the final accounts audit had not yet commenced, however we expect to be able to give a verbal update at Audit Committee

Progress at May 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2016. 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".</p> <p>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".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p>Initial risk assessment completed February 2017</p> <p>Conclusion will be given September 2017</p>	<p>No</p>	<p>We reported the results of our risk assessment in the Audit Committee in March, as detailed in our Audit Plan.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter, which will be presented to Audit Committee in September 2017.</p> <p>We will include our conclusion in our auditor's report on your financial statements.</p>
<p>Grant claims and certification.</p> <p>We anticipate that we will be required to certify the Council's 2016/17 Housing benefit and council tax subsidy claim.</p>	<p>June 2017 to November 2017.</p>	<p>Not yet due</p>	<p>The work on the 2016/17 claim will be completed by 30 November 2017.</p>

Sector issues and developments



Local authority accounts – a guide to your rights

In addition to his statutory duties and powers in respect of the Code of Audit Practice and guidance to auditors, the Comptroller and Auditor General has agreed to maintain and publish Local authority accounts – a guide to your rights

This document provides information on how people can ask questions and raise objections about the accounts of their local authority

<https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights>

LAAP BULLETIN 105 Closure of the 2016/17 Accounts and Related matters

This bulletin covers the closure of accounts and related matters for the 2016/17 year and provides further guidance and clarification to complement the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners* (Code Guidance Notes). It addresses frequently asked questions, and other issues that have arisen since the publication of the Code Guidance Notes.

The bulletin focuses on those areas that are expected to be relevant for most authorities. It is not intended to replace authorities' processes for identifying issues, but to complement them.

In addition, the bulletin addresses matters that will generally be applicable to authorities across England, Wales, Scotland and Northern Ireland.

Grant Thornton



The Board: creating and protecting value

Our new cross sector Board Effectiveness Report

Grant Thornton reports

In all sectors, boards are increasingly coming under pressure from both the market and regulators in terms of effectiveness and accountability. Building on the success of our cross sector audit committee effectiveness survey- Knowing The Ropes, the Grant Thornton Governance Institute extended its research to look at the effectiveness of boards across the corporate, public and not for profit sectors.

This report raises key questions that all boards should ask themselves to challenge their effectiveness. Their organisations may operate in different sectors and be subject to a variety of statutory and governance requirements, but they all share a common overriding principle: the governing body is a collective charged with developing the organisation's purpose.

Key messages:

- There is a strong future focus on boards
- Executive behaviours tend to dominate - not the best scenario for good governance or an organisation's future focus
- There are strongly held opinions about the relationship between the board and the executive which will impact on efficiency
- More than 88% of respondents see their executives as being strong leaders of the organisation
- There is a clear focus on organisational culture and values across all sectors – 93% see the executive board members modelling the values of the organisation
- Non-executives also need to live and breathe those values – only 82% of respondents agreed that the non-executives inspire and guide the executive to realise the organisation's purpose
- Only 75% of respondents feel that the recruitment process of non-executives is rigorous, well-documented or transparent
- Over 60% of board members believe that there are adequate processes in place to evaluate performance

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This framework allows organisations to have a better understanding about where they are focusing their energies.

Download the report here: <http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>



The income spectrum

Helping local authorities to achieve revenue and strategic objectives to create a vibrant economies

Grant Thornton market insight

Income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency. Our report gives local authorities the tools needed to maximise their ability to do so.

Our new research on income generation which includes our CFO Insights too suggests that:

- councils are increasingly using income generation to diversify their funding base, and are commercialising in a variety of ways. This ranges from fees and charges (household garden waste, car parking, private use of public spaces), asset management (utilities, personnel, advertising, wifi concession license) and company spin-offs (housing, energy, local challenger banks), through to treasury investments (real estate development, solar farms, equity investment).
- the ideal scenario to commercialise is investing to earn with a financial and social return. Councils are now striving to generate income in way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.
- stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. Whilst there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development (a common vision for success, understanding current performance, selecting appropriate new opportunities, the capacity and culture to deliver change).

To support local authorities as they develop income generation strategies, the report provides:

- case study examples
- local authority spend analysis
- examples of innovative financial mechanisms
- critical success factors to consider





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grantthornton.co.uk

Taunton Deane Borough Council

Corporate Governance Committee – 20 June 2017

SWAP Internal Audit – Internal Audit Plan 2016/17 Outturn

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 2016-17 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 2016/17 internal audit plan and significant findings since the previous update in March 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 March 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 For Internal Audit Progress Report for 2016/17 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 Outturn Report 2015/16
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Contact Officers

Name	Alastair Woodland
Direct Dial	01823 356417
Email	Alastair.woodland@sotuhwestaudit.co.uk

Name	Ian Baker
Direct Dial	07917628774
Email	Ian.Baker@southwestaudit.co.uk

Taunton Deane Borough Council

Report of Internal Audit Activity

Plan Progress 2016/17 Outturn

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox

Chief Executive

Tel: 01935 385906

gerry.cox@southwestaudit.co.uk

Ian Baker

Director of Quality

Tel: 07917628774

ian.baker@southwestaudit.co.uk

Alastair Woodland

Assistant Director

Tel: 07872500675

Alastair.woodland@southwestaudit.co.uk

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➡	Internal Audit Work	Page 2
➡	Approved Changes to the Audit Plan	Page 3
➡	Appendices:	
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	Appendix B – Internal Audit Work Plan	Page 6 – 8
	Appendix C – Significant Risks & Partial Opinions	Page 9 -10

Internal Audit Plan Progress 2016/2017 Outturn

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other 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 March 2016.

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
- Other Special or Unplanned 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 2016.

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

Internal Audit Plan Progress 2016/2017 Outturn

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 2016/17. 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.

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. One review since the March 2017 update has returned a Partial Assurance Opinion, this being Open Spaces External Works – Charging & Income Collection.

Whilst this review did not identify any risks at a corporate level, there were several control weaknesses that hinder the service’s ability to fully achieve it’s intended objectives. Further details on this specific audit can be found within **Appendix C**.

Internal Audit Plan Progress 2016/2017 Outturn

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 2016/17 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 March 2017 committee report there have been no further changes to the audit plan for 2016-17 that I need to bring to your attention.

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

- Substantial
- Reasonable
- Partial
- No Assurance



Audit Framework Definitions

Control Assurance Definitions

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 – 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.


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	
FINAL											
Follow up	IT Hardware Asset Management	Q1	Final	Follow up	0	0	0	0	0	0	
Follow up	Software Asset Management	Q1	Final	Follow up	4	0	0	3	1	0	
Operational Audit	Crematorium	Q1	Final	Partial	12	0	0	5	7	0	
Follow Up	Commercial Rents	Q1	Final	Follow up	3	0	0	2	1	0	
Governance, Fraud and Corruption	Absence Management	Q1	Final	Reasonable	5	0	0	5	0	0	
Governance, Fraud and Corruption	Imprest/Cash Spot Checks	Q1	Final	Partial	5	0	0	4	1	0	
Governance, Fraud and Corruption	Members Expenses	Q1	Final	Reasonable	6	0	0	6	0	0	
Follow up	Housing Voids	Q2	Final	Follow up	5	0	0	5	0	0	
Operational Audit	Licensing	Q2	Final	Reasonable	6	0	0	6	0	0	
ICT	User Management <i>(Starters and Leavers - HR, Facilities, ICT)</i>	Q2	Final	Partial	7	0	0	6	1	0	TDBC Recommendations only
Follow up	Asset Management	Q2	Final	Follow Up	8	0	1	3	4	0	
Governance, Fraud and Corruption	SWO Succession planning (TUPE Transfer and Project Governance)	Q2	Final	Non-Opinion		N/A					
Key Control	Council Tax & NNDR	Q3	Final	Substantial	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	
Governance, Fraud and Corruption	NEW: Building Control Partnership	Q3	Final	Non-Opinion	12	N/A					
Key Control	Housing Benefits	Q3	Final	Substantial	4	0	0	4	0	0	
Key Control	Creditors – Data Analysis	Q3	Final	Non-Opinion	3	0	0	3	0	0	
Key Control	Debtors	Q3	Final	Reasonable	4	0	0	4	0	0	
Key Control	Main Accounting	Q3	Final	Reasonable	5	0	0	5	0	0	
Key Control	Payroll	Q4	Final	Reasonable	3	0	0	2	1	0	
ICT	New Financial System	Q2, Q3, Q4	Final	Non-Opinion	-	-	-	-	-	-	Time as ‘critical friend’ on project.
ICT	SWOne Exit Support/ Advice (New HR & Payroll System)	Q2, Q3, Q4	Final	Non-Opinion	-	-	-	-	-	-	Time as ‘critical friend’ on project.
Operational Audit	Supported Housing (both Extra Care and Sheltered)	Q4	Final	Reasonable	5	0	0	5	0	0	
Operational Audit	NEW: Open Spaces External Works – Charging & Income Collection	Q4	Final	Partial	7	0	0	6	1	0	
DRAFT											
Operational Audit	Capital Programme Approval & Monitoring / linked with Contract monitoring	Q2	Draft	Reasonable							
Key Control	Treasury Management	Q3	Draft	Substantial							
Key Control	Housing Rents	Q4	Discussion Document								

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 and Corruption	Information/Data Security/Data Protection	Q4	In Progress								
DROPPED											
Governance, Fraud and Corruption	DLO Transformation / Relocation Programme	Q4									Replaced by Building Control Partnership work
ICT	Mobile Working (<i>Mobile Devices - end to end</i>)	Q3									Additional time to Finance System.
Contingency	Unallocated (Residual from DLO work)	Q4									Additional time to Finance System.
Operational Audit	Housing - Responsive Maintenance	Q4									Replaced by Open Spaces External Works.
Governance, Fraud and Corruption	Transformational Programme	Q4									Time added to the 2017-18 plan.

Summary of key audit findings on work undertaken since the March 2017 Update

Audit Assignments completed since the March 2017 update:

**Summary of Audit Findings and High Priority Service Findings**

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

The following information provides a brief summary of each audit review finalised since the last Committee update in March 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 March 2017 update there is only one review that returned an adverse audit opinion that I need to bring to your attention. This review is summarised below.

Operational Audits

Operational audits are a detailed evaluation of a Service's control environment. A risk matrix is devised and controls are tested that mitigate those risks. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

Open Spaces External Works – Charging & Income Collection - Partial Assurance

Open Spaces is a part of the DLO responsible for grounds maintenance. They look after the districts formal parks and open spaces along with children's play areas. Alongside their internal responsibilities, Open Spaces also provide grounds maintenance services to external clients. They can provide these external services across Somerset. The DLO has a target to generate £101,000 external income each year as a contribution to the Council.

Works undertaken by the Open Spaces service are recorded on the DLO's IT system, Open Contractor and the figures are imported onto the Councils finance system (previously SAP, now e5) once the works are completed.

**Audit Assignments
completed since the March
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 Audit
Committee**

Operational Audits Continued

We were asked by the Assistant Director – Operational Delivery to review charging and income arrangements for external works within Open Spaces.

The objective of the review was to ensure that external works are being charged for correctly and that all income is collected.

The following weaknesses were identified in the current control framework:

- Debts are not chased by the service until they are overdue for sixty days, in addition there is no centralised record of debt recovery action taken to date.
- There is no centralised location for quotes issued meaning that administrative staff cannot locate and view these when required limiting the opportunity to reconcile quotes against invoiced works for completeness and accuracy.
- A high number of credits notes have been raised, the majority of which are due to duplicate invoices being raised. Although prices are recorded in Open Contractor there is currently no interface with the Financial Management System and invoices must be raised manually. There is no check to ensure duplicates are not raised other than the officer checking.
- The methodology for determining pricing does not include any benchmarking to determine how prices compare to other providers.

All recommendations have an agreed action plan in place to ensure areas of weakness are addressed. As this review has returned a partial assurance opinion we will follow up on the areas of weakness in 2017-18 to confirm recommendations have been implemented.

Taunton Deane Borough Council

Corporate Governance Committee – 20 June 2017

SWAP Internal Audit – Internal Annual Opinion Report 2016/17

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.
- 2 Internal Audit is required to provide an Annual Opinion on the state of the Internal Control Environment. This report provides that Opinion based on the work undertaken during 2016-17. This work will support the Annual Governance Statement.

3 Recommendations

- 3.1 Members are asked to note the Annual Opinion on the effectiveness of the internal control environment in the delivery of TDBC objectives.

4 Risk Assessment

- 4.1 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
	?	?	?
<i>The mitigations for this are the proposed changes as set out in the report</i>	?	?	?

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%

5 Background

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

- Details a summary of the key risks that were identified during the 2016-17 financial year.
- 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.

5.2 The Internal Audit Opinion for 2016/17 is contained within the attached SWAP Report - Appendix A.

6 Links to Corporate Aims

6.1 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.

7 Finance

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

8 Legal Implications

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

9 Environmental Impact Implications

9.1 There are no direct implications from this report.

10 Safeguarding and/or Community Safety Implications

10.1 There are no direct implications from this report.

11 Equality and Diversity Implications

11.1 There are no direct implications from this report.

12 Social Value Implications

12.1 There are no direct implications from this report.

13 Partnership Implications

13.1 There are no direct implications from this report.

14 Health and Wellbeing Implications

14.1 There are no direct implications from this report.

15 Asset Management Implications

15.1 There are no direct implications from this report.

16 Consultation Implications

16.1 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 Annual Opinion Report 2016/17
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Contact Officers

Name	Alastair Woodland
Direct Dial	01823 356160
Email	Alastair.woodland@sotuhwwestaudit.co.uk

Name	Ian Baker
Direct Dial	07917628774
Email	Ian.Baker@southwestaudit.co.uk

Taunton Deane Borough Council

Report of Internal Audit Activity

Annual Opinion Report 2016/17

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox

Chief Executive

Tel: 01935 385906

gerry.cox@southwestaudit.co.uk

Ian Baker

Director of Quality

Tel: 07917628774

ian.baker@southwestaudit.co.uk

Alastair Woodland

Assistant Director

Tel: 07872500675

Alastair.woodland@southwestaudit.co.uk



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Summary

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Purpose

The Accounts and Audit Regulations (England) 2015 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual opinion report to those charged with governance to support the AGS. This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment;
- disclose any qualifications to that opinion, together with the reasons for the qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- compare the work undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria;
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Summary

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.

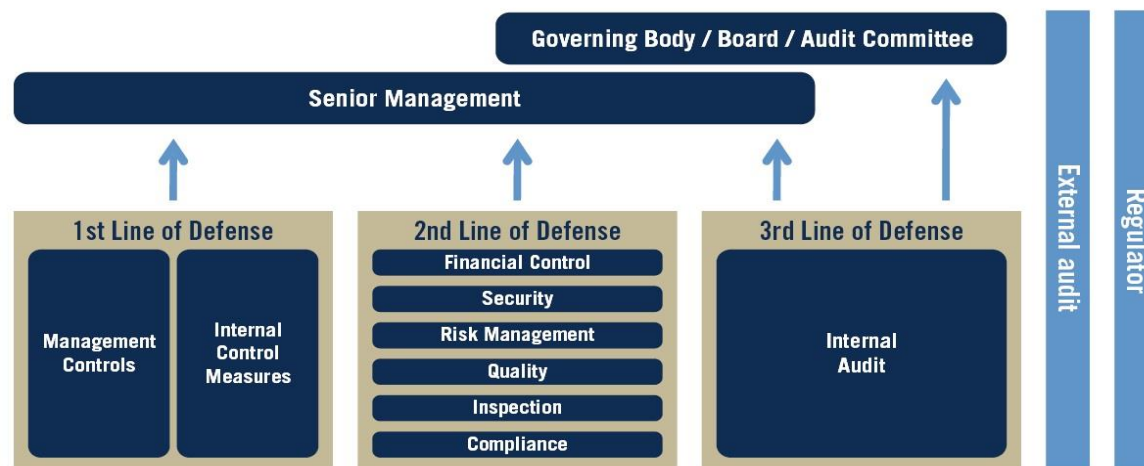


Background

The Internal Audit service for Taunton Deane Borough Council is provided by the 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). The Partnership is also guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness through the work based on the Annual Plan agreed by Senior Management and this Committee.

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*

Internal Audit Annual Opinion 2016/17

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

This Annual Report gives the opinion of the Assistant Director (Head of Internal Audit) on the adequacy and effectiveness of internal control, governance and risk management within Taunton Deane Borough Council. Internal Audit has not reviewed all risks and assurances relating to Taunton Deane Borough Council and cannot provide absolute assurance on the internal control environment. Our opinion is derived from the completion of the risk based internal audit plan at **Appendix B**, and as such it is one source of assurance on the adequacy of the internal control environment.

Senior Management and Members through the various committees are ultimately responsible for ensuring an effective system of internal control. The purpose of internal control is to manage risk rather than eliminate it. Getting the balance of internal control right is essential for organisational success—to knowingly take risk rather than be unwittingly exposed to it. Under control could expose the organisation to unacceptable risk and destroy value as over control takes valuable resources and can create inefficiency. Therefore the Internal Control Environment needs the right balance to help Taunton Deane Borough Council to deliver its services with ever decreasing resources.

For the 2016-17 audit plan for Taunton Deane Borough Council there will be a total of 27 reviews delivered. In agreement with management, and previously reported to this Committee, some reviews were 'exchanged' or 'removed' as the need to respond to new and emerging risks was identified.

All reviews except one have been completed to report stage. Of the 27 2016-17 reviews, 13 have returned opinions with four (31%) having received Partial Assurance. I am encouraged by the management response and readiness to accept and address the matters raised in audit reports. There have been two (15%) reviews that have received a Substantial Assurance and this is highly commendable with, seven (54%) reviews also receiving Reasonable Assurance.

Internal Audit Annual Opinion 2016/17

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.

It is also worth noting the number of 'Non-Opinion' audits during 2016-17. Given the level of change within the authority, Internal Audit has a role to play in being the 'Trusted Advisor', and as such we have been involved in a number of key areas of organisational change. Although no opinion is offered with this work, details of the work and findings are shared with the Committee and an action plan to address areas for improvement is agreed.

I have considered the balance of audit work in 2016-17 and the assurance levels provided, profile of each audit and outcomes together with the response from Senior Management and offer '**Reasonable Assurance**' in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

In keeping with the public sector in general, there continues to be challenges for the Senior Management at Taunton Deane Borough Council. If the Secretary of State for Communities and Local Government approves the formation of a new Council covering West Somerset and Taunton Deane there will be significant challenges and risks ahead to ensure this is delivered successfully. In particular, the utilisation of officers/staff on the various transformation projects could have an impact in the short term on the effectiveness of the control environment and performance of the authority. Acceptable risk taking will be required to deliver the transformation projects successfully and maintain services to an acceptable standard.

Summary of Audit Work 2016/17

Our audit activity is split between:

- Operational Audits
- Key Control Audits
- Governance, Fraud & Corruption Audits
- IT Audits
- Special Reviews
- Follow-up



Internal Audit Work Programme

The schedule provided at **Appendix B** contains a list of all audits agreed for inclusion in the Annual Audit Plan 2016-17 and the final outturn for the financial year. In total, 27 will be delivered. 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.

Of the 27 reviews in the revised 2016-17 audit plan, they are broken down as follows:

Type of audit	2016-17 original plan	2016-17 revised plan
• Operational Audits	5	5
• Information Systems	4	3
• Key Control	8	8
• Governance, Fraud & Corruption	7	6
• Grants	0	0
• Special Reviews	0	0
• Follow-up	5	5
• TOTAL	29	27

The variation in relation to the total number of projects relates to the 'ICT Help Desk Support audit' being dropped and the time allocated to the 'New Financial System audit' and the deferred Transformation Programme audit, which has been added to the 2017-18 plan.

Summary of Audit Work 2016/17

Significant Corporate Risks

Identified Significant Risks should be brought to the attention of the Audit Committee.



Significant Corporate Risks

We provide a definition of the 4 Risk Levels applied within audit reports. For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

The following are the significant (High) risks identified during the course of our audit programme of work. Weaknesses around the Crematorium will be followed up in quarter 2 of 2017-18. This is to allow the new manager time to make the necessary changes.

Review/Risks	Auditors Assessment
Crematorium (2016-17) 'Loss of Income – there is no accountability or sufficient income controls in place'	High
Crematorium (2016-17) 'Loss of key staff will impact on service delivery and continuity'	High
South West One Exit (2016-17) 'Project outcomes are not achieved within timescales or budgets leading to risk of non-delivery of key functions (e.g. debtors, creditors, payroll, website)'	High

Summary of Audit Work 2016/17

SWAP Performance - Summary of Audit Opinions

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

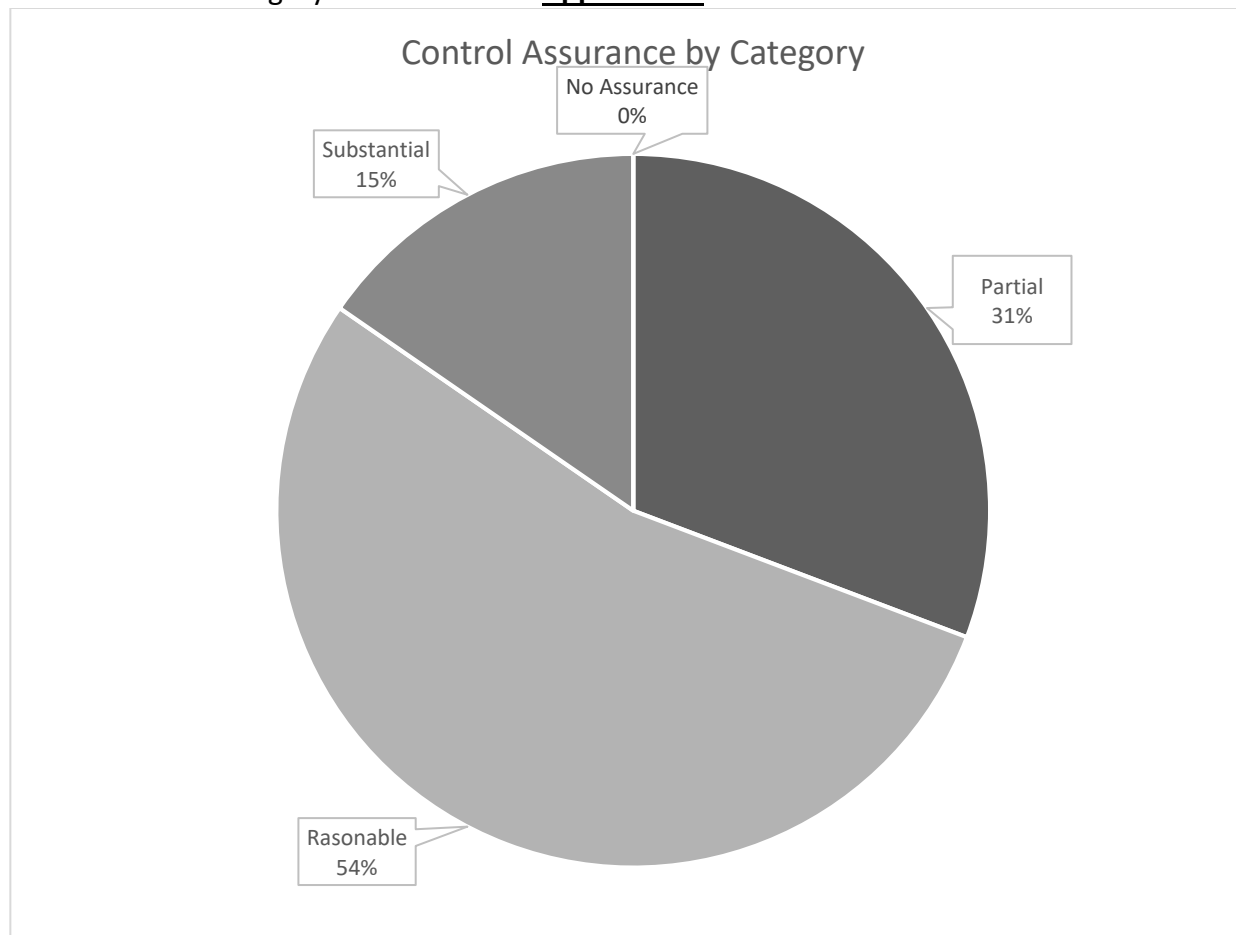
- Substantial
- Reasonable
- Partial
- No Assurance

We also undertake 'non-opinion' work on a consultancy basis where we have been asked to look at a specific area of potential concern.



Summary of Audit Opinion

Taking only the reviews that return an audit opinion, the breakdown is summarised below. Definitions for each assurance category can be found in [Appendix A](#).



Summary of Audit Work 2016/17

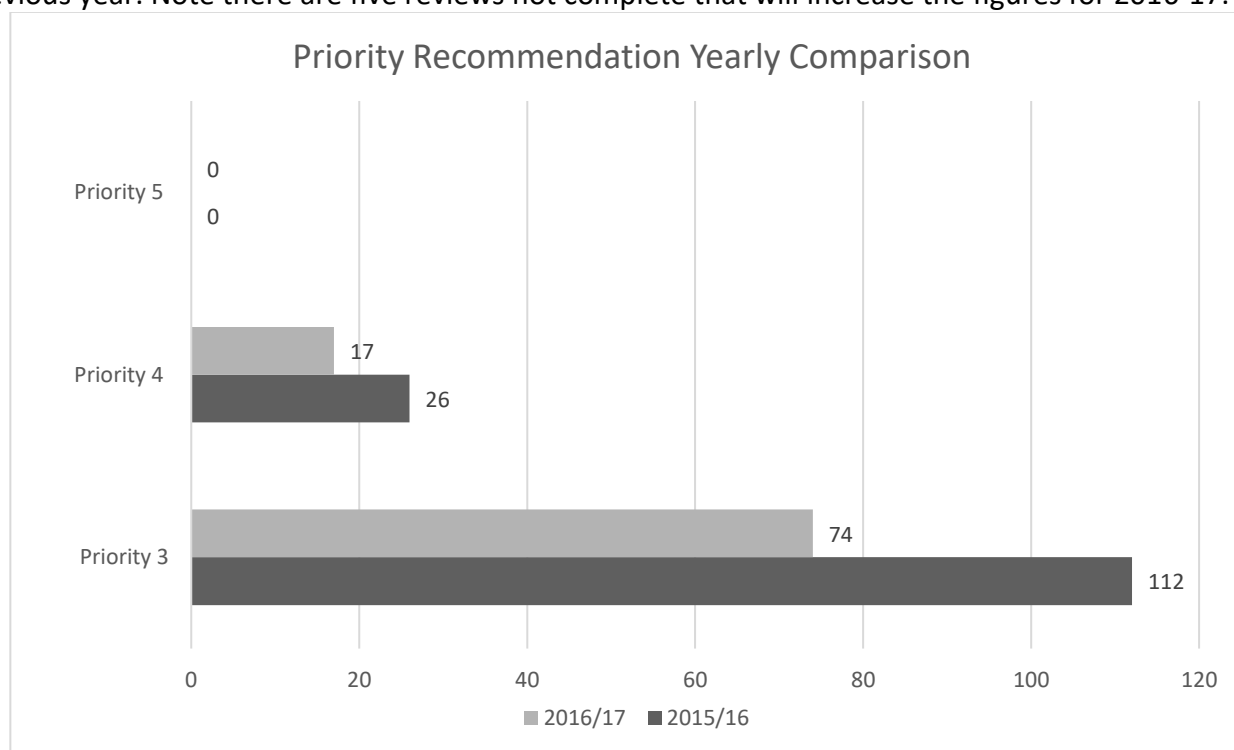
SWAP Performance - Summary of Audit Recommendations by Priority

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



Priority Actions

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. Therefore recommendations are assessed as to how important they are to the scope of the area audited. Priority 5 recommendations being more important than priority 1. All recommendations as currently contained in **Appendix B** are summarised below and compared to the previous year. Note there are five reviews not complete that will increase the figures for 2016-17.



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of “added value” is; “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

In addition to audits undertaken in [Appendix B](#), where requested by client officers we look to share risk information, best practice and benchmarking data/information. The following are some of the areas where TDBC has requested or participated in enabling us to produce benchmarking reports across the partnership:

- Regular fraud bulletins highlighting where there are attempted frauds and what officers need to be on the lookout for.
- Comparison of debt recovery policies across all SWAP Partners.
- Planning Fees Refund comparison resulting from the Planning Guarantee that was introduced on the 1 October 2013 and steps to ensure the LA does not fall foul of the Guarantee.
- Comparison of Social Media Policies across SWAP partners for best practice.
- Health & Safety Training comparison across SWAP partners.
- Section 151 Officer Assurance Map.
- Pest Control survey comparison on structure, costs and pricing.
- Cyber Security Staff Awareness and Training Advice Report.
- Fees & Charges comparison to see if there was a clear rationale, and calculations to support the fees and charges set, for the sample of discretionary services.



Added Value Continued

- Equality Impact Assessment Process comparison.
- Audit Committee Work Plans comparison.
- Land Charges Service comparison on staffing structure, response times & workload.
- Housing Benefits Service Delivery performance comparison.

Plan Performance 2016/17

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 18 Councils, 3 Police Authorities, 3 Office of Police and Crime Commissioners and also many subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for Taunton Deane Borough Council for the 2016-17 year are as follows;

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u>	
Final, Draft and Discussion	96%
Fieldwork Completed awaiting report	96%
In progress	100%
<u>Draft Reports</u>	
Issued within 5 working days of fieldwork completion	63%
<u>Final Reports</u>	
Issued within 10 working days of draft report	40%
<u>Quality of Audit Work</u>	
*Customer Satisfaction Questionnaire	83%

*At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. A score of 80% would reflect the fact that the client agreed that the review was delivered to a good standard of quality, i.e. agreed with the statement in the questionnaire and satisfied with the audit process and report.

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

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.

SWAP carried out such an assessment in 2012 and again in 2016. SWAP was found to be in full conformance to the International Professional Practices Framework and the PSIAS. As a result of the quality review, a Quality Assessment Improvement Plan (QAIP) is produced. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.

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

- Substantial
- Reasonable
- Partial
- No Assurance



Audit Framework Definitions

Control Assurance Definitions

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/Advice – 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 and the Audit Committee.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Follow up	IT Hardware Asset Management	Q1	Final	Follow up	0	0	0	0	0	0
Follow up	Software Asset Management	Q1	Final	Follow up	4	0	0	3	1	0
Operational Audit	Crematorium	Q1	Final	Partial	12	0	0	5	7	0
Follow Up	Commercial Rents	Q1	Final	Follow up	3	0	0	2	1	0
Governance, Fraud and Corruption	Absence Management	Q1	Final	Reasonable	5	0	0	5	0	0
Governance, Fraud and Corruption	Members Expenses	Q1	Final	Reasonable	6	0	0	6	0	0
Governance, Fraud and Corruption	Imprest/Cash Spot Checks	Q1	Final	Partial	5	0	0	4	1	0
Operational Audit	Licensing	Q2	Final	Reasonable	6	0	0	6	0	0
Follow up	Housing Voids	Q2	Final	Follow up	5	0	0	5	0	0
ICT	User Management (Starters and Leavers - HR, Facilities, ICT)	Q2	Final	Partial	7	0	0	6	1	0
Governance, Fraud and Corruption	SWO Succession planning	Q2	Final	Non-Opinion	0					
Follow up	Asset Management	Q2	Final	Follow up	8	0	1	3	4	0
Key Control	Council Tax & NNDR	Q3	Final	Substantial	3	0	0	3	0	0
Key Control	Housing Benefits	Q3	Final	Substantial	4	0	0	4	0	0

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major				
						Recommendation				
						1	2	3	4	5
Governance, Fraud and Corruption	Building Control Partnership	Q3	Final	Non-Opinion	12					
Key Control	Creditors - Data Analysis	Q3	Final	Non-Opinion	3	0	0	3	0	0
Key Control	Debtors	Q3	Final	Reasonable	4	0	0	4	0	0
ICT	New Financial System (<i>Quarter 2,3,4</i>)	Q2, Q3, Q4	Final	Non-Opinion	-	-	-	-	-	-
ICT	SWOne Exit Support/ Advice Days (<i>Quarter 2,3,4</i>)	Q2, Q3, Q4	Final	Non-Opinion	-	-	-	-	-	-
Key Control	Main Accounting	Q3	Final	Reasonable	5	0	0	5	0	0
Operational Audit	Supported Housing (both Extra Care and Sheltered)	Q4	Final	Reasonable	5	0	0	5	0	0
Key Control	Payroll	Q4	Final	Reasonable	3	0	0	2	1	0
Operational Audit	DLO Open Spaces - External Payment Invoices	Q4	Final	Partial	7	0	0	6	1	0
Draft Report										
Operational Audit	Capital Programme Approval & Monitoring / linked with Contract monitoring	Q2	Draft	Reasonable						
Key Control	Treasury Management	Q3	Draft	Substantial						
Key Control	Housing Rents	Q4	Discussion Document							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor			5 = Major	
						Recommendation				
						1	2	3	4	5
In Progress										
Governance, Fraud and Corruption	Information/Data Security/Data Protection	Q4	In Progress							

Taunton Deane Borough Council

Corporate Governance Committee – 20 June 2017

Review of Effectiveness of Internal Audit 2016/17

Report Author: Richard Doyle, Corporate Strategy and Performance Officer

1 Purpose of the Report

- 1.1 To inform the Audit Committee of the recent review of the effectiveness of the delivery of Internal Audit through SWAP (South West Audit Partnership) during 2016/17.

2 Recommendations

- 2.1 The Corporate Governance Committee is requested to note the findings of the review of the effectiveness of internal audit for 2016/17.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
The Authority fails to maintain an adequate system of internal control; monitored and controlled by internal audit leading to financial exposure and reputational and operational risk	3	4	12
The Authority has put in place suitable internal audit arrangements.	1	4	4

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 and Full details of the Report

- 4.1 The South West Audit Partnership (SWAP) is a partnership that provides the Internal Audit service to all of the six Somerset authorities. In total SWAP provides audit services for 18 Councils, 3 Police Authorities, 3 Office of Police Crime Commissioners as well as a number of related bodies such as the Somerset Waste Partnership.
- 4.2 Internal audit forms a part of the corporate governance and internal control framework that provides accountability to stakeholders on all areas of the Council Plan. Their opinion on the adequacy and effectiveness of the Council's internal control framework forms a part of the evidence used in preparing the corporate Annual Governance Statement (AGS) for 2016/17, which will be published alongside the Council's Statement of Accounts in July 2017.
- 4.3 There are several statutory requirements regarding Internal Audit:
- The Accounts and Audit (England) Regulations 2015 require authorities to review the effectiveness of the system of Internal Audit. They also state "A relevant authority 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." *(part 5)*
 - Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs." CIPFA has defined "proper administration" as including "compliance with the statutory requirements for accounting and internal audit".
 - The CIPFA Statement on the Role of the Chief Finance Officer in Local Government states that the Chief Finance Officer (CFO) must:
 - Ensure an effective internal audit function is resourced and maintained

- Ensure that the authority has put in place effective arrangements for internal audit of the control environment
- Support the authority's internal audit arrangements
- Ensure that the Audit Committee receives the necessary advice and information, so that both functions can operate effectively.

4.4 Therefore it is important that the findings of the review of the effectiveness of the system of Internal Audit are considered by a committee such as the Corporate Governance Committee as a part of the consideration of the system of internal control. This review has to be carried out by someone independent of SWAP.

5 Compliance with PSIAS and Local Government Application Note

5.1 The 2006 CIPFA Code of Practice for Internal Audit has been superseded by the Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note on 1 April 2013 that sets out how an internal audit function should be fulfilled. The main focus is the internal audit service itself, but the Standards also refer to the wider elements of the "system of internal audit", including the importance of the direct relationship between Internal Audit and the Audit (Corporate Governance) Committee. The Standards cover:

- Purpose, authority, and responsibility
- Independence and objectivity
- Proficiency and due professional care
- Quality Assurance and Improvement Programme
- Managing the Internal Audit Activity
- Nature of Work
- Engagement Planning
- Performing the Engagement
- Communicating Results
- Monitoring Progress
- Communicating the acceptance of risks

6 The Review of Internal Audit (SWAP)

6.1 Taunton Deane Borough Councils' review of Internal Audit has been carried out by the Assistant Director Strategic Finance and S151 Officer. The findings have been reported as part of the overall evaluation and will also provide supporting evidence for the Annual Governance Statement. The following criteria were used in the evaluation:

- Annual report and opinion of the Assistant Director of SWAP
- Audit plan and monitoring reports
- Reports on significant findings
- Key performance measures and service standards

- View of the Council's External Auditor covering the extent of reliance placed on internal audit work on key financial systems.

6.2 The table below shows some of the overall performance of the service during the year compared to the previous two years:

Performance Measure	2014/15	2015/16	2016/17
Levels of satisfaction from feedback questionnaires	82% (15 Received)	85% (13 Received)	83% (14 received)
Audits and reviews completed in year compared to the plan (all at least at final draft stage)	75%	62% (End of March)	89% (End of March)
Key Controls audits completed in year compared to plan	100%	66% (end of March)	88% (end of March)
Total completed audits and reviews	28 (Additional 3 in draft & 7 In progress)	29 (9 in draft & 2 In progress)	27 (4 draft & 1 in Progress)
Cost of audit service to TDBC	£97,300	£97,300	£97,300
Number of actions for improvements agreed by managers.	99	138	87*
No of audit recommendations considered High Risk (Priority 5)	0	0*	0
Value for Money – average cost of audit day compared to private sector (benchmarking)	SWAP = £280 Private Sector = Not benchmarked	SWAP = £280 Private Sector = Not benchmarked	SWAP = £280 Private Sector = Not benchmarked
SWAP A/Cs outturn on spend compared to budget – (brackets indicate net income)	Budget (£73,890) Actual (projected) (£120,900)	Budget (£85,812) Surplus Actual (£44,600) Surplus	Budget (£37,617) Surplus Actual (£7,698) Surplus

* Only in relation to assignments at final report stage.

- 6.3 The table shows that the satisfaction from client feedback questionnaires for the audits carried out at TDBC is broadly consistent with previous years.
- 6.4 The average cost of an 'audit day' for SWAP remains unchanged at £280.
- 6.5 In total 89% of the audit plan for 2016/17 has been delivered by 31 March 2017. SWAP is committed to completing the plan and is on track to deliver 100% of the plan. The process of Internal Audit requires engagement from TDBC officers at all levels and with competing delivery priorities with services and late changes to the audit plan there will be invariably some delays and work carried over from 31 March.
- 6.6 There were no new high priority recommendations (service level priority 5) in 2016/17.
- 6.7 The outturn position for SWAP is likely to show that, as in previous years, the partnership makes a surplus from operations.
- 6.8 As SWAP is a company limited by guarantee the Directors of the company will be required to act in the interests of the company. As Section 151 Officer, I have access to the SWAP Management Team to influence service delivery and priorities from a customer's perspective. Additionally, the 'Members Board', which is comprised of Elected Member representatives from each partner authority, meets quarterly to review the performance of the company.

7 Service Standards

- 7.1 In assessing SWAP's performance it is important to review the standards of service to ensure that each authority is afforded the same standards and also senior officer time. The following table outlines the minimum standards to be introduced and whether they would have been delivered for Taunton Deane Borough Council had they been in place:

Service Standard	Expected Standard	Delivery of Standard
Attendance by Audit Assistant Director at Corporate Governance Committee	At least 4 times per annum	3 times in 2016/17 (Director of Quality attended the other)
Attendance by SWAP Chief Executive at Corporate Governance Officer Group	4 times per annum	0 times (Was Attended by Assistant Director SWAP) This group has not met that frequently. The meetings are attended by the Assistant Director where required.

Service Standard	Expected Standard	Delivery of Standard
Liaison meetings with S151 Officer and Audit Assistant Director	6 times per annum	Monthly meetings were held with the Assistant Director for SWAP and relevant TDBC Client Officers.
Agreement of Audit Plan:		
Prepared for Management Board/S151 Officer	By mid-January each year	Delivered
Prepared for Corporate Governance Committee	By end January each year	Prepared by end February and presented to March 2017 meeting
Audit Plan monitoring reports	4 times per annum including Annual Report	4 times (quarterly report) per annum
Agreement of Audit Charter:		
Prepared for Management Board/S151 Officer	By mid-January each year	Delivered. Presented to Corporate Governance Committee in March 2017.
Prepared for Corporate Governance Committee	By end January each year	
To assist with member/officer training in audit and governance	Once per annum	Two half day sessions were held for Members in the autumn of 2016.

8 2016/17 Action Plan

8.1 The following shows progress against the actions to be completed in 2016/17.

Action	Progress / Outcome
SWAP to work with TDBC to ensure that the percentage of audits completed in year for 2016/17 increases to 95% of the audit plan delivered (with the remaining 5% delivered in the first 2 months of the following year).	Whilst the target of 95% has not been achieved there has been significant improvement in the delivery of the audit plan with 89% completed by the end of March. This is a positive 'direction of travel'.
Improving engagement with TDBC as a customer of SWAP so as to ensure	Monthly liaison meetings are held. Any issues with the progress of audits are

Action	Progress / Outcome
TDBC are aware at an early point of known changes to service delivery, changes to key personnel or other relevant matters affecting the delivery of audit services to the Council.	raised for TDBC client officers to pursue.
SWAP to undertake a review of the current report template structure in order to identify improvements in clarity and content, in consultation with client officers.	This has been completed and we now have consistent reports across the two councils in a useful and easy to read format.
Current Key Performance Indicators (KPIs) will be reviewed and where necessary new ones will be introduced in consultation with client officers.	This is a continuous process and is ongoing.

9 Actions to be completed in 2017/18

9.1 The following new actions are to be progressed during 2017/18.

Actions Arising from This Review	Progress
To update and maintain the Quality Assurance and Improvement Programme	At the next meeting of the Board on 22nd June 2017, it is proposed that the Board partakes in a facilitated discussion to come up with some key quality improvement actions for the Company, and to complete the review of Key Performance Indicators.
Current Key Performance Indicators (KPIs) will be reviewed and where necessary new ones will be introduced in consultation with client officers.	This is a continuous process and is ongoing.

10 Links to Corporate Aims / Priorities

10.1 It is the responsibility of the S151 Officer to ensure the Council has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.

11 Finance / Resource Implications

11.1 There are no financial implications arising from this report.

12 Legal Implications

12.1 There are no direct legal implications within this report although poor governance arrangements, leading to unmitigated risks could expose the Council to unanticipated claims / litigation. An effective internal audit function helps mitigate these risks.

13 Environmental Impact, Safeguarding and/or Community Safety, Equality and Diversity, Social Value, Partnership, Health and Wellbeing, Asset Management, and Consultation Implications

13.1 There are no implications in respect of this report.

Democratic Path:

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

Reporting Frequency: Annually

Contact Officers

Name	Richard Doyle
Direct Dial	01823 218743
Email	r.doyle@tauntondeane.gov.uk

Taunton Deane Borough Council

Corporate Governance Committee – 20 June 2017

Draft Annual Governance Statement 2016/17

Report Author: Richard Doyle, Corporate Strategy & Performance Manager

1 Purpose of the Report

- 1.1 Local authorities are required to prepare an Annual Government Statement (AGS) to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year, and setting out any planned changes in the coming period.
- 1.2 This report outlines the changes to the format of the Statement as recommended in good practice guidance, and sets out a review of actions from last year's Statement and a proposed set of actions for the 2017/18 year.

2 Recommendations

- 2.1 Members of the Corporate Governance Committee are asked to review the draft Annual Governance Statement attached to this report and to recommend its adoption by the Leader of the Council and the Chief Executive.

3 Risk Assessment

- 3.1 No significant risks have been identified in respect of this report.

4 Changes to the format of the Annual Governance Statement (AGS)

- 4.1 Good practice guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) has led to changes to the format of this year's Statement. Previously the Council's AGS included a good deal of description about the Council's governance arrangements in addition to providing a set of actions and an opinion on the Council's governance.
- 4.2 However, best practice now requires that Statements shed the description in order to give greater prominence to:
 - An opinion on the Council's governance arrangements from the Council's senior managers and the leader of the Council

- A review of the effectiveness of the Council's governance arrangements
- A review of the action plan from last year's statement
- An action plan for 2017/18

4.3 The AGS for 2016/17 will now follow this structure.

4.4 The Corporate Governance Officers Group has led the 2016/17 review of the governance framework. The group includes the Monitoring Officer (Assistant Chief Executive), the deputy s151 Officer the internal Audit Manager, the Assistant Director Corporate Services and the Corporate Strategy & Performance Manager. The conclusions from this review are that overall the Council's governance framework is reasonable and fit for purpose.

4.5 The draft Annual Governance Statement is appended to this report.

5 Links to Corporate Aims / Priorities

5.1 None in respect of this report.

6 Legal Implications

6.1 The Accounts and Audit Regulations 2015 require councils to undertake an annual review of their governance. The Regulations require that an Annual Governance Statement prepared to fulfil this requirement should form part of the Council's Statement of Accounts. The report is therefore coming to the Committee to meet this purpose and that timescale. The Regulations also state that the Annual Governance Statement should be prepared in accordance with proper practices. Compliance with the CIPFA guidance *Delivering Good Governance in Local Government: Framework (2016)* fulfils this requirement and I confirm that the Statement put forward with this report is compliant with that guidance/framework.

7 Consultation Implications

7.1 The Annual Governance Statement has been developed by the Corporate Governance Officers Group which includes the deputy S151 officer.

8 Finance/Resource, Environmental Impact, Safeguarding and/or Community Safety, Equality and Diversity, Social Value, Partnership, Health and Wellbeing, and Asset Management Implications

8.1 None in respect of this report.

Democratic Path:

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

Reporting Frequency: Annually

List of Appendices

Appendix A	Draft Annual Governance Statement 2016/17
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Contact Officers

Name	Richard Doyle
Direct Dial	01823 218743
Email	r.doyle@tauntondeane.gov.uk

Annual Governance Statement 2016/17

Introduction

This is Taunton Deane Borough Council's Annual Governance Statement for 2016/17. It provides:

- An *opinion* on the Council's governance arrangements from the Council's Chief Executive and the Leader of the Council
- A review of the *action plan* from last year's statement
- An *action plan for 2017/18*
- A review of the *effectiveness* of the Council's governance arrangements

The Statement will be published on the Council's website and will also form part of the Council's Statement of Accounts. The Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015.

Statement of Opinion

It is our opinion that the Council's governance arrangements in 2016/17 were sound and give reasonable assurance in order to achieve the Council's priorities and challenges in 2017/18.

SIGNATURES

Signed on behalf of Taunton Deane Borough Council

.....

Date

.....

Date

Penny James
Chief Executive

Cllr John Williams
Leader of the Council

SIGNIFICANT GOVERNANCE ISSUES

Progress in 2016/17

1. This is a review of the progress during 2016/17 on the priorities for that year:

Actions that were planned for 2016/17	Progress	Status
Introduce a corporate process for reviewing and documenting decisions regarding the prioritisation of internal audit recommendations.	There is now a process in place and the Corporate Governance are satisfied that in the current climate it is fit for purpose. There is no need for a further review	Completed and Closed
Facilitate a self-assessment of the effectiveness of the Corporate Governance Committee (based upon CIPFA guidance 2013) and identify training needs flowing from this.	Audit Committee Training was provided by SWAP in October 2016 and received positive feedback. Good progress made on self-assessment for members but this will need to continue. More training planned to be provided by SWAP in 2017/18	In Progress and ongoing
Undertake a review of the Scrutiny/ Decision-Making Processes within the Council to ensure it is efficient and effective in terms of both officer and member involvement	Following the Council's decision in the summer of 2016 this will be progressed as part of Transformation and the possible new Council implementation.	Completed and closed

Action Plan for 2017/18

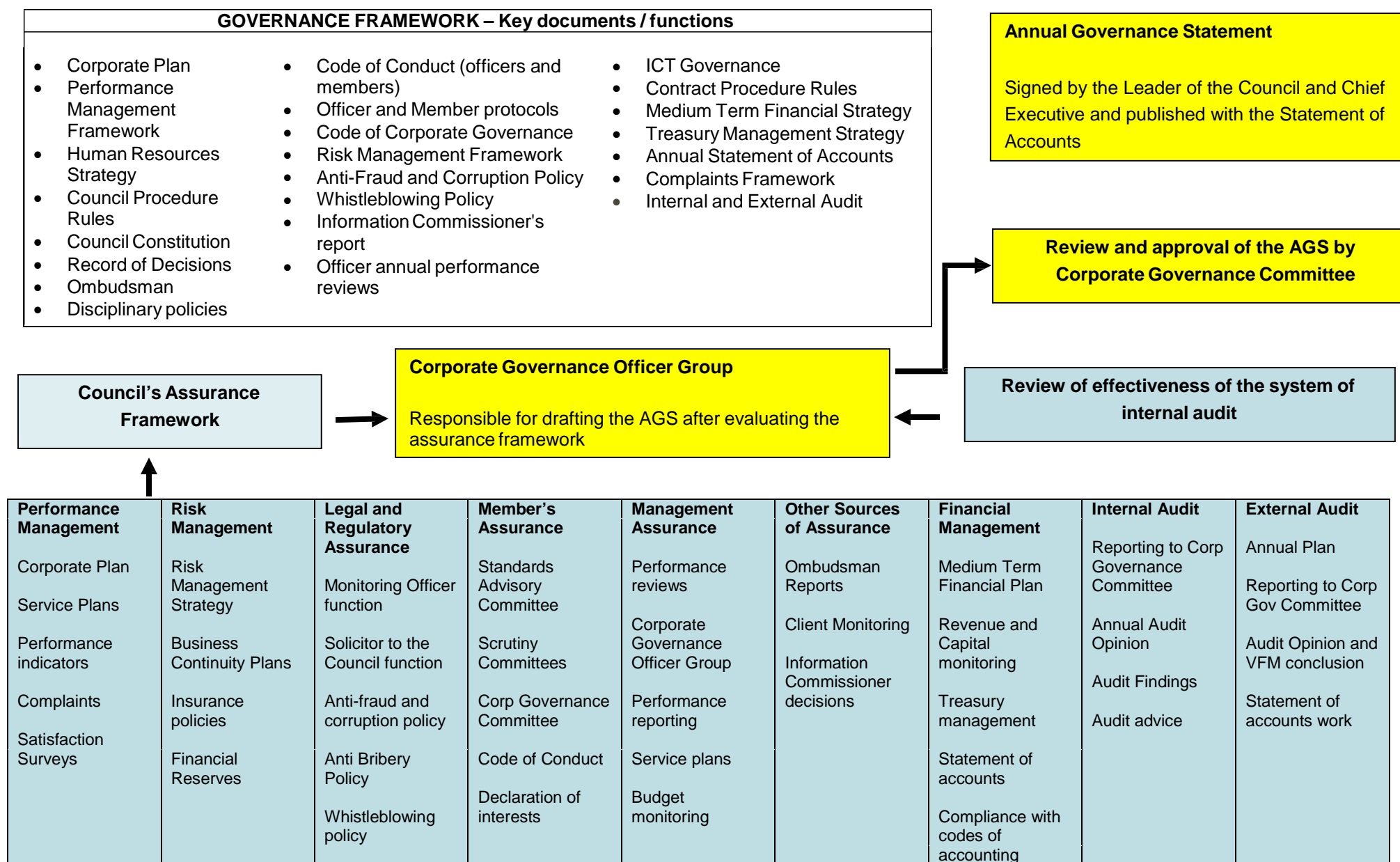
2. This is an Action Plan of particular governance priorities that the Council will address during 2017/18.

	Action now planned for 2017/18	Timescale for Completion	Responsible Officer	Monitoring Body
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
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

Reviewing Our Effectiveness

3. Taunton Deane Borough Council has responsibility for conducting, at least annually, a review of its governance framework including the effectiveness of the system of internal control.
4. The review for the 2016/17 statement was carried out on 5th June 2017 by officers of the Corporate Officers Governance Group, made up of the Internal Audit Manager, Section 151 Officer, Monitoring Officer and the Corporate Strategy & Performance Manager.
5. The review of the effectiveness is informed by senior managers within the Council who have responsibility for the development and maintenance of the governance environment, and also by the work of the internal auditors and external auditors
6. The opinion of the Internal Auditors was that overall the control environment was reasonable in 2016/17 (the opinion was also "reasonable" in 2015/16).
7. In its review of effectiveness, the Authority has assessed its overall governance arrangements remain adequate and fit for purpose.
8. Some areas where further improvements could be made have been identified and have been included within the 2017/18 Action Plan which we will seek to address during the 2017/18 financial year.

AGS Process and Sources of Assurance Overview



Corporate Governance Committee Forward Plan

20/06/2017, Report:Grant Thornton - External Audit - Audit Fees

Reporting Officers:Kevin Henderson

20/06/2017, Report:Grant Thornton - Audit Update

Reporting Officers:Kevin Henderson

20/06/2017, Report:SWAP Internal Audit - Annual Report

Reporting Officers:Alastair Woodland

20/06/2017, Report:SWAP Internal Audit - Audit Plan 2016/17 Outturn

Reporting Officers:Alastair Woodland

20/06/2017, Report:Review of Effectiveness of Internal Audit

Reporting Officers:Jo Nacey

20/06/2017, Report:Annual Governance Statement 2017/18

Reporting Officers:Richard Doyle

20/06/2017, Report:Health and Safety Six Monthly update

Reporting Officers:Catrin Brown

20/06/2017, Report:Forward Plan

Reporting Officers:Paul Carter

31/07/2017, Report:Going Concern Assesment

Reporting Officers:Jo Nacey,Paul Fitzgerald

31/07/2017, Report:Audit Findings Report

Reporting Officers:Kevin Henderson

31/07/2017, Report:Statement of Accounts

Reporting Officers:Jo Nacey

18/09/2017, Report:Grant Thornton - External Audit Findings

Reporting Officers:Kevin Henderson

18/09/2017, Report:Approval of the Statement of Accounts

Reporting Officers:Paul Fitzgerald

18/09/2017, Report:SWAP Internal Audit - Progress Update

Reporting Officers:Alastair Woodland

18/09/2017, Report:Corporate Risk Management Update

Reporting Officers:Richard Doyle

18/09/2017, Report:Corporate Governance Action Plan

Reporting Officers:Richard Doyle

04/12/2017, Report:Grant Thornton - External Audit - Annual Audit Letter 2016/17
Reporting Officers:Kevin Henderson

04/12/2017, Report:Grant Thornton - External Audit Update
Reporting Officers:Kevin Henderson

04/12/2017, Report:SWAP Internal Audit - Progress Report 2017/18
Reporting Officers:Alastair Woodland

04/12/2017, Report:Health and Safety Six Monthly update
Reporting Officers:Catrin Brown

Report:Health and Safety Six Monthly Update
Reporting Officers:Catrin Brown

Report:Review of Financial Regulations
Reporting Officers:Jo Nacey