

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 29th January 2013 at 6.00 pm in Meeting Room 7, Ground Floor, Darby House, Telford

PRESENT: Councillors R Sloan (Chair), D Davies, I T W Fletcher, S A W Reynolds, W L Tomlinson and C R Turley.

Officers: K Clarke (Assistant Director: Finance, Audit and Information Governance), J Marriott (Audit & Information Governance Manager), B Morris (Finance Manager), P Harris (Finance Service Delivery Manager), and J Clarke (Democratic Services Officer).

KPMG: H Garrett

AUC-27 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 25th September 2012 be confirmed and signed by the Chairman.

AUC-28 APOLOGIES FOR ABSENCE

Councillor A Meredith

AUC-29 DECLARATIONS OF INTEREST

None

AUC-30 KPMG ANNUAL AUDIT LETTER 2011/12

Heather Garrett gave a brief overview of the Annual Audit Letter 2011/12.

An unqualified value for money (VFM) conclusion for 2011/12 was issued on 27th September 2012.

The Authority's Whole Government Accounts (WGA) were consistent with the audited financial statements.

A slight difference had occurred to the original planned fee due to elector questions from 2009/10 and an over-run on the audit of financial statements.

A discussion took place about future challenges.

RESOLVED – that the report be noted.

AUC-31 GRANTS REPORT 2011/12

Heather Garrett gave a brief overview of the Grants Report 2011/12.

The Authority had a clean bill of health. There was only one item to bring to the attention of the Committee which was an amendment to the grant claim of £3.60.

A discussion took place including:

- Changes to grant requirements for 12/13 and 13/14 due to changes to the Housing and Council Tax Scheme and NNDR.

RESOLVED – that the report be noted.

AUC-32 ANNUAL AUDIT FEE 2012/13

There had been an amendment to the Audit Fee 2012/13 letter regarding the charge for the VFM work.

Discussions had taken place regarding the fee. It was agreed, following discussions with the Audit Commission and KPMG that the additional value for money fee should not have been charged as it had formed part of previous fees. A revised Audit Fee Letter had been produced to take into account this change and the refund of £25,000.

A discussion took place including:

- The costs associated with Elector questions and potential vexatious complaints.

RESOLVED – that the report be noted.

AUC-33 2013/14 TREASURY STRATEGY AND TREASURY UPDATE REPORT

The Finance Manager presented a report on the 2013/14 Treasury Strategy and Treasury Update for 2012/13.

This was to update the Committee on the activities during the year so far in respect to 2012/13. The Treasury Strategy for 2013/14 was due to be taken to Council with the budget papers for adoption on 7th March 2013.

The Treasury Portfolio showed an overall net indebtedness of £79.8m. Base rates had remained at 0.5% all year and were expected to continue at this rate until 2015/16 following the current indicators.

The Borrowing Strategy for 2012/13 was to use maturing investments to reduce borrowing where possible. Internal investments at the end of December 2012 were 3.9% compared to a benchmark return for the period of 0.51%.

The Treasury Management Strategy, following the guidelines and the code of practice, consulted with treasury management advisors prior to any borrowing taking place. The Council was expected to borrow up to £3.4m in 2013/14 but where possible the maturing investments would be used to reduce the level of additional borrowing in order to reduce investment exposure going forward.

A discussion took place including:

- Investment Periods
- Mature Investments
- Capital Receipts/Government Grants
- Treasury Management Training

It was suggested that a capital receipts update be brought again as an Agenda item to the September 2013 meeting.

With regard to Treasury Management Training, it was suggested that this be arranged for November 2013 prior to the January 2014 meeting.

RESOLVED – that the report be noted.

AUC-34 INTERNAL AUDIT UPDATE REPORT – QUARTERS TWO & THREE 2012/13

The Audit & Information Governance Manager presented the Internal Audit update for Quarters two and three 2012/13.

The report provided information on the work on Internal Audit from 1st July to 31st December 2012, together with an update on previous audit reports issued. This included follow ups for purchase ledger, general ledger and sales ledger audits. Audit had also continued to support the transfer of the Public Health function to the local authority ready for its implementation on 1st April 2013. A total of 31 reports were issued during the reporting period including 6 follow up reports. The report also included details of the variance in allocated time by + or – 10% which depended upon the areas of work undertaken. It was difficult to estimate the total time required, especially within new areas, but any allocations of time would be revised as appropriate. Work taking 10 days or more ie Abraham Darby new Leisure Centre and the aggro system at Arthog involved giving advice and consulting on changes in the organisation. There were currently two original amber reports that remained amber, the Abacus review and Markets and cash collection. With regard to the Abacus review, some progress had been made and a second follow up was being undertaken in order to assess the progress. The Markets were currently undergoing a re-structure and re-organisation and it was hoped that progress would be made following this.

A discussion took place including:

- Abacus Amber Report
- Markets and cash collection
- Telford town Park Visitor Centre
- Bank Contract Review
- Telford Tennis Centre

It was suggested that the Committee invite the officers concerned with the Abacus Review to report to the next meeting of the Audit Committee in March 2013.

RESOLVED – that

a) the officers concerned with the Abacus Review attend the next meeting of the Audit Committee in March 2013 but that if progress was not being made on other reports that the Audit & IG Manager have delegated authority from the Committee to invite them to the June 2013 meeting; and

b) the report be noted.

AUC-35 INTERNAL AUDIT AND INFORMATION GOVERNANCE UPDATE REPORT

The Audit & Information Governance Manager presented an update on the Annual Governance Statement 2011/12 Action Plan.

The report covered the period June to November 2012 and the Action Plan was reported to be progressing as it should.

The guidance for the transfer of Public Health to the Local Authority was still awaited. A discussion took place including:

- Re-organisation within the Council and Member/Officer contacts

RESOLVED – that the report be noted.

AUC-36 BENCHMARKING REPORT 2012

The Audit & Information Governance Manager presented the results of the CIPFA Benchmarking Exercise for Internal Audit 2012.

Benchmarking exercises have taken place over the last 3-4 years and the Internal Audit Team generally provide a good value for money service and compared well to other unitary authorities. Results from the benchmarking exercise were used to inform future planning strategies. The cost analysis from 2011/12 show actual costs and Internal Audit compared very well to other unitary authorities except on overhead costs. The level of Audit staff had reduced as had that of other unitary authorities. There were no unqualified staff and this ensured an efficient and effective service delivery. Due to the current pressures on the budget a decision had been taken to discontinue the membership of the CIPFA Internal Audit benchmarking club saving £550 per year from the 2013/14 budget onwards. Comparisons would continue through the networking groups that Audit continued to be members of and with the Council's connections to the CIPFA Audit Panel.

RESOLVED – that the report be noted.

AUC-37 REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2012/13

The Audit & Information Governance Manager presented a report on the review of the effectiveness of the Audit Committee 2012/13.

It was good practice for the Council and helped to demonstrate good governance by measuring and reporting the effectiveness of the Audit Committee. It was proposed that the same survey be used as February 2012 in order that comparisons with the previous year could be made.

A copy of the survey had been circulated for comment and it was suggested that Members identify any training needs or requirements in the comments box at the end of the survey (in addition to any other comments).

The survey needed to be returned by 28th February 2013 and the results would be reported to the next meeting in March 2013.

RESOLVED – that

- a) the survey to measure the effectiveness of the Audit committee be issued as outlined in the report; and**
- b) that the results of the effectiveness survey be presented to the March 2013 Audit Committee meeting.**

The meeting ended at 7.04 p.m.

Chairman:

Date:



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External Audit Plan 2012/13

Telford & Wrekin Council

February 2013



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Michael McDonagh, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

This document describes how we will deliver our audit work for Telford & Wrekin Council.

Scope of this report

This document supplements our *Audit Fee Letter 2012/13* presented to you in September 2012. It describes how we will deliver our financial statements audit work for Telford & Wrekin Council ('the Authority'). It also sets out our approach to value for money (VFM) work for 2012/13.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998*, the *Local Government Act 1999* and the Audit Commission's *Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

- *financial statements (including the Annual Governance Statement)*: providing an opinion on your accounts; and
- *use of resources*: concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, focusing on the key risks identified this year for the financial statements audit.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 explains our approach to VFM work.
- Section 5 provides further detail on the key audit risks.
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We have identified one key risks that we will focus on during the 2012/13 audit.

Further details are provided on page 14.

The remainder of this document provides information on our:

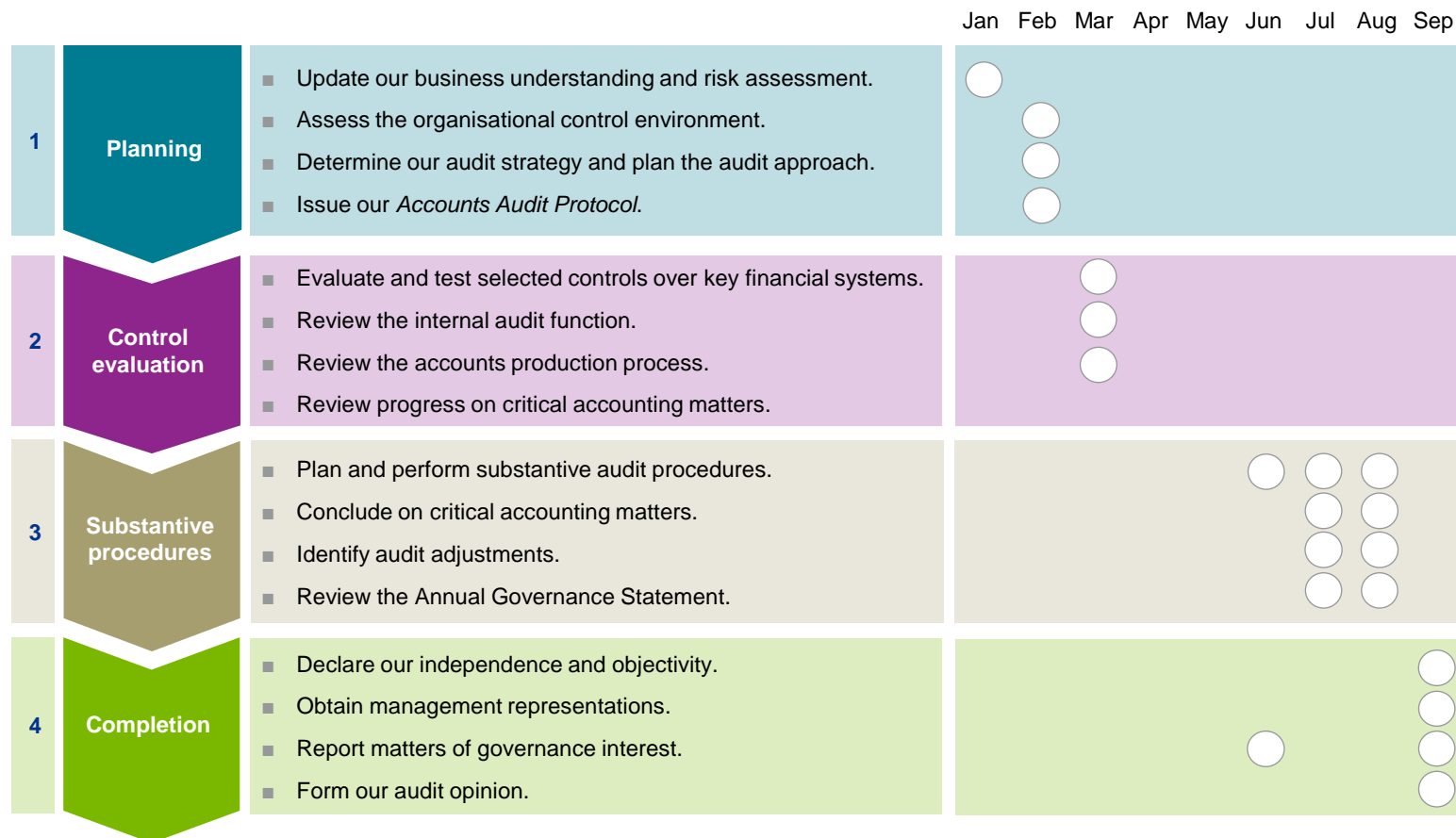
- approach to the audit of the financial statements;
- approach to VFM work; and
- audit team, proposed deliverables, timescales and fees for our work.

Area	Risk	Audit work
<p>Savings plans</p>	<p>The Authority currently estimates that it will need to deliver an further £7m in savings during 2013/14 to address further reductions to local authority funding and continued cost pressures. This budget gap increases to £21m in 2014/15 and £31m in 2015/16.</p> <p>These figures are lower than previously estimated due to recent changes in the level of grant funding to be received, particularly in relation to New Homes Bonus and the Public Health Grant.</p> <p>In relation to the 2013/14 budget gap, the Authority is proposing to:</p> <ul style="list-style-type: none"> ■ use a 1.9% Council Tax increase to generate £0.9m of additional revenue; ■ implement savings plans worth £8.6m; and ■ additional income of £0.1m arising through the Council's "business winning" approach. <p>The above measures are designed to allow the College to</p> <ul style="list-style-type: none"> ■ make an additional contribution of £1.2m towards the severance fund so as to cover costs arising from the delivery of savings plans; and ■ Create a one-off contingency of £1.3m in relation to pressures in the safeguarding budget. <p>Over recent years the Authority has successfully delivered £42m of savings plans, equating to £600 per household. Whilst this has involved the removal of 850 posts, the number of compulsory redundancies has been limited to 37.</p> <p>The Authority will need to continue to establish and manage its savings plans to secure longer term financial and operational sustainability and ensure that any related liabilities are accounted for in its 2012/13 financial statements as appropriate.</p>	<p>As part of our value for money and financial statement audit work we will critically assess the controls the Authority has in place to ensure sound financial standing and review how the Authority is planning and managing its savings plans.</p> <p>This will include</p> <ul style="list-style-type: none"> ■ a review of the budget monitoring report and budget setting reports; ■ discussions with the finance officers and other officers/Members deemed necessary to discharge our responsibilities. <p>We will also review the Authority's assessment of potential liabilities (such as redundancy and single status) and any provisions in its 2012/13 financial statements.</p>

We undertake our work on your financial statements in four key stages during 2013:

- **Planning** (January to February).
- **Control Evaluation** (March).
- **Substantive Procedures** (July to August).
- **Completion** (September).

We have summarised the four key stages of our financial statements audit process for you below:



During January and February 2013 we completed our planning work.

We assessed the key risks affecting the Authority's financial statements and discussed these with officers.

We assessed if there are any weaknesses in respect of central processes, including the Authority's IT systems, that would impact on our audit.

We have determined our audit strategy and approach, and agreed a protocol for the accounts audit, specifying what evidence we expect from the Authority to support the financial statements.

Our planning work took place in January and February 2013. This involved the following aspects:

Planning

- Updating our business understanding and risk assessment.
- Assessing the organisational control environment.
- Determining our audit strategy and plan the audit approach.
- Issuing our *Accounts Audit Protocol*.

Business understanding and risk assessment

We updated our understanding of the Authority's operations and identified any areas that will require particular attention during our audit of the Authority's financial statements.

We identified the key risks affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. The risks identified to date are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority's responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the Finance Team on a regular basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit. In particular risk management, internal control, ethics and conduct have implications for our financial statements audit. The scope and results of the work of your internal auditors also informs our risk assessment.

The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations. Whilst we undertake some general IT controls work, we also focus on testing the specific applications and reports that are pivotal to the production of the financial statements.

Audit strategy and approach

The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities.

We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

Accounts audit protocol

At the end of our planning work we issued our Accounts Audit Protocol. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide during our interim and final accounts visits.

We met with the Assistant Director: Finance, Audit & Information Governance to discuss mutual learning points from the 2011/12 audit. These will be incorporated into our work plan for 2012/13. We revisit progress against areas identified for development as the audit progresses.

During March 2013 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2012/13. We work with your Internal Audit team to avoid duplication.

We work with your finance team to enhance the efficiency of the accounts audit.

We will present our *Interim Report to the Audit Committee* in June.

Our interim visit on site will be completed during March and April. During this time we will complete work in the following areas:

Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

Controls over key financial systems

We update our understanding of the Authority's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Where our audit approach is to undertake controls work on financial systems, we seek to rely on any relevant work Internal Audit have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work. We have co-ordinated with the Head of Internal Audit to discuss the principles and timetables for the managed audit process for 2012/13.

Review of internal audit

Where we intend to rely on internal audit's work in respect of the key financial systems identified as part of our risk assessment, auditing standards require us to review aspects of their work. This includes re-performing a sample of tests completed by internal audit. We will provide detailed feedback to the Head of Internal Audit at the end of our interim visit.

Accounts production process

We raised a number of recommendations in our *Report to Those Charged with Governance (ISA 260 Report) 2011/12* relating to the accounts production process. The most significant of these were to:

- ensure that schools transferring to academies are accounted for in line with the Code; and
- ensure that a robust review of the draft financial statements is undertaken so as to ensure that presentational, casting and internal agreement issues are identified.

We will assess the Authority's progress in addressing our recommendations and in preparing for the closedown and accounts preparation.

We will continue to monitor the progress made by the Authority in relation to the implementation of single status. We will review the progress made during the year towards the April 2014 implementation date. We will also review the level of potential liability which the Authority has recognised and the reserves created to meet this. In particular we will consider ongoing appropriateness of the Authority's decision to cease contributions to the reserve.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

During July and August 2013 we will be on site for our substantive work.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report to the Audit Committee* in September 2013.

Our final accounts visit on site has been provisionally scheduled for the period 1 July to 2 August 2013. During this time, we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of the key risk areas as identified at the planning stage and any additional issues that may have emerged since. We will discuss our findings of the Authority's approach to address the key risk areas with the Assistant Director: Finance, Audit & Information Governance prior to reporting to the Audit Committee on 17 September 2013.

Audit adjustments

During our on site work, we will meet with the Assistant Director: Finance, Audit & Information Governance, Finance Manager, and Finance Team Leader on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue to Audit Committee in September 2013.

In addition to the financial statements, we also audit the Authority's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to questions or objections raised by electors are not covered by the set fee. This work will be charged in accordance with the Audit Commission's fee scales.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Finance Team and the Audit Committee. Our deliverables are included on page 16.

Use of off-shore audit resources

During our audit work we may make use of our KPMG Global Services (KGS Audit) team in India to undertake certain basic audit tasks and functions. Use of this 'off-shore' team is one of many initiatives we employ to deliver a cost-effective audit service for our clients. Although based in India, the KGS Audit team works closely with our local audit teams to undertake certain audit procedures remotely. We have provided our UK teams with guidance on the types of audit procedures and other tasks that it is suitable and permissible to use KGS Audit for - we do not use KGS Audit for any audit procedures that involve access to personal, confidential or sensitive information. Audit tasks are then allocated by our UK-based engagement teams to dedicated teams in India, allowing local staff to control what work KGS Audit undertakes and what information is accessed. They operate to our same quality standards and all work undertaken by KGS Audit is reviewed by the UK team.

The KGS Audit team operates in a paperless environment and we apply robust processes to control how data is accessed and used:

- all work is conducted electronically;
- all data files are maintained on servers in the UK with restricted access and only viewed on screen in India. These servers are governed by established KPMG IT controls;
- policy and technology restrictions are in place to protect data, for example locked down USB ports, no external emailing, no printing;
- KGS Audit staff are based in an office with restricted access and security; and
- the team members adhere to global KPMG ethics and independence standards, along with requirements governing the non-disclosure of client information.

Our independence and objectivity responsibilities under the Code are summarised in Appendix 1. We confirm our audit team's independence and objectivity is not impaired.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Confirmation statement

We confirm that as of February 2013 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing financial resilience .	The organisation has robust systems and processes to: <ul style="list-style-type: none"> ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future. 	<ul style="list-style-type: none"> ■ Financial governance ■ Financial planning ■ Financial control
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness .	The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> ■ achieving cost reductions; and ■ improving efficiency and productivity. 	<ul style="list-style-type: none"> ■ Prioritising resources ■ Improving efficiency and productivity

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ the Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ information from the Audit Commission's VFM profile tool and financial ratios tool; ■ evidence gained from previous audit work, including the response to that work; and ■ the work of the Audit Commission, other inspectorates and review agencies.

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

VFM audit stage	Audit approach
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Assessment of residual audit risk	<p>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria.</p> <p>Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</p>
Identification of specific VFM audit work	<p>If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ considering the results of work by the Authority, the Audit Commission, other inspectorates and review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.


Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We will report on the results of the VFM audit through our *Interim Audit Report* and our *Report to those charged with governance*.

VFM audit stage	Audit approach
Delivery of local risk based work	<p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> ■ local savings review guides based on selected previous Audit Commission national studies; and ■ update briefings for previous Audit Commission studies. <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
Concluding on VFM arrangements	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
Reporting	<p>We will report on the results of the VFM audit through our <i>Interim Audit Report</i> and our <i>Report to those charged with governance</i>. These reports will summarise our progress in delivering the VFM audit, the results of the risk assessment and any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p> <p>If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.</p>

For each key risk area we have outlined the impact on our audit plan.

We will provide an update on how the Authority is managing these risks to the Audit Committee on 25 June 2013.

Key audit risks	Impact on audit
 <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Reserves and balances ■ Provisions 	<p>Risk</p> <p>As at February 2013, the Authority is forecasting that it will deliver its 2012/13 budget in overall terms. This includes a savings programme totalling £19 million.</p> <p>The Authority estimates that it will need to deliver a further £7m in savings during 2013/14 to address further reductions to local authority funding and continued cost pressures. This budget gap increases to £21m in 2014/15 and £31m in 2015/16.</p> <p>In relation to the 2013/14 budget gap, the Authority is proposing to:</p> <ul style="list-style-type: none"> ■ use a 1.9% Council Tax increase to generate £0.9m of additional revenue; ■ implement savings plans worth £8.6m; and ■ additional income of £0.1m arising through the Council’s “business winning” approach. <p>If there are any related liabilities at year end, these will need to be accounted for in the 2012/13 financial statements as appropriate</p> <p>Our audit work</p> <p>As part of our value for money and financial statement audit work we will critically assess the controls the Authority has in place to ensure a sound financial standing, specifically that its Medium Term Financial Plan has duly taken into consideration the potential funding reductions and that it is sufficiently robust to ensure that the Authority can continue to provide services effectively. We will also review how the Authority is planning and managing its savings plans.</p> <p>This process will include</p> <ul style="list-style-type: none"> ■ a review of the budget monitoring report and budget setting reports; ■ discussions with the finance officers and other officers/Members deemed necessary to discharge our responsibilities; and ■ review value for money profiles to ensure that savings are not having undesired consequences on performance in relation to service delivery in priority areas. <p>As part of our final accounts audit we will review the Authority’s assessment of any potential liabilities (such as redundancy and single status) arising from its savings plans against the <i>Code</i>. If applicable, we will review the Authority’s provisions, including the methodology, assumptions and calculations.</p>

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Telford & Wrekin audit last year. Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.



Mike McDonagh
Partner

“My role is to lead our team and ensure the delivery of a high quality external audit opinion. I will be the main point of contact for the Audit Committee and the Managing Director.”



Heather Garrett
Senior Manager

“I will direct and coordinate the value for money audit and provide strategic direction to the audit team. I will work closely with Mike to ensure we add value. I will liaise with the Managing Director and other Executive Directors with respect to our value for money audit “



Adam Bunting
Assistant Manager

“I am responsible for the management, review and delivery of the financial statements audit and providing quality assurance for any technical accounting areas. I will be the main contact for the Finance Service Delivery Manager with respect to our audit of the financial statements.”



Sophie Whelan
Assistant Manager

“I will be responsible for the on-site delivery of our work. I will be the main contact for the Finance Manager and Finance Team Leader, and will liaise with the finance Team. I will also supervise the work of our audit assistants.”

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree each report with the Authority's officers prior to publication.

Deliverable	Purpose	Committee dates
Planning		
External Audit Plan	<ul style="list-style-type: none"> Outline audit approach. Identify areas of audit focus and planned procedures. 	March 2013
Control evaluation		
Interim Report (if necessary)	<ul style="list-style-type: none"> Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. 	June 2013
Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	<ul style="list-style-type: none"> Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Authority's value for money arrangements. 	September 2013
Completion		
Auditor's report	<ul style="list-style-type: none"> Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). 	September 2013
Annual Audit Letter	<ul style="list-style-type: none"> Summarises the outcomes and the key issues arising from our audit work for the year. 	January 2014 (issued to the Authority in December 2013)

We will be in continuous dialogue with you throughout the audit.

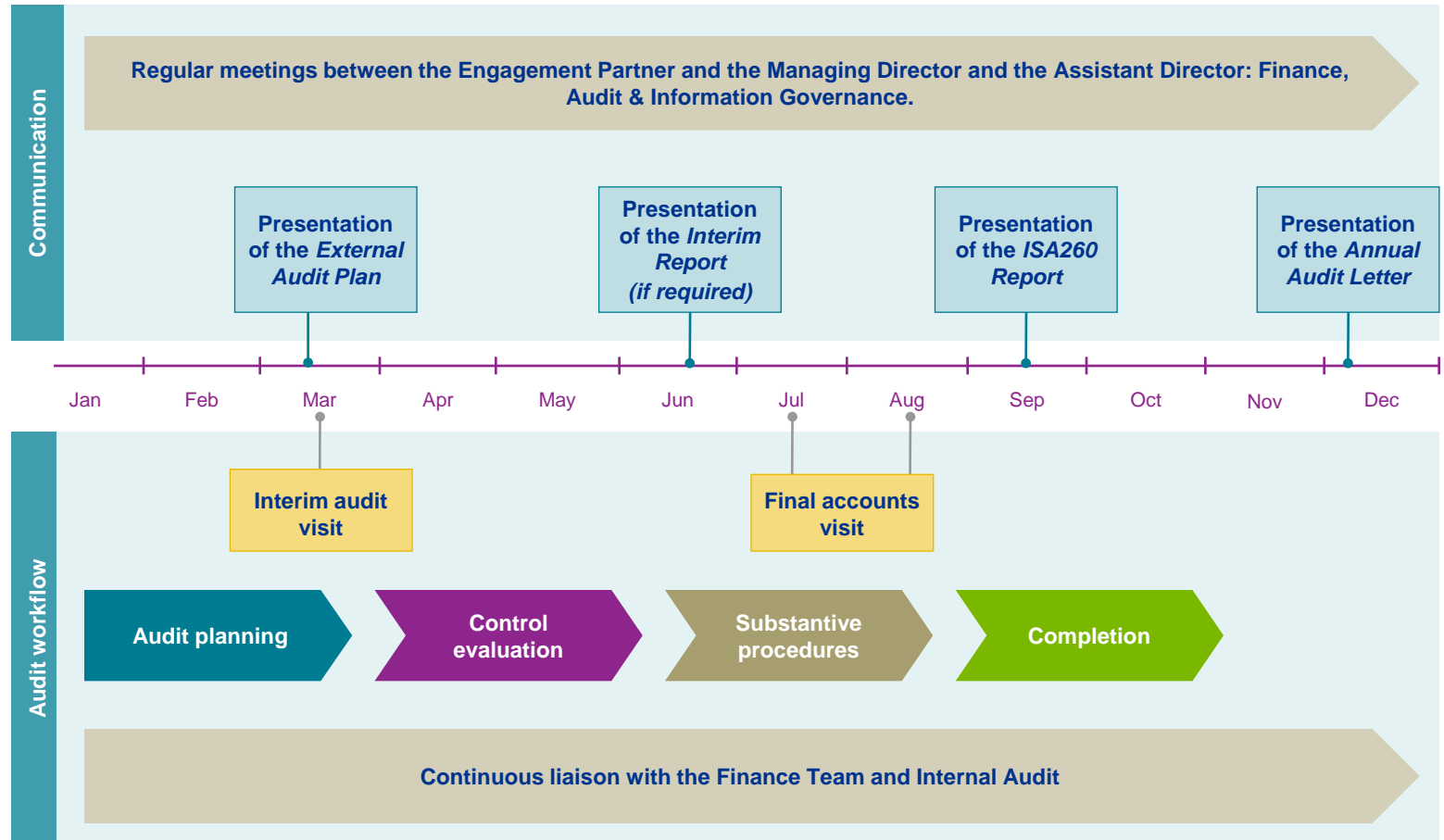
Key formal interactions with the Audit Committee are:

- March – External Audit Plan;
- June – Interim Report (if Required);
- September – ISA 260 Report;
- December – Annual Audit Letter.

We work with the Finance Team and Internal Audit throughout the year.

Our main work on site will be our:

- Interim audit visits during March and April.
- Final accounts audit during July and August.



Key: ● Audit Committee meetings.

The main fee for 2012/13 audit of the Authority is £155,088. The fee has not changed from that set out in our *Audit Fee Letter 2012/13* issued in September 2012.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2012/13* presented to you in September 2012 first set out our fees for the 2011/12 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

Element of the audit	2012/13 (planned)	2011/12 (actual)
Gross audit fee	£155,088	£258,480

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements. The fee for 2012/13 is £155,088. This is a reduction of 40 percent compared to the 2011/12 fee.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2012/13* within your 2012/13 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
 - the financial statements are made available for audit in line with the agreed timescales;
 - good quality working papers and records will be provided at the start of the final accounts audit;

- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the Authority achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Assistant Director: Finance, Audit & Information Governance.

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner.
- Audit staff are expected not to accept appointments as lay school inspectors.
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned.

- Auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements).
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

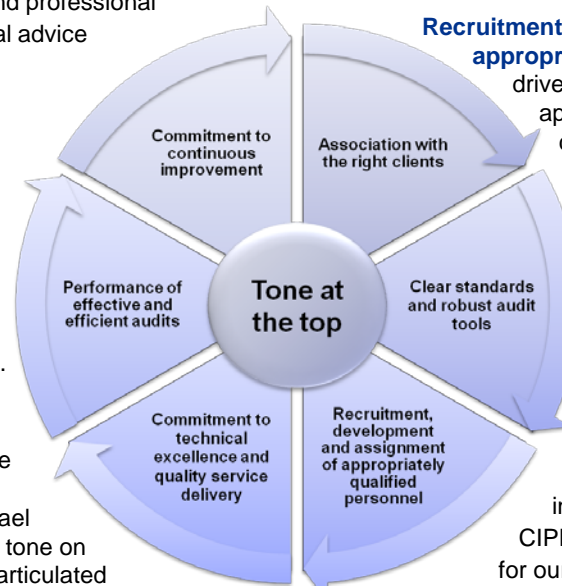
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focused and consistent voice. Michael McDonagh as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudit application has significantly enhanced

existing audit functionality. eAudit enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable database, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel:

One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based bi-monthly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The results of the Audit Commission's annual quality review process is made publicly available each year (http://www.audit-commission.gov.uk/audit-regime/Pages/qualityreviewprocess_copy.aspx). The latest report dated October 2012 showed that we performed highly against all the Commission's criteria.



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TELFORD & WREKIN COUNCIL

Audit Committee – 26 March 2013

Update on Abacus Internal Audit Report and Implementation of Recommendations– Report of Assistant Director Care & Support

1. Purpose

To provide an update on progress in respect of the Amber audit report on Abacus.

2. Recommendations

- 2.1 That members note the additional actions taken to address the recommendations and progress made**
- 2.2 That members receive update on progress to their September meeting following implementation of the upgrade in July**

3. Background

- 3.1 Abacus is a system for calculating the value of payments due to providers of social care services and provides a personal budget support process for service users. It also calculates the contribution which service users make to the cost of their care packages and links these processes together. In carrying out these functions it has to interface with two other key council systems – Carefirst – the client record system for adult social care and Agresso – the council's financial management system.
- 3.2 The council had been utilising Abacus to calculate service users contributions for a number of years when the introduction of personal budgets for service users required the implementation of a system which would enable both the payment of providers and the linking of that information directly back to individual service users as well as contracts.
- 3.3 Following a tendering process Abacus was selected to provide this functionality. The purchase and implementation of Abacus coincided with the implementation of the Council's then new financial management system Abacus.
- 3.4 The original Abacus audit was carried out in September 2011 with follow ups in July and December 2012. The report was originally classified as amber. At the audit follow ups it was identified that insufficient progress was being made in addressing the recommendations.
- 3.5 The significant delays in progressing the recommendations were due to a number of factors :
 - the new system was implemented at the same time as the major service restructurings took place: people left and reallocation of responsibilities lead to slower implementation than planned

- the system has also been implemented during a remodelling of adult social care delivery which meant that new processes were being developed during the period of implementation
 - the interfaces with the two other key systems mentioned above meant as well as being very dependent on progress with Agresso implementation it also required significant input from other service areas of the council as a consequence. These service areas were also undergoing significant change and development so the resources to meet the projects needs were not always available.
- 3.6 The system is overdue for an upgrade to version 162. Due to the reasons identified above the upgrade has been delayed. The upgrade will significantly address the current operating issues and associated recommendations within the audit report.

4 Update on Actions Taken and Progress Made

4.1 In order to resolve the issues identified above and ensure progress the following actions have been taken:

- establishment of a Strategic Steering Group, in addition to the existing operational group, which includes representation from all the relevant service areas of the council, including ICT, Revenues and Finance as well as Care and Support. The Assistant Directors for Care and Support and Customer and People Services also attend to ensure that the strategic coordination and direction required to move forward on implementation are now in place
- a detailed project plan has been drawn up for the upgrade to version 162 of the system. The upgrade will require significant testing and input from various teams within the council and the project timelines have also taken into account the year end processes and Easter holidays. The upgrade will be completed by the beginning of July and it is therefore suggested that a further update is provided to the next committee meeting following this which would be in September.

4.2 Whilst the report currently remains at amber further progress has been made in addressing the recommendations and this is detailed in the table below:

Date	Implemented	In Progress	Not Implemented	Superseded	Total
December 2012	6	6	7	1	20
March 2013	7	10	2	1	20

It is anticipated that following implementation of the upgrade all the recommendations will be fully implemented.

5 Previous Minutes

29 January 2013

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 26th MARCH 2013

UPDATE ON AMBER REPORTS REPORTED TO THE JANUARY 2013 AUDIT COMMITTEE

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To update members on the follow up reviews and progress of the implementation of the recommendations for the amber reports discussed at the January 2013 Audit Committee.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the contents of the report and agree any action for the June 2013 meeting.

3 SUMMARY

- 3.1 The Audit Committee receives a quarterly update report of the work of Internal Audit and the progress on previously issued reports. At the January 2013 meeting there were discussions on previous amber reports that had remained amber – the Abacus review and Markets and Cash Collection and four reports issued during quarters 2 and 3 which were graded amber:
- a) Telford Town Park Visitors Centre
 - b) St Peter and St Paul Catholic Primary School
 - c) Telford Tennis Centre
 - d) Bank Contract Review
- 3.2 Members of the Committee agreed that the appropriate Assistant Director (and managers) responsible for the Abacus process review be invited to the March Committee and members have already received their update.
- 3.3 In respect to the Markets and Cash Collection follow up this has transferred service areas and was in the process of being restructured and re-engineered. Therefore the January follow up remained amber but a further follow up has been scheduled for April 2013. If the results of this work are not satisfactory the Audit & IG Manager will invite the appropriate Assistant Director and Managers to the June Audit Committee to provide an update to members.
- 3.4 More detail is provided in section 5 of this report in respect to the position in respect to the amber reports issued in quarters 2 and 3.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 29th January 2013 – Internal Audit Quarters 2 & 3 Update report 2012/13.

5 RESULTS OF THE FOLLOW UPS OF AMBER REPORTS ISSUED IN QUARTERS 2 AND 3 2012/13

- 5.1 Telford Town Park Visitors centre – the follow up has been completed and all recommendations have now been implemented. The revised grading is now green.
- 5.2 St Peter and St Paul Catholic Primary school - the follow up has been completed and all recommendations have now been implemented. The revised grading is now green.
- 5.3 Telford Tennis Centre – follow up undertaken on the 14 outstanding recommendations (originally 19 in all). 6 are complete (including the legal requirement recommendation), 7 are in progress and 1 has yet to be implemented (see table below for summary). The grading has been changed to yellow to reflect the progress made and the next follow up will take place in April 2013.

Status of recommendation	Legal	Financial Regulation	Policy & Procedure	Best Practice
Complete	1	3	2	
In progress		2	4	1
Not yet implemented		1		

- 5.4 Bank Contract review – follow up undertaken on the 7 recommendations made. The key legal requirement has been implemented and the other recommendations have been implemented, are in progress and 1 has not yet been implemented (see table below for summary). The grading has been changed to yellow to reflect the progress made to date and the next follow up will take place in May 2013.

Status of recommendation	Legal	Financial Regulation	Policy & Procedure	Best Practice
Complete	1	1	1	
In progress		2		1
Not yet implemented		1		

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of Audit & Information Governance have attended equal opportunities/ diversity training. If any such issues arose during an audit or risk review they would be notified to the appropriate manager.
Environmental Impact	All members of Audit & Information Governance are environmentally aware and if any issues were identified they would be notified to the appropriate manager.
Legal Implications	The Accounts and Audit (England) Regulations 2011 state that the Council must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. There is also a requirement to comply with CIPFA's Code of Practice for Internal Audit in Local Government. In the event that an audit reveals an issue which requires a recommendation concerning a legal matter this can also be referred to the Council's Legal Services Team for further advice and assistance.

Links with Corporate Priorities	The audit plan is linked to corporate priorities through the service planning process. Where high risks are identified then Audit Services undertakes work on a more regular basis.
Risks and Opportunities	The role of internal audit includes a review of the controls in place to manage the risks within service areas. The reports produced assist the Council in improving systems and controls (mitigating risks) and therefore the delivery of services and achievement of objectives.
Financial Implications	Where recommendations are made by Audit Services, if possible, cost/savings implications are identified.
Ward Implications	Internal Audit is responsible for the internal audit of all the Council's activities and at all Council locations and therefore operates within all Council Wards.

7 **BACKGROUND PAPERS**

Annual Audit Plan 2012/13 and strategy

Report by Jenny Marriott, Audit & Information Governance Manager 383101

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 26th MARCH 2013

RESULTS OF THE SURVEY ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To provide members of the Audit Committee with the results of the survey completed to review the effectiveness of the Audit Committee.

2 RECOMMENDATIONS

- 2.1 That members:
a) note the results of the effectiveness survey and agree any action to be taken.

3 SUMMARY

- 3.1 Good governance in local government has supported the introduction of Audit Committees. Surveys on the effectiveness of the activities of the Audit Committee have taken place annually since 2008 (apart from 2011 due to the impending Unitary elections and potential changes to the Audit Committee membership).
- 3.2 This report sets out the results of the survey for members (compared to previous years) to review and consider any actions to be taken.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 27th March 2012
Audit Committee 29th January 2013

5 BACKGROUND

- 5.1 The 2013 survey included the same questions as in previous years. Out of the 15 surveys sent out 9 were returned providing a response rate of 60% (compared to 35% in 2012). The response rate for members was 60% (33% in 2012). For key officers the response rate was 75% (36% in 2012). There were no returns from other officers who attended the Committee. This is due to these officers previously responding that they did not have enough knowledge to contribute to the survey. There was no response received from the External Auditor due to his concern over a possible conflict of interest.
- 5.2 The results have been analysed and the table in Appendix A shows the questions and the average scores for 2013 and the previous 4 years (2007/2008, 2008/2009, 2009/2010 and 2011/2012). The survey scores were graded:
1 = hardly ever/poor
2 = occasionally/inadequate
3 = most of the time/satisfactory
4 = all of the time/good

Out of the 22 questions asked all had an average response score of 3 or more which is a slight improvement from 2012 when 2 questions averaged less than a score of 3. Members should note that the results show that overall the Audit Committee is at least “most of the time/satisfactory” in all areas and is performing “all the time/good” in one area (down from 2 areas in 2012).

- 5.3 As there is comparative information available, Appendix A also shows the percentage increase or decrease from 2012 to 2013 in responses. For 2013 there has been a decrease of 5% or more for 8 questions, a minor decrease for 1 question and no change for 2 questions. For the 11 other questions there were increases with 4 showing improvements of more than 5%.
- 5.4 The full information is shown below for the 8 questions where scores have decreased by 5% or more from 2012 to 2013. (Scores for 2010 are shown for information).

Question	Av. Score Feb 10	Av. Score Feb 12	Av. Score Feb 13
4. The number and length of meetings and access to resources is sufficient to allow the audit activities of the Committee to be fully discharged	3.63	3.8	3.0
5. Committee papers are concise, relevant and timely.	3.38	3.7	3.5
6. Committee meetings receiving relevant reports are held sufficiently far in advance of Council meetings to permit resolution of the issues raised	3.5	3.5	3.1
9. Committee members have access to on-going development activities to update their skills and knowledge	3.25	3.6	3.4
10. The Committee is informed of the Anti-Fraud and Speak Up procedures in place within the Authority	3.86	4	3.8
11. All Committee members have a good understanding of the different risks inherent in the Authority’s business activities	3.38	3.2	3.0
15. The Committee has a good understanding of the key financial issues and key accounting policies.	3.25	3.3	3.0
16. The Committee understands the interaction between the various sources of assurance available to it	3.25	3.2	3.0

- 5.5 There are two questions that continued to show a decrease when compared over 3 years – 2010, 2012 and 2013:

Question 11 - All Committee members have a good understanding of the different risks inherent in the Authority’s business activities; and

Question 16 - The Committee understands the interaction between the various sources of assurance available to it.

- 5.6 Question 4 had the largest decrease by 21% falling from 3.8 to 3.0 - The number and length of meetings and access to resources is sufficient to allow the audit activities of the Committee to be fully discharged.

- 5.7 Listed at the end of Appendix A for your information are the additional comments made at the end of the surveys submitted.
- 5.8 Although overall the survey results are good the following areas are a starting point for discussion arising from the results and could inform any actions to be taken.
- Possible concern over the number and length of the meetings and access to resources is sufficient to allow audit activities to be fully discharged (Q4).
 - Possible concern that the receipt of relevant reports is far enough in advance of Council meetings to permit resolution of the issues raised (Q6)
 - Areas for training/awareness (Q's 9,10,11,15,16, comments) – different risks inherent in the Authority's business activities; understanding of the interaction between the various sources of assurance available to the committee; key financial issues and accounting principles; Anti-Fraud and Corruption Policy and also the type/style of training.
 - Committee papers are concise, relevant and timely (Q5).
 - Consideration of briefings for other members (comment).

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All reviews should ensure that Equality of Opportunity is adhered to.
Environmental Impact	During audit work reported to the Committee any environmental issues identified are reported to the appropriate level of management.
Legal Implications	There is no legal requirement for a survey to review the effectiveness of the Audit Committee. However, the results of the survey will assist in improving the performance of the Committee and accordingly contribute towards ensuring that the Council maintains an adequate and effective system of internal audit as required by the Accounts and Audit (England) Regulations 2011.
Links with Corporate Priorities	An effective Audit Committee supports the Council's good governance arrangements and a modern effective Council.
Opportunities and Risks	Reviewing the effectiveness of the Audit Committee supports the management of risks and the operation of controls.
Financial Implications	There are no direct financial implications arising from this report as any costs arising from the actions agreed will be met from within existing budgets.
Ward Implications	None.

7 BACKGROUND PAPERS

Accounts and Audit (England) Regulations 2011
 CIPFA Guidance on Audit Committees 2005
 IPF a Toolkit for Local Authority Audit Committees 2006
 Previous reports to Audit Committee

Report by Jenny Marriott, Audit & IG Manager 383101

ANALYSIS OF RESULTS SHOWING AVERAGE SCORE FOR EACH QUESTION

PROCESSES

No.	Question	Average Score Jan 08	Average Score Feb 09	Average Score Feb 10	Average Score Feb 12	Average Score Feb 13	Change 12 - 13	%age change 12 - 13
1	The Committee members have an appropriate mix of skills and experience.	3.00	3.31	3.25	3.5	3.6	+0.1	+2.8
2	There are clear, up to date terms of reference for the audit activities of the Committee	3.67	3.92	3.38	3.8	4.0	+0.2	+5.3
3	The Committee is clear about its role in relation to governance and risk management	3.63	3.58	3.69	3.5	3.7	+0.2	+5.7
4	The number and length of meetings and access to resources is sufficient to allow the audit activities of the Committee to be fully discharged	3.11	3.54	3.63	3.8	3.0	-0.8	-21.0
5	Committee papers are concise, relevant and timely.	3.5	3.62	3.38	3.7	3.5	-0.2	-5.4
6	Committee meetings receiving relevant reports are held sufficiently far in advance of Council meetings to permit resolution of the issues raised	3.25	3.31	3.5	3.5	3.1	-0.4	-11.4
7	All Committee members attend and actively contribute at meetings	2.63	2.77	3.38	2.7	3.0	+0.3	+11.1
8	All Committee members have sufficient time and commitment to fulfil their responsibilities	2.75	2.85	3.31	2.8	3.1	+0.3	+14.3
9	Committee members have access to on-going development activities to update their skills and knowledge	3.22	3.38	3.25	3.6	3.4	-0.2	-5.6
10	The Committee is informed of the Anti-Fraud and Speak Up procedures in place within the Authority	3.67	3.62	3.86	4	3.8	-0.2	-5.0

ACTIVITIES

No.	Question	Average Score Jan 08	Average Score Feb 09	Average Score Feb 10	Average Score Feb 12	Average Score Feb 13	Change 12 to 13	%age change 12 -13
11	All Committee members have a good understanding of the different risks inherent in the Authority's business activities	2.75	3.08	3.38	3.2	3.0	-0.2	-6.3
12	The Committee focuses on the right questions and is effective in avoiding minutia	2.78	3.08	3.00	3.5	3.6	+0.1	+2.9
13	The Committee actively engages with the external auditors regarding the scope of their work and audit findings	3.33	3.31	3.13	3.8	3.8	No change	N/A
14	The Committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings	3.33	3.77	3.75	3.7	3.8	+0.1	+2.7
15	The Committee has a good understanding of the key financial issues and key accounting policies.	2.63	2.92	3.25	3.3	3.0	-0.3	-9.1
16	The Committee understands the interaction between the various sources of assurance available to it	3.25	3.15	3.25	3.2	3.0	-0.2	-6.3
17	Committee meetings encourage a high quality of debate with robust and probing discussions	2.89	3.15	3.75	3.3	3.4	+0.1	+3.0
18	The Chair promotes effective and efficient meetings, with an appropriate level of involvement outside the formal meetings	3.33	3.38	3.38	3.7	3.7	No change	N/A
19	Committee members have a frank and open relationship with senior officers.	3.44	3.62	4	4	3.9	-0.1	-2.5
20	The Committee has open channels of communication with officers and other members to keep it aware of topical/ regulatory issues	3.11	3.69	3.75	3.5	3.6	+0.1	+2.9

No.	Question	Average Score Jan 08	Average Score Feb 09	Average Score Feb 10	Average Score Feb 12	Average Score Feb 13	Change 12 to 13	%age change 12 -13
21	There is an appropriate balance between the monitoring role and the Committee acting as an “influencer for good”	3.13	3.38	3.14	3.2	3.3	+0.1	+3.1
22	The Committee is effective in achieving its terms of reference for the audit activities and adding value to the corporate governance of the Authority.	3.00	3.23	3.43	3.3	3.4	+0.1	+3.0

Additional Comments made:

- I feel we need more member training and joint officer/member "workshop" events in order to increase knowledge and experience of committee members
- I believe the committee is working well but needs to evolve as the financial challenges facing the council intensifies
- This coupled with the new ways of working that are likely to emerge will mean that the committee will need to consider its priorities
- I consider that the committee could meet 3 times a municipal year but with relevant reports issued to Audit Committee members between meetings
- I have little contact with the Audit Committee. Probably should be more aware of remit/agendas/outcomes. Should have a discussion/briefing

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 26th MARCH 2013

INFORMATION GOVERNANCE STRATEGY 2012/13 – 2014/15

REPORT OF THE ASSISTANT DIRECTOR FINANCE, AUDIT & INFORMATION GOVERNANCE

1 PURPOSE

- 1.1 To provide members of the Audit Committee with the Council's Information Governance Strategy for their comments (following endorsement by SMT) prior to its approval by the Cabinet.

2 RECOMMENDATIONS

- 2.1 That members provide any comments on the Council's Information Governance Strategy attached as Appendix A prior to its approval by Cabinet.

3 SUMMARY

- 3.1 Part of the Council's governance arrangements includes information governance. The HMG Information Assurance Maturity Model and Assessment Framework and Local Public Services Data Handling Guidelines states that it is good practice to have an Information Governance (IG) Strategy setting out the framework and actions to deliver it.

4 PREVIOUS MINUTES

- 4.1 None

5 BACKGROUND

- 5.1 There are a number of reasons as to why the Council needs an IG strategy including:
- For the Council to have an N3 connection to access health systems we should have an IG strategy in place. This is particularly important with the imminent transfer of public health services to the Council.
 - Government guidance in respect to effective information management states that we should have an IG strategy which conforms to their stated good practices
 - Adopting an IG strategy will improve the management and protection of organisational and personal information
 - The IG strategy will be part of a framework that will protect the authority against action taken and/or fines imposed by the Information Commissioners Office
- 5.2 The draft IG strategy (attached as Appendix A) document follows Government guidance.

- 5.3 The IG Team will undertake a number of risk based exercises to ensure the requirements of the strategy are being implemented.
- 5.4 As part of the implementation of the strategy a number of key messages will be communicated across the Council including:
- That there is a clear responsibility for information governance across the council
 - Information governance is not an ‘add on’ to officers roles but a vital component of everyone’s job
 - By managing information responsibly officers are protecting the Councils reputation and reducing both operational and financial risks

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	Information Governance arrangements should ensure that the relevant equalities requirements are adhered to.
Environmental Impact	If there are any environmental issues identified as part of the information governance framework they will be dealt with appropriately.
Legal Implications	There is no legal requirement for an Information Governance Strategy but Government guidance sets out that it is good practice. The policy does not form part of the Policy Framework reserved to full Council and therefore it is for Cabinet to approve.
Links with Corporate Priorities	Information governance is integral to the delivery of the Council’s priorities in a safe and reputable manner and supports the Council’s good governance arrangements.
Opportunities and Risks	The risks and opportunities in respect to information governance are considered as part of this strategic and the Council’s IG arrangements.
Financial Implications	The Information Governance team operate and deliver their plans, strategy and work programme from within existing budgets.
Ward Implications	None.

7 BACKGROUND PAPERS

- 7.1 The HMG Information Assurance Maturity Model and Assessment Framework and Local Public Services Data Handling Guidelines

Report by Jenny Marriott, Audit & IG Manager 383101

Information Governance (IG) Strategy

2012/13 – 2015/16

1. Introduction

- 1.1 This strategy describes the development and implementation of a robust Information Governance (IG) framework needed for the effective management and protection of organisational and personal information.
- 1.2 Information Governance describes the approach within which accountability, standards, policies and procedures are developed, implemented and maintained to ensure that all types of information used by the council are held, processed, communicated securely and legally.
- 1.3 Information is a vital asset for the Council, supporting both day to day operations and the effective management of services and resources. Therefore it is essential that all Council information is managed effectively within a robust governance framework.
- 1.4 In developing this IG strategy the Council recognises and supports:
- The need for an appropriate balance between openness and confidentiality in the management and use of information
 - The principles of corporate governance and public accountability and equally places importance on the security arrangements to safeguard personal information
 - The need to share customer information with partner organisations and other organisations in a manner consistent with the interests of the customer
 - The principle that accurate, timely and relevant information is essential to deliver high quality council services
- 1.5 This IG strategy forms part of the Council's Information Governance Assurance Framework and is based on the requirements of the HMG Information Assurance Maturity Model and Assessment Framework issued by the Cabinet Office and CESG and the Local Public Services Data Handling Guidelines.
- 1.6 This strategy will be approved by the Senior Management Team (SMT) and Audit Committee which is a cross party group of councillors. Approval of IG policies that underpin this strategy will be delegated to the SIRO.

2. Strategic Objectives

- 2.1 The implementation of this strategy will underpin the Council's Co-operative Values.

Co-operative Value	Linked Information Governance Activity
Openness & Honesty	<p>To proactively publish more Council information and make more datasets available</p> <p>To continually improve responses to information requested under information rights legislation</p>
Ownership	<p>Establish more clearly defined information asset owners in service areas</p> <p>To improve the current publication scheme and ensure it meets ICO requirements</p>
Fairness & Respect	<p>Continue to treat all members of the public requesting information in a consistent and respectful manner</p> <p>Ensure 'every contact counts' by improving responses to information requests to ensure they are easy to understand and answer queries raised</p>
Involvement	<p>Ensure that the community receives information, both proactively and where requested, that enables them to participate in discussion and challenge the council where they feel necessary</p> <p>Make all parties who give/collect information aware of what will happen with the information and give choices in respect to this where possible.</p>

2.2 Government guidance states that the following areas, as a minimum, should be included in an information governance strategy:

- Leadership and governance
- Training, education and awareness
- Information risk management
- Life cycle of information assurance
- Assured information sharing
- Compliance

3. Leadership and Governance

Strategic Aim –

‘SMT proactively engages in leading, championing and monitoring information assurance across the council to ensure cultural behaviours in embedding the information governance assurance framework’.

- 3.1 Without effective senior level leadership and adequate governance arrangements in place, service areas may experience difficulty in factoring information assurance activities in both their medium/long term planning.
- 3.2 To achieve this strategic aim the following objectives must be met:

REF	Objective
1	Formally establish and embed a number of key information assurance \ governance roles and responsibilities including: <ul style="list-style-type: none">• Senior Management Team• Senior Information Risk Owner (SIRO)• Caldicott Guardian• ICT Security Group• Information Asset Owners (IAO's)• Audit Committee See Appendix 1 for expected responsibilities for each of these roles
2	SMT to be aware of all key information assurance risks affecting key corporate systems
3	SMT and the Audit Committee will receive regular reports of progress against information governance strategic aims and objectives
4	IG strategy is aligned with other major council strategies
5	A benefits appraisal of the IG work programme is undertaken to evaluate investment in IG areas

4. Training, Education and Awareness

Strategic Aim –

‘Accurate details of training received by all staff are collated and reported to the IG Team Leader on behalf of the SIRO. Surveys show that staff attitudes and behaviours towards IG are aligned to the needs of the council’.

- 4.1 It is important for all council officers, particularly those with key responsibilities as detailed in 3.2 above, to be empowered to fulfil the requirements of this strategy and associated information governance policies.
- 4.2 To achieve this strategic aim the following objectives must be met:

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REF	Objective
1	An IG training plan is in place that meets the needs of the council and in particular services that process significant volumes of personal and sensitive information.
2	Accurate records are maintained of staff that have completed IG training. Records are collated and reported to the SIRO
3	An assessment is made of the coverage and effectiveness of IG training and awareness programme
4	Specialist training programmes (including information risk management) are in place for staff holding key IG appointments, i.e. those detailed in 3.2 above

5. Information Risk Management

Strategic Aim –

'Information risk is managed throughout the council in a structured way so that senior management understand the business impact of IG related risks and manage them effectively in consultation with relevant third party organisations'

- 5.1 All officers are responsible for managing information risk.
- 5.2 The SIRO has a corporate responsibility for providing a focal point for information risk management. The SIRO does not fulfil this responsibility personally but delegates responsibility to the IG Team, IAO's and ICT Security Group.
- 5.3 To achieve this strategic aim the following objectives must be met:

REF	Objective
1	The SIRO/SMT are aware of key information assurance risks affecting all systems
2	The SIRO ensures proportionate measures are in place to mitigate information assurance risks
3	External organisations who share information with the Council are satisfied with the level of risk exposure relevant to services they share with
4	Key risk vulnerabilities common to more than one system are assessed and communicated corporately
5	Privacy impact assessments (PIA) are undertaken for all new information systems that process personal information. A risk based programme should also be devised to ensure that retrospective PIA's are undertaken on already established major systems that process personal information.
6	The SIRO/SMT determine the risk appetite for information assurance through delegated authority to IAO's
7	Processes are in place to conduct operational and technical risk assessments of information systems and associated policies/processes

It states that PIA's should be undertaken for new information systems and doesn't state that they should be done for existing systems. However, the major systems, where we hold our most sensitive data (Children's/Adult's etc) are unlikely to be replaced for a long time. If PIA's are designed to ensure the security of our data, should there be a programme to undertake PIA's for all systems to ensure the security of most sensitive data

6 Life Cycle of Information Assurance

Strategic Aim -

'A full range of information governance measures should be implemented that are cost effective and reduce the vulnerability to information security issues throughout the life of the use of information and its eventual destruction'.

- 6.1 All relevant employees that handle information are expected to understand information flow and employ through life information governance controls which covers information collection, retention, disposal and/or communication of information to third parties.
- 6.2 To achieve this strategic aim the following objectives must be met:

REF	Objective
1	Details exist of the status of information governance control measures which impact on all key information system and information assets which are made available to the SIRO and SMT
2	Profiles of service areas/information systems exist which map information assurance incidents and key vulnerabilities
3	ICT information is used to predict future service demand and therefore effectively map adequate information governance measures
4	Appropriate back up, business continuity and disaster recovery arrangements are in place and have been tested for all information systems
5	A digital continuity risk plan is in place that encompasses an annual review of all information assets
6	Contracts in place with third party suppliers should detail conditions in respect to digital continuity
7	A scaleable and future proofed authentication methodology is in place for all information systems
8	A plan is in place for the prevention, detection, and resolution of information assurance vulnerabilities including suitable penetration testing
9	A patching policy is in place that includes third party suppliers and details the distinction between routine, critical and emergency patching. It also includes the requirements for information on malware incidents to be collated and reported

10	A corporate information retention schedule is embedded and complied with by all council services
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7 Assured Information Sharing

Strategic Aim -

'Information is appropriately shared within the Council and with external bodies / individuals in an assured and cost effective way that maximises the benefits delivered by sharing information, whilst reducing the business impact should a compromise occur'.

- 7.1 Information sharing is essential part of Council business. It allows more efficient, joined up services to be delivered to the community by the Council and/or strategic partners to benefit customers receiving these services. However sharing information can lead to vulnerabilities particularly if it not being undertaken in a controlled and managed way
- 7.2 To achieve this strategic aim the following objectives must be met:

REF	Objective
1	Mechanisms are in place to protect information in transit
2	A protective marking scheme exists for all information assets
3	Profiles of service areas/information systems exist which map information governance incidents and key vulnerabilities
4	Agreed policies are in place in respect to information sharing
5	Information sharing agreements should be in place with third party organisations where regular sharing occurs

8 Compliance

Strategic Aim:

'Effective compliance mechanisms provide positive assurance that Council policies are being implemented in an effective way to achieve the desired outcomes'.

- 8.1 Without effective audit and compliance mechanisms those IG control measures which may cause inconvenience are likely to be ignored resulting in an increase in the risk to the Council's information.
- 8.2 To achieve this strategic aim the following objectives must be met:

REF	Objective
1	The SIRO is satisfied that the Council is complying with relevant IG legislation

2	A compliance programme is in place that has been agreed by the SIRO and is regularly reviewed
3	Weaknesses identified from compliance reviews are rectified with lessons learnt being reported to the SIRO, SMT, across the Council and to the Audit Committee.
4	A process is in place that brings together all IG related control processes so that a single view can be reported to the SIRO/SMT

Formally establish and embed a number of key roles and responsibilities including:

- **Senior Management Team/Members** – provides the correct ‘tone at the top’ for the council in relation to information governance
- **Senior Information Risk Owner (SIRO)** – A member of SMT who is accountable for
 - Fostering a culture for protecting and using data
 - Providing a focal point for managing information risks and incidents
 - Is concerned with the management of all information assets.
- **Caldicott Guardian** – Are appointed to develop and maintain responsible, appropriate and secure practices for sharing and handling of personal health and social care information. .
- **Audit Committee** – The Audit Committee considers the effectiveness of the Council’s governance processes and their compliance with legislation and best practice including the information security framework
- **Information Governance (IG)** – The IG team provides a number of key functions including:
 - Advice and support to the council in respect to all information governance matters
 - Co-ordinating all information requests received under information rights legislation
 - Checking for corporate compliance with agreed information governance policies and procedures
- **ICT Security Group** – Group includes a number of key officers in the council and is chaired by the Audit & Information Governance Service Delivery Manager. The groups remit is to discuss and monitor information security/governance issues and compliance across the council and report significant issues to SMT.
- **Information Asset Owners (IAO’s)** – All service areas have information assets, some have more than others. IAO’s are part of the senior management in service areas, e.g. for leisure information the IAO’s would be the Leisure Facilities & Services Service Delivery Manager and Assistant Director: Environmental & Leisure Services. The IAO is responsible for ensuring information assets in his/her area are adequately protected/risk assessed, managed under statutory obligations and that their value to the council is fully exploited

ICT Audit Plan 2013-14**Internal - 35 days**

ICT Contract Monitoring – 8 days – Contract monitoring of third party contracts

IWorld – Currently owned and managed by Revenues & Benefits with input from 2 third party Companies and also ICT – examine current arrangements – including service level agreements (existence of and adherence to), communications between all parties (i.e. arranging upgrades etc), contingency arrangements etc – 10 days

Tender processes – ICT – awarding MIS and VOIP Broadband contracts during 2013 (both by December) – 7 days

Thin Client Roll out – Q4 – review programme, savings generation and ensure leased kit is returned at most advantageous time – 10 days

External – 45 days

Storage (including Media) – review the current storage capacity. Is storage effectively managed? Is stored data secure? What media is used and for what? What risks are faced due to media in use? Physical & logical protection over stored data. Is data stored in the best way, which is appropriate to its importance? – 10 days

Contingency arrangements (including the protection of essential services) – what contingency arrangements are there in place? Failsafe systems and disaster recovery solutions. Is this adequate for the needs of the Council? Is it tested regularly? Appropriate off site storage of data to ensure access in the event of a disaster. Essential services – do we have any? What is in place to ensure that those services are not affected by ICT failures? – 10 days

Virus Protection – Ensure that the Councils systems are as secure as possible to threats of virus and malware. Protection should be up to date with appropriate controls in place to ensure updates are well managed and applied within a reasonable amount of time. – 5 days

Website – ensure that the website contains sufficient security when enabling payments to be made, examine the processes for managing the content of the site including initial authorisations and reviews of information currently published. – 5 days

IT Service Delivery & Strategy (Schools) – Review how IT manages the relationship and requirements of schools. This is to include a review of the specific strategy, and a review of the way in which the service is delivered (including ITIL). – 10 days

MIS Headway – Application review. Review of access control, system operations, data integrity, data back up, interfaces, reporting, etc. – 5 days

Internal Audit Charter 2013/14

1. Introduction

- 1.1 This charter defines for the Council and the community internal audit activity's purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS)¹ and the Council.
- 1.2 This charter will be approved by the Audit Committee, after consultation with senior management² and will be reviewed annually.

2. Internal Audit Purpose and Responsibilities

2.1 Internal Audit Purpose

- 2.1.1 The Audit & Information Governance (IG) Team of which Internal Audit is a part is led by the Audit and IG Manager³. The team supports the Co-operative Council in the delivery of services to the community to help to improve their quality of life and the promotion of Telford & Wrekin as a place of partnership, enterprise and innovation. The team supports the whole Council to deliver economic, efficient and effective services⁴ and achieve the Council's vision, priorities and values.

2.2 Internal Audit Objectives

- 2.2.1 To review the effectiveness of the governance, risk management and control processes of the Council to aid improvement, provide a level of assurance and an opinion on them to the Council.
- 2.2.2 To provide a respected, cost effective and quality internal audit service including the provision of advice and guidance to assist our customers to meet their objectives and improve their services, including the rationalisation of controls, where appropriate.
- 2.2.3 To deliver activity whilst meeting the requirements of the Public Sector Internal Audit Standards (PSIAS) including the Definition of Internal Auditing and the Code of Ethics (see ANNEX I).
- 2.2.4 To work with the external auditor and other review bodies to provide the most effective internal audit service.
- 2.2.5 To value and continuously develop the team.

2.3 Internal Audit Responsibilities

- 2.3.1 To undertake the statutory Section 151 audit for the Chief Financial Officer (CFO), in line with the Accounts and Audit (England) Regulations 2011.
- 2.3.2 To deliver the Council's annual audit plan taking into account the Accounts and Audit (England) Regulations 2011, the management of risk, senior management consultations, comments from the Audit Committee and any requirements of the External Auditor. The plan is regularly reviewed and amended, if required. Any significant changes are reported to senior management and the Audit Committee.

¹ PSIAS apply the IIA International Standards to the UK Public Sector and have been endorsed as proper practice by CIPFA the Internal Audit standard setters for Local Government.

² Senior management is the Senior Management Team comprising the following officers - Managing Director, Directors and Assistant Directors.

³ The Audit & IG Manager is the Council's Chief Audit Executive as defined in the PSIAS.

⁴ By providing advice and guidance on the management of risks, controls and governance processes in service delivery and by supporting service reviews, restructures and reducing bureaucracy

- 2.3.3 To ensure that there are sufficient resources to deliver the statutory requirements and plan above and to report any potential concerns to the CFO and Audit Committee.
- 2.3.4 To operate as an independent, objective assurance and consulting function designed to add value and improve the effectiveness of the governance, risk management and control processes of the Council.
- 2.3.5 To appropriately manage any potential conflicts of interest in the delivery of internal audit activities and non-audit activities.
- 2.3.6 To provide clear and concise internal audit reports to support management in implementing recommendations to improve services and risk management, control and governance processes.
- 2.3.7 To provide responsive, challenging and informative advice and support on risk management, controls and governance to management.
- 2.3.8 To report to the Audit Committee⁵ as defined in their terms of reference.
- 2.3.9 To develop and maintain a quality assurance and improvement programme covering all aspects of the internal audit activity.
- 2.3.10 To conduct at least once every 5 years an external assessment of internal audit by an appropriate person⁶ from outside the Council. The timing, form of the assessment and the results will be agreed with and reported to the Audit Committee.
- 2.3.11 To investigate all employee cases of suspected financial irregularity, fraud or corruption, except Benefit fraud investigations, in accordance with agreed procedures.

2.4 Internal Audit Authority

- 2.4.1 The Audit & IG Service Delivery Manager is the Council's Chief Audit Executive as defined in the PSIAS.
- 2.4.2 The Audit & IG Service Delivery Manager is line managed by the Council's Chief Financial Officer but has unfettered access to the Managing Director and all Senior Managers within the Council.
- 2.4.3 The Audit & IG Service Delivery Manager reports to the Audit Committee but also has unfettered access to Cabinet Executives, the Chair of the Audit Committee and the External Auditor.
- 2.4.4 In order for internal audit officers to be independent and objective whilst undertaking Internal Audit activity they have the authority to:
 - enter at all reasonable times any Council premises or land;
 - have access to all Council and partner records⁷, documentation and correspondence relating to any financial and/or other transactions or other business of the Council, its employees or members, as considered necessary by the CFO, Monitoring Officer or Audit & IG Manager;
 - have access to records belonging to third parties such as contractors or partners when required;
 - require and receive such explanations as are regarded necessary concerning any matter under examination from any employee, member, partner or third party; and
 - require any employee or member of the Council or any partner/third party to account for cash, stores or any other Council property which is under his/her control or possession on behalf of the Council.

2.5 How the Audit & IG Manager will form and evidence her opinion on the control environment to support the Annual Governance Statement.

⁵ The Audit Committee is the Board as defined in the Public Sector Internal Audit Standards

⁶ Qualified, independent assessor or assessment team

⁷ Records include business e-mail and internet records

- 2.5.1 The Audit & IG Manager prepares an annual audit plan. Internal Audit planning is informed and influenced by the Council's vision, priorities and values, the requirements of the External Auditor, previous Internal Audit work, external networking intelligence, discussions with the CFO and consultations with the Council's service area management teams and senior management.
- 2.5.2 The audit plan outlines the work assignments to be carried out and the resources required. The plan is flexible in order to reflect the changing needs and priorities of the organisation. Work is carried out by the audit team in accordance with the Standards using a risk based audit methodology and each internal audit report provides an opinion on the area reviewed.

2.6 How Internal Audits work will identify and address significant local and national issues and risks

- 2.6.1 The Audit & IG Manager is line managed by the CFO and has quarterly meetings with the Managing Director. Senior Audit staff meet with Assistant Directors and their management teams as required to identify any local and national issues and risks, changes in the service area, and any new areas that require input from Internal Audit.
- 2.6.2 Employees within Internal Audit have access to the CIPFA Audit Panel, West Midlands Internal Audit Group (including Fraud, Contract and Education sub-groups) and other CPD/networking events through CIPFA and the IIA. These support continued professional development and help to identify any issues that may affect the delivery of internal audit services.

2.7 Internal Audit Resources

- 2.7.1 For 2013/14 the Internal Audit team has a resource of 4.3 full time equivalent (fte) employed staff plus at least 50% of the Audit & IG Manager. In addition there is an external contract⁸ which will deliver 45 days of specialist IT audit work and up to 24 days general audit work.
- 2.7.2 As part of the 2013/14 savings the Audit & IG Manager will reduce her hours from 37 to 27 hours per week from September 2013. It is not anticipated that this will have an impact on the Internal Audit plan as non audit tasks will be transferred to the relevant areas within the Council and there will be a slight reduction in project assurance work.
- 2.7.3 The budget for Internal Audit⁹ is approved by the Council following consideration by senior management and the Cabinet.

2.8 Internal Audit and the Audit Committee

- 2.8.1 Internal Audit will report to the Audit Committee on the following:
- a) Approval of the Internal Audit Charter;
 - b) Approval of the risk based Internal Audit Plan;
 - c) Quarterly update reports on internal audit activity and performance against the plan;
 - d) An Annual report containing an opinion to inform the Annual Governance Statement; and
 - e) Any concerns in respect to Internal Audit resources and the level of assurance that can be provided.

⁸ This has been procured through a framework agreement with Staffordshire County Council, Shropshire Council and Worcestershire County Council for the provision of general and specialist IT audit work.

⁹ Including the remuneration of the Audit & IG Manager.

Public Sector Internal Audit Standards

The definition of Internal Auditing within the Standards is:

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

Code of Ethics - Summary

Internal auditors in UK public sector organisations must conform to the Code of Ethics within the Standards. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

There are 4 principles in the code of ethics:

- 1) Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- 2) Objectivity – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
- 3) Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- 4) Competency – Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.¹⁰

¹⁰ Information can be found at www.public-standards.gov.uk

Information Governance Work Programme 2013/14

No	Task	Completion date & comments
1	Administer FOI/EIR/DPA requests, appeals, complaints and associated correspondence from the ICO	Ongoing
2	Agree and deliver an IG training and awareness programme and ensure the content of the induction programme is appropriate.	Ongoing
3	Keep the IG and security framework up to date including the Corporate Information Security Policy and associated procedures. Disseminate changes across the Council	Agree framework and IG strategy with Audit Committee/SMT Review CISP by end of April 13.
4	Introduce compliance work programme and undertake activities including records management	Agree compliance programme by end of April 13. Ongoing for compliance activities.
5	Complete and keep under review the Corporate Retention & Disposal Schedule	Complete by end of April 13. Ongoing for updating and review of schedule.
6	Review use of new secure communications system	End of May 13
7	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	Ongoing
8	Support service areas to address any information security risks that arise	Ongoing
9	Support information sharing and the production of information sharing agreements	Ongoing
10	Review of the publication scheme and ensure service areas are keeping it up to date	End of May 13
11	Review and update intranet and internet pages for FOI and DPA	Intranet review ongoing. Internet review by end June 2013
12	Complete N3 connection assessment for central government	March 14

APPENDIX C

13	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications	Ongoing
14	Report to the Audit Committee on progress against the work programme and any issues arising	June 2013 September 2013 June 2014

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 26th MARCH 2013

INTERNAL AUDIT PLAN and CHARTER 2013/14 and INFORMATION GOVERNANCE WORK PROGRAMME 2013/14

REPORT OF THE CHIEF FINANCIAL OFFICER AND THE AUDIT & IG MANAGER

1 PURPOSE

- 1.1 To seek the approval of Members of the Audit Committee to the Internal Audit Plan and Charter for 2013/14 and for them to note the contents of the Information Governance Work programme 2013/14

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee:

- a) approve the Internal Audit Plan and Charter for 2013/14 attached as Appendices A and B;
and
b) note the Information Governance work programme for 2013/14 attached as Appendix C.

3 SUMMARY

- 3.1 The terms of reference of the Audit Committee include:
"The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan". This report presents the Internal Audit Plan and Charter for 2013/14 for approval.
- 3.2 The Chief Financial Officer (CFO) has responsibilities under s 151 of the Local Government Act 1972 and the Accounts and Audit (England) Regulations 2011 as follows:

Internal audit

6. A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

- 3.3 Under the same regulations Internal Audit provide part of the assurance on the Council's internal controls reported within the Annual Governance Statement which accompanies the accounts. The CFO is therefore responsible for ensuring that the internal audit plans coverage is appropriate and sufficient to meet all these obligations.
- 3.4 The Internal Audit standard setters for local government are CIPFA and from the 1st April 2013 the Public Sector Internal Audit Standards will replace the existing Code of Practice. One of the requirements of the standard is for Internal Audit to have a Charter that defines the internal audits activity's purpose, authority and responsibility. Internal Audit has previously had a Strategy which was approved by the Audit Committee and incorporated some of these requirements. To avoid having an additional document the strategy has been reviewed, updated and renamed the Internal Audit Charter to include these requirements.

- 3.5 The terms of reference of the Audit Committee also include Governance responsibilities including:

Consider the effectiveness of the Council's governance processes and their compliance with best practice including:

- a) *the Council's Code of Corporate Governance;*

- b) *the Council's information security framework;*
- c) *the management of opportunities and risks; and*
- d) *other corporate governance arrangements.*

Consider the effectiveness of the control environment including reviewing the Council's Code of Corporate Governance and other corporate governance arrangements to ensure compliance with best practice.

- 3.6 Information Governance is a key part of the Council's corporate governance arrangements. Members received a work programme for 2012/13 and an update report in September 2012. The annual report for 2012/13 will be presented to the June 2013 Audit Committee. This report includes the Information Governance 2013/14 work programme for noting by the Committee. Progress against this programme will be reported to the Committee in September 2013. These arrangements contribute to the assurance provided to the Committee on the Council's information governance arrangements.

4 PREVIOUS MINUTES

Audit Committee 27th March 2012 (2012/13 Internal Audit Plan and Strategy and Information Governance Work Programme 2012/13)

5 INFORMATION

- 5.1 Internal Audit has a statutory obligation under legislation outlined in paragraph 3.2 above and also strives to provide a quality and up to date service for the Council.
- 5.2 Internal Audit work, in addition to obtaining assurance on controls for the Council, aims to challenge where controls are not required or make suggestions for adjustments to existing controls to make processes more efficient so that managers and their teams can achieve their objectives and contribute to the achievement of the Council's priorities. This is part of the Council's corporate governance framework and the effective management of risks.
- 5.3 Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance¹ to managers, Members and the Council as a whole on the internal control arrangements, an annual programme of work (annual Audit Plan) is developed.
- 5.4 In accordance with good practice, Internal Audit planning should be directly linked to the Council's objectives and priorities. This base is then informed and influenced by previous Internal Audit work, requirements of the External Auditor, external networking intelligence, discussions with the CFO and consultations with the Council's service area management teams and the Senior Management Team.
- 5.5 The draft plan attached as Appendix A (with more detail for the ICT audit work attached as Annex 1 to Appendix A) has been drawn up based on the internal and external audit resources available for 2013/14 (see 5.6 below), the factors in paragraph 5.4 above and detailed discussions with the CFO. The resultant plan provides reduced but reasonable assurance on the areas outlined. It also includes all the work identified by the external auditor that can be undertaken by Internal Audit to meet their requirements. If this was not included then the external audit fee would increase significantly (by approximately over £100,000).
- 5.6 The planned resources for 2012/13 were 1032 days plus 58 days external specialist ICT audit work. For 2013/14 the resources available are 931 days plus 45 days specialist ICT audit work. This is a reduction of just over 10% compared to 2012/13 as previously notified to the committee. This is due to the need for additional savings to support the 2013/14 budget strategy including a

¹ Internal audit can only provide reasonable and not absolute assurance due to undertaking the work at a moment in time and with limited resources.

reduction in the Audit & IG Managers hours and the removal of some resources previously provided by the Information Governance team (due to reduced resources in this area).

- 5.7 Based on good practice the plan includes just under an 8% contingency to meet any unexpected work requirements, any changes identified during the year or changes to resources during the year. Due to the nature of the plan and its link to risks, during delivery there will be regular dialogue with the CFO, SMT and managers to ensure that the appropriate risks and controls are being reviewed, maximising the use of resources. Any significant changes will be agreed with the CFO and SMT and reported to this Committee.
- 5.8 The external auditor undertakes their own planning process and presents their plan to the Audit Committee. Internal Audit and Senior Management liaise with them to ensure that duplication is avoided, that the key risks are reviewed and that the external audit fee is minimised.
- 5.9 Members should note that specialist ICT audit work at the Council is provided by an external contractor. The current contract with Deloitte's come to an end on 31st March 2013. The Council has joined up with Staffordshire County Council, Shropshire Council and Worcestershire Council in a joint procurement process for specialist IT and general audit work. This is saving the Council money in that Staffordshire are leading on the procurement process. This new contract will be effective from August 2013 and it is anticipated that due to the combined volume of work the fees agreed should be very competitive.
- 5.10 As outlined in paragraph 3.4 the new Public Sector Internal Audit Standards require the Council to have an Internal Audit Charter. The draft Charter for 2013/14 (attached as Appendix B) expands on the existing strategy and will be reviewed annually. It sets out Internal Audit's purpose, authority and responsibility in addition to the resources and reporting arrangements.
- 5.11 As outlined in paragraph 3.5 the Committee also considers the effectiveness of the Council's information governance arrangements. The Information Governance work programme for 2013/14 (attached as Appendix C) is presented for noting. Progress against this programme will be reported to the September 2013 meeting.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equalities	During audit work any equality issues identified are reported to the appropriate level of management. The strategy recognises the Council's obligations under Equalities legislation and internal policies and how Internal Audit will meet them.
Environmental or Sustainability Impact	During audit work any environmental or sustainability issues identified are reported to the appropriate level of management.
Legal Implications	The legal implications are contained within the main body of this report. Also included in the main body of the report is reference to the Public Sector Internal Audit Standards the mandatory best practice for all principal local authorities. The Internal Audit service will, where appropriate, review compliance with legislation as part of their work. In respect to the Information Governance team they are responsible for ensuring that the Council's Information Governance framework enables the Council to comply with relevant legislation including Data Protection Act 1998.
Links with Council Priorities	Internal Audit work through the plan and charter supports all services in the delivery of the Council's priorities. A sound Information Governance framework is also important in supporting the Council to deliver its priorities.
	The Internal Audit Service and Information Governance teams operate and

Financial Implications	deliver their plan, charter and work programme from within existing budgets.
Opportunities and Risks	<p>The role of internal audit includes a review of the controls in place to manage the risks within service areas. The reports produced assist the Council in improving systems and controls (reducing risks) and therefore the delivery of services and the achievement of objectives. The Audit Plan will be flexible in order to reflect the changing risks and priorities of the Council and will have an ongoing dialogue with stakeholders.</p> <p>The Information Governance work programme assists the Council to identify the information risks and opportunities and makes recommendations to ensure risks are being appropriately managed by service areas.</p>
Ward Implications	Internal audit and Information Governance work covers all wards within the Borough.

7

BACKGROUND PAPERS

Internal Audit Plan 2012/13

Internal Audit Strategy 2012/13

Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector

Networking and benchmarking information.

Information Commissioner's Office guidance

Report by Jenny Marriott Audit & Information Governance Manager 383101

Line	Audit Area	Service Area	AD	Risk rating	Days	Additional comments	Phasing
1	General ledger, assets & capital accounting	Finance, Audit & IG	KC	n/a	35	Contributes to External Audit	
2	P2P (creditor payments)	Finance, Audit & IG	KC	n/a	25	Contributes to External Audit	
3	Cash collection	Finance, Audit & IG	KC	n/a	20	Contributes to External Audit	
4	Treasury Management	Finance, Audit & IG	KC	n/a	10	Contributes to External Audit	
5	Corporate Governance (including risk management)	Finance, Audit & IG	KC	n/a	18	Contributes to External Audit	
6	Payroll/HR	Finance, Audit & IG	KC	n/a	25	Contributes to External Audit	
7	Resource allocation system (RAS)	Care & Support	KK	H	12	Early April 2013	
8	Personal budgets support team	Care & Support	KK	H	12	Requested Q3 for audit	
9	Joint commissioning, adults, children's, CCG, partners	Care & Support	KK	H	15		
10	Deprivation of Liberties Safeguarding process (DOLS)	Care & Support	KK	M	3	LA taking over Health responsibilities	
11	Public Health - detailed areas to be determined but initially transfer of contracts	Public Health	CW	M	10	New service	
12	Service Planning & Performance information	Co-operative Council	RP	H	20		
13	Commercial activities/setting up the company	Co-operative Council	RP	H	8		
14	Brokerage/commissioning - how new arrangements are working	Children's Safeguarding	KP	H/M	5	Areas not covered in 12/13 audit	
15	How to C&F consult with stakeholders and how is the info applied	Children's Safeguarding	KP	L/H	5		
16	How education & special education needs are considered when in the safeguarding system	Children's Safeguarding	KP	M/H	10		
17	CAMHS - the needs of children outside the area	Children's Safeguarding	KP	H/M	8		
18	Protocol systems review	Children's Safeguarding	KP	M	8		
19	Housing Benefits audit including welfare reforms	Customer & People Services	AA	H	25	Contributes to External Audit	Nov - January
20	Local council tax support scheme	Customer & People Services	AA	H	25	New local scheme	Nov - January
21	Review of postal arrangements	Customer & People Services	AA	H/M	8		
22	Sales Ledger	Customer & People Services	AA	n/a	22	Contributes to External Audit	Sept - Nov. Draft Nov & finalise before Xmas
23	Council tax	Customer & People Services	AA	n/a	18	Contributes to External Audit	Quarter 2
24	NNDR including monitoring of localisation of business rates	Customer & People Services	AA	n/a	23	Contributes to External Audit	Quarter 2
25	Social Fund - Local Crisis Assistance & Local Resettlement Assistance	Customer & People Services	AA	H	15	New area and local scheme	Quarter 2 - scope agreed June
26	Specialist IT audit work	Customer & People Services	AA	H/M	45	Provided by external contract	
27	Internal IT audit work	Customer & People Services	AA	H/M	35	Provided by team	
28	Catering - areas to be agreed but may include Cafe Go	Customer & People Services	AA	M	10	New and follow up cashless work	
29	Minimising empty homes	Development, Business & Housing	DS	H	6		
30	Disabled facilities grant	Development, Business & Housing	DS	M/H	8		
31	Empty properties and registered providers	Development, Business & Housing	DS	M	5		
32	Contract life cycle review	Development, Business & Housing	DS	M/H	20		Quarter 1
33	Governance of the LEP and associated arrangements	Development, Business & Housing	DS	M	5		
34	BSF project assurance	Education & Skills	JC	M	4		
35	Schools (18-20 schools)	Education & Skills	JC	H/M	120	Duration since last audit too	
36	Teaching school status schools - the Bridge; Newport Inf; St Peter's Bratton	Education & Skills	JC	M	6		
37	Impulse system	Education & Skills	JC	M	6		
38	Audit of European Social Fund programme	Education & Skills	JC	M	5		
39	School improvement team processes	Education & Skills	JC	M	7		
40	Trading with schools - buy back project assurance but could be extended	Education & Skills	JC	M	5		
41	Ice Rink - project assurance	Neighbourhood & Leisure Services	JR	M	5		
42	Waste Project assurance	Neighbourhood & Leisure Services	JR	H/M	4		
43	Flex system review	Neighbourhood & Leisure Services	JR	H/M	8		
44	Stirchley Rec	Neighbourhood & Leisure Services	JR	H	7	Last audit 2007/08	

45	Ski Centre	Neighbourhood & Leisure Services	JR	H	7	Last audit 2007/08	
46	Wellington Leisure Centre & Cafe	Neighbourhood & Leisure Services	JR	M	8	Last audit 2008/09	
47	Park & Ride - first full year - contract and cash collection	Neighbourhood & Leisure Services	JR	M	7		
48	Parks for People - auditing grant/lottery funding	Neighbourhood & Leisure Services	JR	M	5		
49	Music Education Hub - Council and Arts Council money	Neighbourhood & Leisure Services	JR	M	7		
50	Professional Services Contract annual review	Neighbourhood & Leisure Services	JR	M	3	As agreed Guy Biddulph Quarter 3	
51	Early Intervention - Team Around the Child	Family & Cohesion Services	CJ	H/M	10		
52	Youth offer including the voluntary sector	Family & Cohesion Services	CJ	H/M	10		
53	Triage process	Family & Cohesion Services	CJ	H/M	8		
54	Youth offending offer	Family & Cohesion Services	CJ	M	8	Non core offer	Quarter 3/4
55	Short break statements - disabled/respice and short breaks	Family & Cohesion Services	CJ	M	6		
56	Education psychology - Helen Didlock	Family & Cohesion Services	CJ	M	6		
57	Fleet management processes	Family & Cohesion Services	CJ	M	5		
58	Emergency Planning - public health resilience	Law, Democracy & Public Protection	JE	H	5		
59	Single Status project assurance and maybe testing	Law, Democracy & Public Protection	JE	H	5		
	Total for new audits				796		
	Advice & guidance				30	41 for 12/13	
	Follow ups				35	25 for 12/13	
	Proactive fraud work & NFI				40	40 for 12/13	Blue Badge; Concessionary travel
	Contingency				75	103 for 12/13	
	Sub total				976		
	Available days				976		

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

1.1 For the Audit Committee to note the contents of the Council’s Strategic Risk Register.

2. RECOMMENDATIONS

2.1 That the Audit Committee notes the contents of the Strategic Risk Register attached at Appendix A.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	All
	Will the proposals impact on specific groups of people?	
	Yes	Indirectly different parts of the organisation and community are affected by the Council’s strategic risks and significant projects to help achieve the Council’s objectives.
TARGET COMPLETION/ DELIVERY DATE	Agree strategic risk register – March 2013 and next review September 2013.	
FINANCIAL/ VALUE FOR MONEY IMPACT	Yes	The current budget strategy and capital programme include financial resources for the significant projects listed at the end of Appendix A. Variations from budget will be reported through the financial monitoring process and through the individual project boards and steering groups. Financial monitoring will also highlight financial issues arising from the risk register such as failing to generate assumed level of capital receipts and additional costs arising from a major disaster. The Service & Financial Planning Process includes a strategic review of reserves and balances; this involves consideration of strategic risks and determining levels of reserves and balances which should be retained to safeguard against these. MLB 25.02.13
LEGAL ISSUES	No	There are no specific legal requirements for good governance including risk management but it is implied in the Accounts & Audit (England) Regulations 2011 and is accepted good practice. Within some of the significant projects there are specific legal requirements that must be addressed by the project managers and owners. LF 26.02.13
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	Having a strategic risk register in addition to the management of risks within significant projects will ensure SMT are managing appropriately the opportunities and risks of other strategic activities across the Council. The strategic risk register is also used to support the financial planning process.
IMPACT ON SPECIFIC WARDS	Yes	Between them the Council’s significant projects will affect all Wards. If the Council is not managing strategic risks appropriately then there could also be impacts on all Wards.

PART B) – ADDITIONAL INFORMATION

4. STRATEGIC RISK REGISTER

- 4.1 The Council reviewed the risk management arrangements in March 2012 and through the restructure in Audit and Information Governance removed the Council's dedicated support for risk management integrating the management of risks, including strategic risks into service planning and the everyday management of SDM's and AD's. These revised arrangements did not include the maintenance of a strategic risk register.
- 4.2 A requirement of the Service & Financial Planning process is for reserves and balances to be assessed against a strategic risk register. The CFO therefore requested that the out of date strategic risk register be updated to enable this assessment to take place.
- 4.3 The existing strategic risk register was therefore updated but reflecting that the strategic risks associated with significant projects are being managed through a separate process (list found at the end of Appendix A). The Strategic Risk register has been reviewed by SMT and will be approved by Cabinet at the end of March.
- 4.4 Within the terms of reference of the Audit Committee (which have been updated as part of the Constitution review) there is the requirement for the Audit Committee "Accepting that Risk Management is a Cabinet responsibility the Audit Committee should seek assurances that the authority's risk management arrangements are effective and operating within Council policy". To support this requirement the agreed Strategic risk register is presented for information and to inform any action the Committee may wish to take.
- 4.5 The Strategic Risk register will next be reviewed in September 2013 and the results will be presented to the next available Audit Committee.

5. PREVIOUS MINUTES

- 5.1 Audit Committee 26th June 2012 – Audit, Risk & Information Governance Annual Report 2011/12.

6. BACKGROUND PAPERS

- 6.1 None

**Report prepared by Jenny Marriott - Audit & Information Governance Service Delivery Manager,
Telephone: 01952 383101**

	Risk and Risk Owner	Implications	What are we doing to manage the risk? (Controls)	Further Actions (if any required)
1	<p>Failure to match available resources (both financial, people and assets) with statutory obligations, agreed priorities and service standards.</p> <p><u>Risk Owner</u> SMT – MD and CFO</p>	<p>This situation reflects :</p> <ul style="list-style-type: none"> • The impacts on local families and businesses of the recession and subsequent measures to cut the government's funding deficit which impact directly on them (rising taxation, benefits cuts, etc.) • Significant cuts to public sector funding for the Council (very front end loaded) and other public sector bodies in the area. • Increasing demands on public services. • A radically changing government policy agenda. <p>This could have widespread impacts including :</p> <ul style="list-style-type: none"> • The pressure on and safety of services provided; we particularly need to be aware of those delivered for vulnerable children and adults. • Delivery of the members co-operative priorities and ambitions on behalf of the local community • Ability to hold adequate one-off balances for unforeseen events. 	<ol style="list-style-type: none"> 1. Rigorous planning and monitoring through S&FPG, SMT and Policy Review Group. 2. Savings programme, service reviews and restructuring 3. Rationalisation of council assets & accommodation 4. Rigorous monitoring of capital receipts realisation and impact on the budget 5. Review of reserves and balances against risk exposure and available contingency. 6. Safeguarding Cost Improvement Plan 7. Commercial Enterprise Manager appointed so taking forward projects to assist in the generations of additional resources. 	<ol style="list-style-type: none"> 1. Commence work on 2014/15 and 2015/16 budgets and savings proposals in Summer 2013. 2. Lobbying as part of the Fair Deal for T&W Campaign

	Risk and Risk Owner	Implications	What are we doing to manage the risk? (Controls)	Further Actions (if any required)
2.	<p>Death or serious harm of a vulnerable child or vulnerable adult (Breach of duty of care)</p> <p><u>Risk Owner</u> DCS / DASS Children's Safeguarding Board Adult's Safeguarding Board</p>	<p>Serious case review identifies serious shortfalls in protection and safeguarding practises.</p>	<ol style="list-style-type: none"> 1. Safeguarding Boards scrutinise performance and call partners to account as needed. 2. Work to national inspection standards and respond to actions required from inspections. 3. Children's Safeguarding - Systematic quality assurance role for all managers from frontline team manager through to DCS. 4. Adult safeguarding – multi-agency strategy agreed and regional procedures are now operational. 5. Deleted the £1.7m savings target in 2013/14 budget. 6. Input £0.6m growth into the 2013/14 budget. 7. Created a contingency of £1.3m to be controlled by Cabinet. 	<ol style="list-style-type: none"> 1. Deliver cost improvement plan as agreed with members for Children's and Family Services.

	Risk and Risk Owner	Implications	What are we doing to manage the risk? (Controls)	Further Actions (if any required)
3.	<p>Managing the impact of significant organisational and culture change</p> <p><u>Risk Owner</u> SMT Chief Financial Officer Monitoring Officer</p>	<ol style="list-style-type: none"> 1. Potential weakening of the governance arrangements 2. Increased levels of absenteeism and staff turnover 3. Employee demotivation 4. Loss of service delivery performance and exposure to increased levels of risk in key areas. 5. Increased manifestation of stress 6. The Council operating illegally 7. The Council operating contrary to the constitution 8. Data security breach, inappropriate data sharing and poor data quality 9. Adverse publicity and reduced reputation/trust 	<ol style="list-style-type: none"> 1. Engagement and communication with all staff through structured sessions including the Employee Commission and interactive sessions with Cabinet to support Co-operative working 2. Regular meetings with Trade Union representatives. 3. Loss of service delivery performance and risk exposure monitored through SMT. 4. Constitution – assurance by AD's, Finance, Legal, Internal Audit and external reviews (i.e. External audit and government bodies) 5. All decision making reports must have a professional legal and financial comment included 6. Transparency 7. Codes of conduct 8. Corporate Information Security Policy 	<ol style="list-style-type: none"> 1. Implement the Co-operative Workforce Settlement and Delivery Plan

	Risk and Risk Owner	Implications	What are we doing to manage the risk? (Controls)	Further Actions (if any required)
4.	<p>Decline in the Health & Well Being of the borough due to the economic climate and welfare reforms</p> <p><u>Risk Owner</u> MD/AD Development, Business, and Housing</p>	<ol style="list-style-type: none"> 1. Impact on prosperity, health, welfare and quality of environment for local residents. 2. Impacting on local quality of life 3. The potential to increase demand for specific council services, reduce income and restrict investment returns. 4. The impact could significantly undermine the Council's ability to deliver its objectives. 5. Serious risks for the local community in terms of unemployment, business failure and failure to secure investment in the local economy 	<ol style="list-style-type: none"> 1. Council has adopted a business supporting, business winning approach that will provide a joined up, business facing service that provides the conditions to enable businesses to start up, expand and to attract new investors 2. Destination Telford Programme promoting Telford in partnership as destination of choice for investors as well as visitors and residents. Programme including focus on maximising the benefits to the Borough from major investment opportunities e.g. JLR, working effectively with key partners e.g. UKTI to promote Borough 3. Provision of dedicated Business & Planning First Point providing a one stop shop for all business, planning and property inquiries from the Wellington Civic Office 4. Adoption of Business & Development Charter which pledges to provide a timely, responsive, streamlined planning service including free pre application planning advice, validation within 3 days and cost certainty 	<ol style="list-style-type: none"> 1. Maximise the opportunities from EU, National and LEP related funding opportunities working within and across LEP areas to ensure Borough priorities for improvements to transport infrastructure, investment and business support are promoted nationally 2. Act on the findings of the Employer Skills Survey to ensure a match between skills provision and employer's needs and working with partners to address issues of employability and promote take up of Apprenticeship and Traineeships to support young people into local employment. 3. Crisis support fund in place to be administered by the Benefits Service for

			<p>regarding planning obligations with a commitment to complete S106 agreements within 6 weeks of planning approval.</p> <p>5. Through stewardship agreement with HCA TWC are marketing and leading on disposal of all public sector employment land providing a responsive property and land service which recognises the varying needs of business, offers flexible financial terms and an open approach to investors requirements</p> <p>6. Work closely with the Telford Business Board and professional business networks to provide support and deliver on business issues such as improving local procurement opportunities and supporting business respond to impact of welfare reform</p> <p>7. Through the TWC Business Support Team working effectively with Business Network partners and agencies, ensure that all 4,500 businesses in the Borough receive support tailored to their needs and receive a coordinated and business focussed service from all parts of the Council</p>	<p>those in most need.</p>
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			<ol style="list-style-type: none"> 8. Provide a range of business loan and funding opportunities for start ups, high growth businesses and support business struggling to access finance. 9. Increase in the Discretionary Housing Payments budget to help customers affected by the bedroom tax. 10. More flexible payment arrangements to reflect payment by the 8,000 paying Council tax for the first time. 11. Pre-bailiff Service implemented to assist those struggling with Council tax. 12. Council tax hardship fund created to support those unable to pay Council tax due to extreme hardship. 	
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	Risk and Risk Owner	Implications	What are we doing to manage the risk? (Controls)	Further Actions (if any required)
5	<p>Managing the impact of change in partner organisations.</p> <p><u>Risk Owner</u> - SMT</p>	<ol style="list-style-type: none"> 1. Deterioration of partnership working. 2. Government's NHS structure changes, education reform, Police and Fire services restructures, DWP changes and the impact on housing and council tax benefit and funding cuts across all public sector organisations. 3. Failure to join up services for the benefit of local people 4. Reduced efficiencies / reduced services 5. Increased exposure of vulnerable adults and children. 6. Local Enterprise Partnership (LEP) – not working properly could lead to a potential loss of funding from the region and nationally. 	<ol style="list-style-type: none"> 1. LSP Executive 2. Maintaining communication channels with appropriate senior executives 3. Health & Wellbeing Board in place. 4. Co-operative Commission 5. Local Council tax benefits scheme agreed 22/11/12 	<ol style="list-style-type: none"> 1. LEP strategy to be agreed to ensure all opportunities are pursued.

	Risk and Risk Owner	Implications	What are we doing to manage the risk? (Controls)	Further Actions (if any required)
6	<p>Major Emergency or significant business interruption affecting ability to provide priority services Risk Owner – SMT AD's – Law, Democracy & Public Protection/ Customer & People Services</p>	<ol style="list-style-type: none"> 1. Emergency events such as landslip and flooding in the Gorge, prolonged ICT failure and loss of major utilities impacts on the Council's ability to provide priority services which ultimately could lead to significant risk to human life and the environment. 2. Diversion of staff away from frontline services to respond to the emergency. 3. Legal implications – statutory requirement to have plans in place to respond. CCA 2004. 4. Financial implications of response to an emergency 5. Impact on the council's reputation. 6. From 1/4/13 Public Health joins the Local authority, along with their emergency planning responsibilities. 	<ol style="list-style-type: none"> 1. Maintaining appropriate, risk based contingency plans (Civil Resilience Team) which are exercised and reviewed on regular basis. 2. Individual Service Delivery Managers are responsible for maintaining their business continuity plan (copied to Civil Resilience Team). These plans would be coordinated corporately and the emergency plan activated if necessary. 3. Maintain appropriate levels of trained staff to be able to respond to an emergency. 4. Work collaboratively with other LRF partner agencies, maintaining effective working relationships with the relevant bodies. 5. ICT controls – Disaster Recovery facilities in place based on Priority Services 6. Gorge - Additional funding with conditions received from CLG 7. Various exercises have taken place and lessons learnt have been shared and implemented 	<ol style="list-style-type: none"> 1. Rigorous maintenance and review of plans on an ongoing basis. 2. Work is underway to incorporate Public Health arrangements into existing plans. 3. ICT to ensure their Disaster Recovery procedures are fit for purpose.

	Risk and Risk Owner	Implications	What are we doing to manage the risk? (Controls)	Further Actions (if any required)
7	<p>Failure to generate the assumed level of capital receipts in accordance with the agreed service and financial planning strategy</p> <p>Risk Owner – AD – Development, Business and Housing; AD Planning Specialist; AD –Law, Democracy & Public Protection</p>	<ol style="list-style-type: none"> 1. Financial implications for the Council 2. Impact on strategies and plans for the area 	<ol style="list-style-type: none"> 1. Specialist legal advice 2. Cabinet Members regularly briefed 3. Regular financial monitoring 4. If necessary contingency plans reviewing phasing of planned capital expenditure, schemes included in capital programme, alternative potential disposals and further revenue budget cuts would be prepared. 5. Have reduced the requirement from £114m down to £80m. 	<ol style="list-style-type: none"> 1. Obtain further advice when required from appropriate legal specialists 2. Respond to any requests from Court or Planning appeals processes. 3. Looking for additional capital receipts to support the programme and budget.

Risks of a strategic nature that are being managed through appropriate significant projects

1. Building Schools for the Future
2. Waste Procurement
3. Single Status
4. Town Centre
5. Health reforms including the transfer of public health
6. Strengthening Families
7. Adult Social Care – preparation for and implementation of the requirements of the Care & Support Bill
8. Commercial project for additional income generation