

AUDIT COMMITTEE

**Minutes of a meeting of the Audit Committee held on Tuesday,
26th March 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: J Eatough (Assistant Director: Law, Democracy and Public Protection), J Marriott (Audit & Information Governance Manager), K Kalinowski (Assistant Director: Care & Support), A Astley (Assistant Director: Customers and People) and J Clarke (Democratic Services Officer).

KPMG: H Garrett

AUC-38 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 29th January 2013 be confirmed and signed by the Chairman.

AUC-39 APOLOGIES FOR ABSENCE

Councillor A Meredith

AUC-40 DECLARATIONS OF INTEREST

None

AUC-41 KPMG FINANCIAL STATEMENTS AUDIT PLAN 2012/13

Heather Garrett from KPMG gave a summary of the Financial Statements Audit Plan 2012/13.

The approach to the Statement of Accounts and the Value for Money conclusions had been similar to that of previous years. The audit would be on a risk based approach and would assess the controls the Council had in place to ensure sound financial standing and managing savings plans. It would also be reviewing the Council's potential liabilities ie redundancy provision and single status.

A discussion took place including:

- KPMG Global Services in India
- Savings
- Additional Costs incurred from accommodation savings ie travel to off-site meetings

RESOLVED – that the report be noted.

AUC-42 UPADTE ON THE ABACUS INTERNAL AUDIT REPORT AND IMPLEMENTATION OF RECOMMENDATIONS

The Assistant Director: Care and Support gave an update on the progress of the Abacus Amber Report.

The Abacus system was not a stand-alone system and interfaced with Care First and Aggresso. It had been identified as the system that was the most appropriate and met the required criteria although it had been a complicated process to implement. An audit was taken in 2011. Major service restructuring had taken place with a number of employees leaving or taking up alternative posts and responsibility for the system had to be re-allocated. The service re-modernisation had also had an impact and the consequence of this was that the upgrade to version 162 fell behind. Progress had not been made in a speedy manner and this had impacted on Revenues and Benefits, ICT and Corporate Finance.

A Steering Group had now been set up to ensure that any issues of co-ordination were addressed immediately and a realistic project plan had now been drawn up. Progress had been made in regard to the paragraph 4.2 of the report and since the report had been circulated a further 2 items which had been marked as “not implemented” had moved to “in progress”. There was now a clear strategic lead. A further update would be brought to the September meeting following the upgrade in July 2013 in order to assure the Committee.

A discussion took place including:

- Interaction between the key systems
- Re-structure and re-allocation of responsibilities
- Learning points and ensuring risks are identified at the beginning of a project
- Efficiency of system/duplication of work/manual system
- Reliance on ICT systems that need to communicate
- Investment into ICT infrastructure

RESOLVED – that

- a) the report be noted; and**
- b) following implementation of the upgrade in July, members receive an update on progress at the September meeting.**

AUC-43 UPDATE ON THE AMBER REPORTS FROM JANUARY 2013 MEETING

The Audit & Information Governance Manager gave an update report on the progress and implementation of the recommendations for the amber reports discussed at the January 2013 meeting.

There had been 4 Amber reports:

- Telford Town Park Visitors Centre
- St Peter and St Paul Catholic Primary School
- Telford Tennis Centre
- Bank Contract Review

A follow up had been completed on the Telford Town Park Visitors Centre and St Peter and Paul Catholic Primary School and all recommendations had now been implemented and their revised grading was now green.

The Telford Tennis Centre had received a follow up and due to progress which had been made their grading had changed to yellow. A further follow up would take place in April 2013.

A follow up had been undertaken on the Bank Contract Review and following the progress that had been made they had been re-graded to yellow. A further follow up would take place in May 2013.

The Assistant Director responsible for the Abacus review had been invited to attend at this meeting and had already given a report at AUC-42.

With regard to the Markets and Cash Collection a further follow up would be undertaken in April following the completion of a re-structure. If further progress had not been made the appropriate Assistant Director/Manager would be requested to attend the June Audit Committee in order to provide an update.

A discussion took place including:

- Tennis Centre Contract – outstanding financial regulation comment
- Bank Contract Budget – outstanding financial regulation comment

RESOLVED – that the report be noted.

AUC-44 FEEDBACK FROM THE REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE

The Audit & Information Governance Manager provided members with the results of the survey following the review of the effectiveness of the Audit Committee.

There had been a good return rate of the surveys and the results were overall satisfactory. There were areas that could be improved and the concerns raised were summarised at 5.8 of the report. The Members of the Committee were asked for any actions or ideas on how this could be improved.

A discussion took place including:

- The proposal to hold 3 Audit Committee meetings per year and their appropriate timing
- Information reports to be circulated in between meetings
- The calling of extra meetings as and when necessary for decision making
- Future training

It was discussed that a skills audit could be undertaken to identify any training that the Members required that were linked to the Terms of Reference of the Committee. It was confirmed that the accounts training would continue to be undertaken at the appropriate time. A suggestion was made that risk training may also be appropriate for the Committee.

It was agreed that following the Annual Council meeting in May a skills audit would be circulated to all Members of the Audit Committee and the areas of need and timetable for implementation would be agreed at the June meeting.

RESOLVED – that

- a) the report be noted;**
- b) a skills audit would be taken following Annual Council in May; and**
- c) a training programme and timetable be agreed at the June meeting.**

AUC-45 UPDATE ON THE SPEAK UP POLICY ACTIVITY 2012

The Audit & Information Governance Manager presented a verbal update on the Speak up Policy.

No items had been raised under the official policy during the last 12 months although items were being raised due to restructures and changes to processes rather than using the Speak Up (whistle blowing) Policy. Advice and guidance to support processes had also been given.

The Anti-fraud and Corruption Policy and Annual Report would be brought to the next meeting of the Audit Committee.

It was suggested that employees were reminded that the policies were there for use if necessary.

A discussion took place and it was agreed, following the issues within the NHS that employees were encouraged to build a better organisation by using the policies, although this needed to be conveyed in the correct manner.

RESOLVED – that a reminder be sent to employees to use the Speak Up Policy.

AUC-46 INFORMATION GOVERNANCE STRATEGY 2012/13 – 2015/16

The Audit & Information Governance Manager presented a report on the Information Governance Strategy 2012/13 to 2015/16.

The Information Governance Strategy would be approved by Cabinet as set out in the Terms of Reference and the Committee were asked to comment prior to the April Cabinet Meeting. The Strategy supported and drove the over-arching governance framework. Once the Strategy had been agreed the Information Governance Team would undertake risk-based exercises to ensure that the strategy has been implemented and to check that officers and members adhere to the Strategy.

A discussion took place and it was suggested that Information Governance Team be listed within 3.2 in addition to Appendix A to the report to reflect the full list of roles/responsibilities. It was also agreed that final paragraph of 5.3 to Appendix A regarding PIAs should be deleted as this was a repetition.

RESOLVED – that

- a) the Information Governance Team be listed within 3.2 as well as in Appendix A to the report; and**
- b) the final paragraph of 5.3 to Appendix A be deleted prior to presentation to Cabinet for approval.**

AUC-47 INTERNAL AUDIT PLAN & CHARTER 2013/14 and INFORMATION GOVERNANCE WORK PROGRAMME 2013/14

The Audit & Information Governance Manager presented a report on the Internal Audit Plan and Charter 2013/14 and Information Governance Work Programme 2013/14.

The Terms of Reference set out that approval be given and progress monitored against the Internal Audit Charter and Plan. As from the 1st April 2013 there would be new Public Sector

Internal Audit Standards and these required the Council to have a Charter outlining some of the standards. The Committee were asked to approve the Information Governance Work Programme as set out at Appendix C to the report.

With regard to the Internal Audit Plan resources were limited and were 10% less than last year, 976 days, being 931 days plus 45 days for specialist ICT audit work. This was due to the need to remove some resources and the reduction of staff hours. The impact of the reduced staff hours should be limited due to a reduction of corporate work, allowing the internal audit work to continue.

The current specialist ICT work was currently provided by an external contractor. This contract would come to an end on 31st March 2013. The Council had joined together with Staffordshire County Council, Shropshire Council and Worcestershire Council in a joint procurement process for specialist IT and general audit work which, when implemented in August 2013, would be very competitive and also would reduce costs on the tender process as Staffordshire County Council were leading the procurement process.

The Charter was reviewed on an annual basis and its purpose and responsibilities were set out at Appendix B to the report.

A discussion took place including:

- Importance of contingency plans during the coming year which would be challenging ie social fund/local crisis assistance re-settlement
- Robust processes
- Interim Audit being undertaken by KPMG
- Public Health work outlined in the plan

RESOLVED – that

- a) the Internal Audit Plan and Charter for 2013/14 be approved; and**
- b) the Information Governance Work Programme for 2013/14 be noted.**

- **AUC-48 STRATEGIC RISK REGISTER**

The Audit & Information Governance Manager presented a report on the Strategic Risk Register.

Due to re-organisation and changes to risk management there had not been a formal register for 12 months. There was a requirement within the Service & Financial Planning process for reserves and balances to be assessed against a strategic risk register and the Chief Financial Officer therefore requested that the out of date register be updated to enable the assessment to take place. The new Strategic Risk Register would be taken to the March Cabinet for approval.

The significant projects at the end of the strategic risk register were subject to a clearly identified governance arrangements and were therefore not included in the strategic risk register. These were:

- Building Schools for the Future
- Waste Procurement
- Single Status
- Town Centre and Box Road

- Health reforms including the transfer of public health
- Strengthening families
- Adult Social Care – preparation for and implementation of the requirements of the Care & Support Bill
- Commercial project for additional income generation

For each of these areas there would be a project based sponsor who would report back to the Senior Management Team and members, as appropriate.

There were 7 strategic risks listed on the register at Appendix A to the report.

An emerging responsibility in respect to Emergency Planning would be Public Health emergency planning the responsibility for which would be transferred to the Council on 1st April 2013.

A discussion took place on:

- BSF Project and procurement processes
- Children's Services

RESOLVED – that the report be noted.

The meeting ended at 7.12 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:

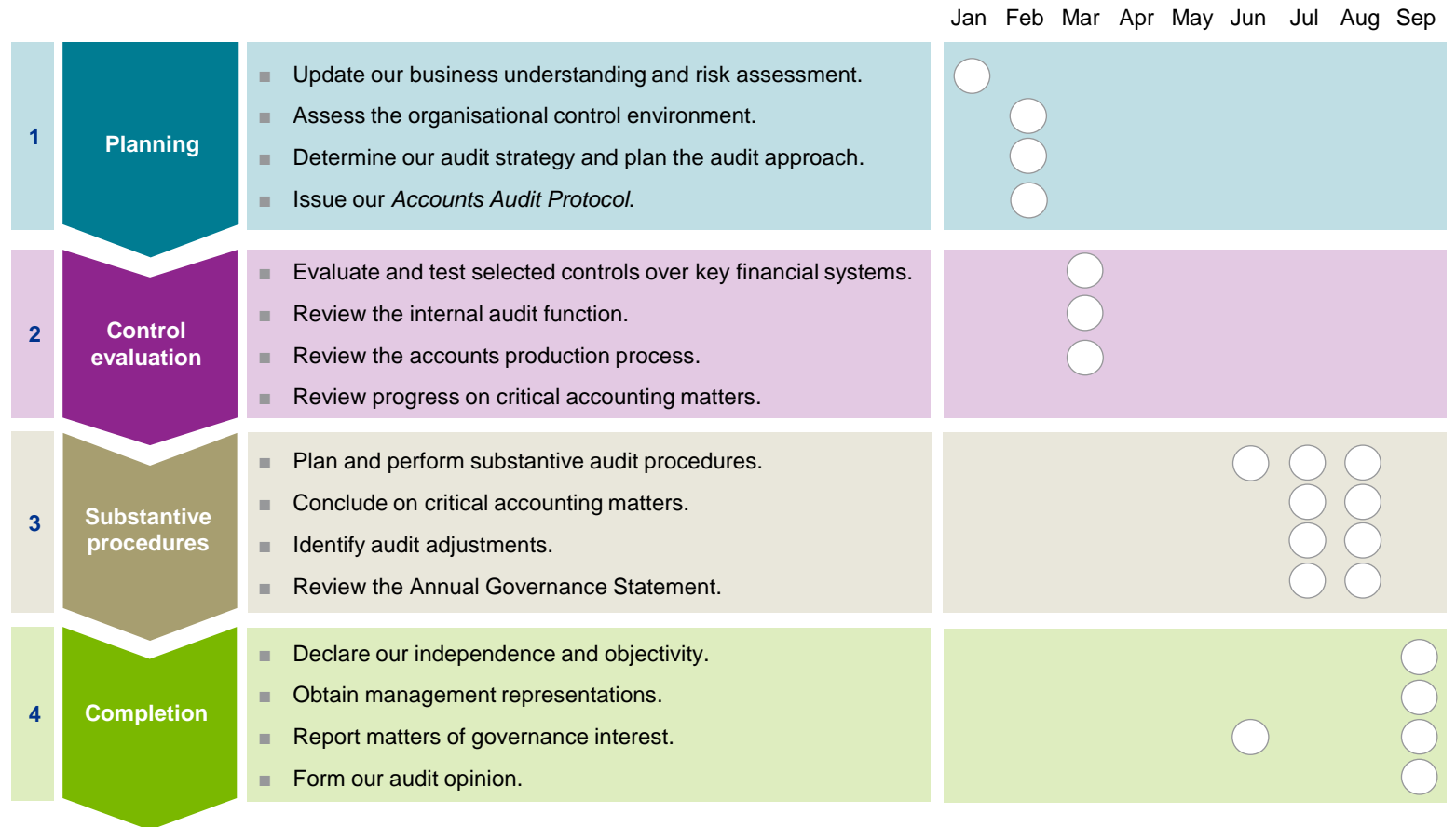
- approach to the audit of the financial statements;
- approach to VFM work; and
- audit team, proposed deliverables, timescales and fees for our work.

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.

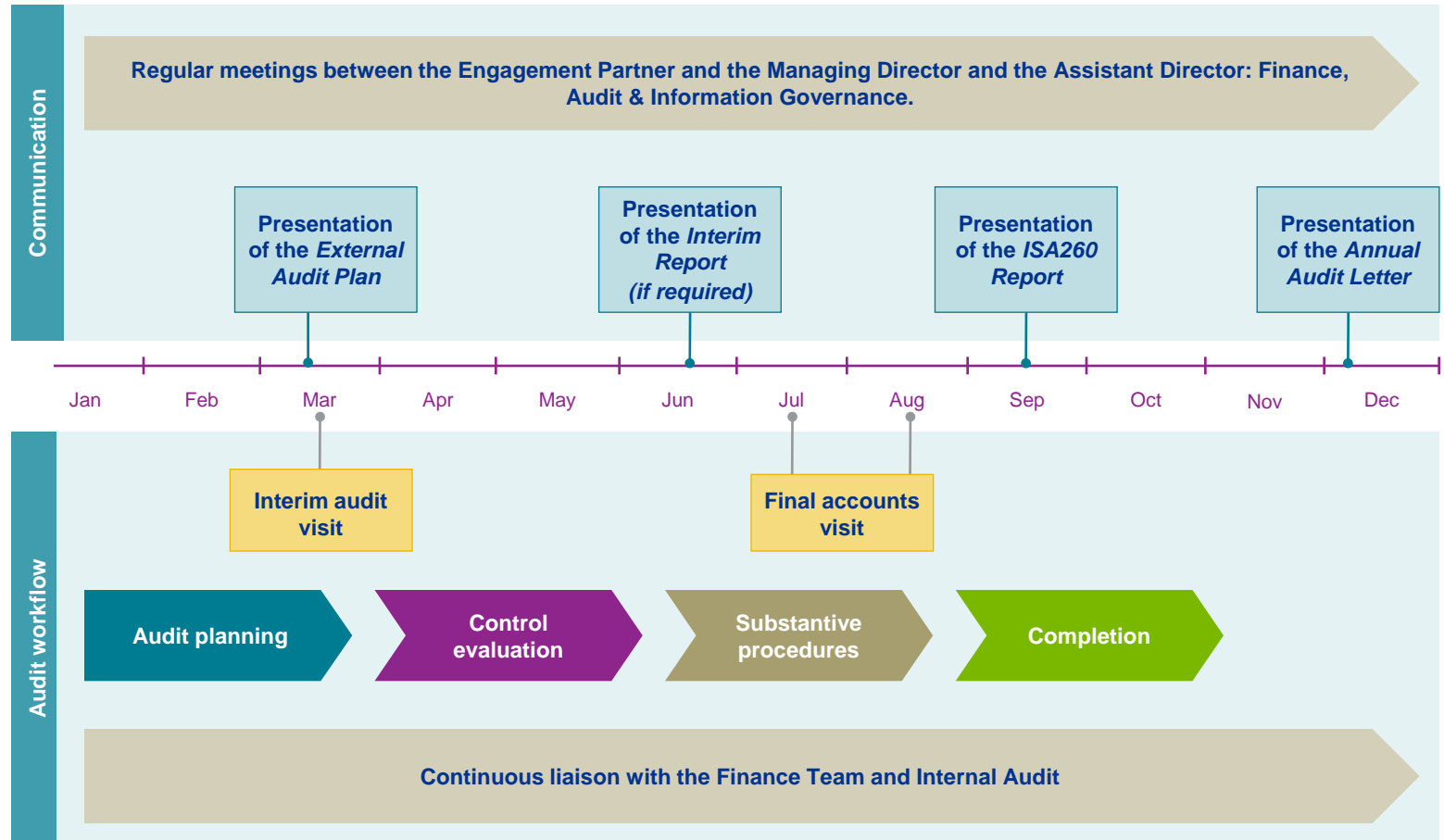
Key formal interactions with the Audit Committee are:

- 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.

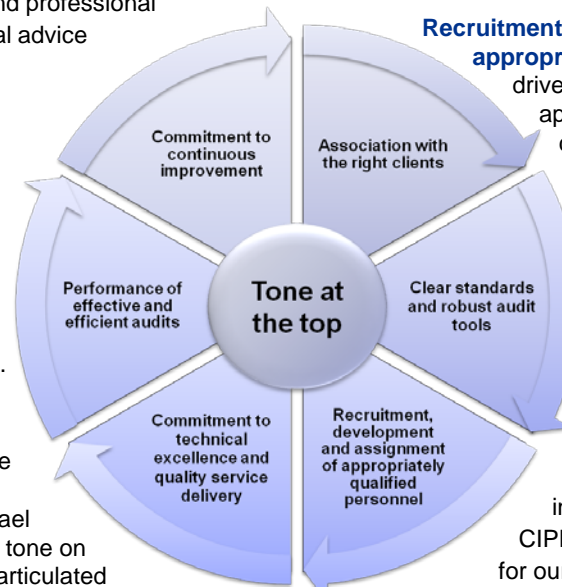
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

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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To Jenny Marriott

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RECEIVED 30 APR 2013

Mr R Partington
Managing Director
Telford & Wrekin Council
Addenbrooke House
Ironmaster Way
Telford Centre
TF3 4NT

Our ref TWC/1314/FeeLetter

26 April 2013

Dear Richard

Annual audit fee 2013/14

I am writing to confirm the audit work and fee that we propose for the 2013/14 financial year at Telford & Wrekin Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission.

As we have not yet completed our audit for 2012/13, the audit planning process for 2013/14, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

The proposed indicative audit and certification fees for 2013/14 are shown below. All fees are subject to VAT.

Audit area	Planned fee 2013/14	Planned fee 2012/13
Code of Audit Practice audit fee	155,088	155,088
Certification of grant claims & returns	13,586	16,850
Total	168,674	171,938

The audit fee is unchanged from the planned fee for 2012/13 and is in line with the scale fee recommended by the Audit Commission.

The Audit Commission has calculated the composite indicative fee for the certification of grant claims and returns. This based on the Council requiring specific grants claims and returns to be certified. I will write to you later this year with more details on our certification work.

The indicative fees are 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. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the 2012/13 audit. The grants certification fee has reduced to reflect the cessation of certification work in relation to the National Non-Domestic Rates return (NNDR3). A more detailed audit plan will be issued later this financial year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and Ken Clarke (Assistant Director – Finance, Audit & Information Governance) and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

I expect to issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 2.

The proposed fee excludes any additional work we may agree to undertake at the request of Telford & Wrekin Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you. The proposed fees also exclude the costs of ongoing work in relation to an elector query which has already been raised with us.

The key members of our audit team for the 2013/14 audit are:

Name	Role	Contact details
Heather Garrett	Senior Manager	heather.garrett@kpmg.co.uk +44 (0) 161 246 4294 +44 (0) 777 191 2816
Sophie Whelan	Assistant Manager	sophie.whelan@kpmg.co.uk +44 (0) 121 232 3694 +44 (0) 791 789 4110

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website (www.audit-commission.gov.uk) or on request.



KPMG LLP
Annual audit fee 2013/14
26 April 2013

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. A. McDonagh'.

Michael A McDonagh
Partner

cc: Ken Clarke (Assistant Director: Finance, Audit & Information Governance)

Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2012/13;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2013/14 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- fees relation to any additional work will not be required to address questions or objections raised by local government electors, both in relation to questions already raised and any raised at a future point, or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998, are not covered by this letter and will result in additional fees.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

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

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 25 JUNE 2013

TREASURY MANAGEMENT - 2012/13 ANNUAL REPORT AND 2013/14 TO DATE

REPORT OF THE ASSISTANT DIRECTOR: FINANCE, AUDIT & INFORMATION GOVERNANCE (CHIEF FINANCIAL OFFICER)

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

The report updates members on the outcome of Treasury Management activities for 2012/13 and details the position for 2013/14 to date.

2012/13 Treasury Outturn

The treasury portfolio ended the year with net indebtedness of £79.2m (borrowing: £110.6m less investments: £31.4m), a reduction of £15.4m compared to the position at 31 March 2012. Base rate was 0.5% for the whole year and is predicted to stay at 0.5% until mid 2016.

The borrowing strategy for 12/13 was to use maturing investments to reduce borrowing where possible. Borrowing was £37m lower at 31 March 2013 compared to 31 March 2012 which was due to £6m repayment of PWLB loans and a reduction in temporary borrowing at year end. Short term borrowing was used to fund short term cash flow requirements during the year, also at favourable interest rates.

The investment strategy for 12/13 was to gain maximum benefit with security of capital being the key consideration. The average return on investments for the year was 3.86% against a benchmark of 0.49%; further, comparative information from our treasury advisors, Arlingclose, highlights that our rate of return is significantly higher than their other local authority clients.

Overall, treasury delivered a net over-achievement of £0.923m against the budget in 2012/13.

2013/14 Update

The strategy for 2013/14 remains consistent with that of the previous year. Investment opportunities will be reviewed as they arise, where possible maturing investments will be used to reduce the need to borrow, and we will seek to gain maximum benefit within the agreed risk parameters.

There has been no new borrowing undertaken to date in 2013/14. Investments were £63m at 31 May 2013.

Prudential Indicators

There are no breaches of the Prudential Indicators set at Full Council and none have been amended.

2. **RECOMMENDATIONS**

Audit Committee Members are asked to:-

- 2.1 note the contents of the report
- 2.2 note the performance against Prudential Indicators.

3. ***SUMMARY IMPACT ASSESSMENT***

COMMUNITY IMPACT Do these proposals contribute to specific priority plan objectives?

Yes/No Efficient Community Focussed Council

Will the proposals impact on specific groups of people?

Yes/No

***TARGET
COMPLETION /
DELIVERY DATE***

Part of ongoing Treasury Management Activities within the Treasury Management Strategy and Policy approved by Council.

***FINANCIAL/VALUE
FOR MONEY IMPACT***

Yes/No Where appropriate these are detailed in the body of the report.

LEGAL ISSUES

Yes/No The AD: Finance, Audit and IG (Section 151 Officer), has responsibility for the administration of the financial affairs of the Council. In providing this report the Section 151 Officer is meeting one of the responsibilities of the post contained within the Council's Constitution at Part 2, Article 12, paragraph 12.04(f) which states "The Chief financial Officer will contribute to the promotion and maintenance of high standards of governance, audit, probity and propriety, risk management and the approval of the statement of accounts through provision of support to the Audit Committee."

***OTHER IMPACTS,
RISKS AND
OPPORTUNITIES***

Yes/No The key opportunities and risks associated with treasury management activities are set out in the body of the report and in the Treasury Management Strategy and Policy approved by Council and will be regularly monitored throughout the year.

***IMPACT ON
SPECIFIC WARDS***

Yes/No

4. **PREVIOUS MINUTES**

Council 1 March 2012

Audit Committee 26 June 2012

Audit Committee 29 January 2013

Council 7 March 2013

PART B – ADDITIONAL INFORMATION

5. BACKGROUND

Treasury Management in local government is regulated by the 2001 revision of the CIPFA Treasury Management in Public Services : Code of Practice (the Code). This Council has adopted the Code and fully complies with its requirements. The primary requirement of the Code is the formulation and agreement by full Council of a Treasury Policy Statement, which states the policies and objectives of its treasury management activities.

A requirement of the Council's Treasury Management Practices is the reporting to the Council of both the expected treasury activity for the forthcoming financial year (the annual treasury strategy statement) and subsequently the results of the Council's treasury management activities in that year (this annual treasury report).

6. 2012/13

The annual report is covered in paragraphs 6-15 and deals with: -

- 2012/13 Portfolio position;
- the borrowing strategy for 2012/13;
- the borrowing outturn for 2012/13;
- compliance with treasury limits;
- investments strategy for 2012/13;
- investments outturn for 2012/13;
- debt rescheduling;
- Shropshire Council debt
- overall outturn position
- leasing

7. 2012/13 PORTFOLIO POSITION

The Council's treasury management position at the beginning and the end of the year was as follows: -

	31 March 2013		31 March 2012	
	Principal £m	Rate %	Principal £m	Rate %
Borrowing	<u>110.614</u>	3.49	<u>147.670</u>	3.41
Total Debt	110.614	3.49	147.670	3.41
Investments	<u>31.426</u>	3.86	<u>53.060</u>	3.46
Total Investments	31.426	3.86	53.060	3.46
Net Indebtedness	<u>(79.188)</u>		<u>(94.610)</u>	

There was no new borrowing and repayment of £6m PWLB during 2012/13; temporary borrowing was also nil at 31 March 2013. The capital programme was funded from a combination of capital receipts, grants and other external contributions plus funds from maturing investments; This has resulted in borrowing and investments both

reducing during the year. Prudential borrowing actually reduced slightly in 2012/13 due to capital receipts and slippage.

The Adopted Treasury Strategy was to:-

- Monitor borrowing opportunities determined by the prevailing markets.
- To use maturing investments to reduce borrowing where possible.
- Reduce the volatility of investment returns while maintaining adequate flexibility in arrangements.
- To achieve optimum return on investments commensurate with proper levels of security and liquidity.

9. **COUNCILS RESPONSE TO ECONOMIC CLIMATE**

- 9.1 2012/13 saw continued problems with both sovereign and individual bank credit ratings. Base rate remained at 0.5% throughout the whole of 2012/13. The UK economy has dipped in and out of recession. Base rate is generally predicted to stay at 0.5% until mid 2016.
- 9.2 The Council has reduced both the amount and duration of its investments and as other investments mature, total investments will be reduced further. These funds were used to reduce the need to borrow and reduce exposure to investment risk.
- 9.3 We have closely followed guidance issued by our Treasury Advisors in relation to credit ratings, financial standing and duration.

10. **BORROWING 2012/13**

10.1 **Original Economic Projections**

The Expectation for Interest Rates – When the budget was set for 2012/13 the “average” City view anticipated that Bank Rate would remain at 0.5% until mid 2014 before starting to rise gradually back towards more normal levels in 2015, though it would be 2017 before Bank Rate returned to around 4.5%.

10.2 **Outturn 2012/13**

During 2012/13 the Monetary Policy Committee (MPC) was focused on helping the economy to recover, but against a backdrop of inflation remaining above its target level.

Despite keeping Bank Rate at an unprecedented historical low of 0.5% all year, the MPC increased the level of quantitative easing from £325bn to £375bn.

The dominant focus in 2012/13 was on quarterly GDP growth figures. Whilst there was growth of 0.9% in quarter July-Sept 2012 the economy shrank in all the other quarters, leaving growth for the year at 0.2%.

Inflation has been a major concern of the MPC as it has remained above the 2% target level for CPI for the whole of 2012/13. Inflation is predicted to gradually fall, but is likely to remain above target for some time.

Borrowing and Investment Rates in 2012/13

The overnight investment rate has varied little during the year. The 3 month investment rate has fallen gradually throughout the year to stand at 0.44% at year end having started the year at 1%. This has been as a direct result of the governments funding for lending scheme.

Treasury Borrowing and Rescheduling

The borrowing strategy for the current year has been to use maturing investments to reduce the Council's exposure to interest and market volatility and reduce borrowing where possible.

During the year we borrowed no new PWLB loans, although we did have some maturities totalling £6m.

PWLB Repayments & Discounts

No loans were repaid early or rescheduled during the year.

An analysis of the maturity structure of our debt is shown below.

Analysis of Debt Maturity as at 31st March

	2013		2012	
	£'000	%	£'000	%
Maturing in less than 1 year	11,093	10.0	37,148	25.2
Maturing in 1-2 years	11,001	9.9	11,001	7.4
Maturing in 2-5 years	3,002	2.7	13,002	8.8
Maturing in 5-10 years	2,506	2.3	3,505	3.5
Maturing in more than 10 years*	<u>83,012</u>	75.1	<u>83,014</u>	56.2
	<u>110,614</u>	100.0	<u>147,670</u>	100.0

* this includes £60m LOBO (Lenders Option Borrowers Option) loans that are potentially callable at certain points before the maturity date. There is therefore the potential that these loans would have to be replaced sooner exposing the council to the prevailing market at that time. To-date, no LOBOs have been called before maturity.

Debt Performance

As highlighted in section 7 the average debt portfolio rate has risen over the course of the year from 3.41% to 3.49%. This is due to the lack of temporary borrowing the council had to do in 2012/13 as compared to 2011/12. The low rates of this in 2011/12 reduced the overall interest rate of the portfolio in that year.

11. COMPLIANCE WITH TREASURY LIMITS

During the financial year the Council operated within the Treasury Limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement at all times. The outturn for the Prudential Indicators are detailed in Appendix 1 which shows that no limits were breached during the year.

12. **INVESTMENTS 2012/13**

12.1 **Strategy**

Internally Managed Investments - The authority currently manages all of its investments in-house and invests within the institutions complying with its counterparty limits and credit ratings. Some investments are short term related to cash flows and others include longer term investment instruments that benefited returns in 2012/13.

Investment Strategy - The agreed short term investment strategy for 2012/13 was to achieve optimum return on investments commensurate with proper levels of security and liquidity and to use maturing investments to reduce the need to borrow, where possible.

12.2 **Outturn 2012/13**

Detailed below are the results of the investment strategy undertaken by the Council, based on the average investment during the year.

	Average Investment	Rate of Return (gross of fees)	Rate of Return (net of fees)	Benchmark Return *
<u>Internally Managed</u>				
Investments	£48.181m	3.86%	3.86%	0.49%

No institutions in which investments were made showed any difficulty in repaying investments and interest in full during the year.

13. **SHROPSHIRE COUNCIL DEBT**

The Council makes an annual contribution (£2.017m in 2012/13) towards County Council costs on pre disaggregation debt (i.e. pre unitary inception) - interest paid averaged 5.40% last year. The rate of interest paid on this is managed by Shropshire and is considerably higher than the rate payable by Telford & Wrekin Council on its borrowing.

14. **OVERALL OUTTURN FOR 2012/13**

The net overall position is summarised in the table below. The sound overall position has resulted from a mix of cash flow benefits plus proactive treasury management activities. The budget reflected the position when the budget was set, the underspend has been achieved through active management of debt principal and the low interest rates prevailing for the year. Overall a net saving of just over £0.9m was made against budget for the year.

Summary of Outturn Position

	Estimate £m	Outturn £m	Variance £m
Interest Received (net of debt mgt costs)	(1.448)	(1.752)	(0.304)
Principal Repayments	6.199	5.841	(0.358)
Interest Paid	<u>5.624</u>	<u>5.363</u>	<u>(0.261)</u>
Net Position	10.375	9.452	(0.923)

15 **LEASING**

Each year the Council arranges operating leases for assets such as vehicles, computers and equipment. This helps spread the cost over a number of years in line with the anticipated life of the equipment.

The final drawdown for 2012/13 was completed in March. The drawdown from JCB Finance totalled £0.252m and funded the purchase of vehicles and a grass cutter over five years and seven years at an interest rates of 1.01% and 1.42%.

16. **2013/14 UPDATE**

The remainder of this report deals with the current financial year based largely on information to 31 May 2013.

16.1 **Strategy**

The strategy for 2013/14 is to continue to use maturing investments, where possible, to reduce the need to borrow thus reducing investment exposure. We will review investment opportunities if they arise and also review borrowing opportunities as we progress through the year and look to take advantage of the advantageous interest rates if possible.

16.2 **Interest Rates**

Base rate began the year at 0.5% and has remained there. The current expectation is that there will be no increase before June 2016.

16.3 **Prudential Regime**

This Council agreed its required indicators at Council on 7 March 2013. There have been no breaches of the indicators and none have been amended. The Council set itself an Operational limit for external debt of £188m for 2013/14 and an Authorised limit of £210m. Our total borrowing outstanding (including PFI) is £170m which is within both limits.

16.4 **Borrowing**

We have not taken any new borrowing in 2013/14 and have had no maturities to-date. In total we have £11m maturing during 2013/14.

16.5. **Internally Managed Investments**

The strategy for the year is to gain maximum benefit at minimum risk whilst achieving as a minimum, the 7 day deposit rate. As mentioned above, we will also continue to use maturing investments, where possible, to reduce the need to borrow. For the period to 31 May 2013 some £412m worth of investments have been made in our overnight call accounts. Rates have ranged from 0.35% to 0.80%. As at 31 May 2013 internal investments stood at £63.05m.

Potentially the Council can place up to £20.0m with any Counterparty. At the end of May the greatest exposure with a single counterparty was £20.0m with Barclays (31.7% of the portfolio). We currently have no investments with non UK sovereigns. A detailed breakdown is shown in Appendix 2.

17 **Background Papers**

CIPFA Code of Practice for Treasury Management in Local Authorities;
Fund Manager Valuations; Temporary Borrowing records;PWLB records
Investment records

Report prepared by:

Bernard Morris, Finance Team Leader (Capital & Treasury)

Tel. (01952) 383702

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2011/12	2012/13	2012/13
(1). EXTRACT FROM BUDGET AND RENT SETTING REPORT	£m	£m	£m
	Actual Outturn	Original Estimate	Actual Outturn
Capital Expenditure			
TOTAL	71.7	95.9	71.7
Ratio of financing costs to net revenue stream			
General fund	2.35%	3.15%	3.15%
Net borrowing requirement			
brought forward 1 April	130.9	134.5	147.7
carried forward 31 March	147.7	123.8	110.6
in year borrowing requirement	16.8	-10.7	-31.1
Capital Financing Requirement as at 31 March			
TOTAL	249.8	256.9	242.0
Annual change in Cap. Financing Requirement			
TOTAL	22.5	7.4	-7.8
Incremental impact of capital investment decisions	£ p	£ p	£ p
Increase in council tax (band D) per annum (not cumulative)	4.04	-0.53	-0.53

PRUDENTIAL INDICATOR	2011/12	2012/13	2012/13
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£m	£m	£m
	final	original	final
Authorised limit for external debt -			
borrowing	330	230	230
other long term liabilities	6	6	6
TOTAL	336	236	236
Operational boundary for external debt -			
borrowing	310	210	210
other long term liabilities	4	4	4
TOTAL	314	214	214
Upper limit for fixed interest rate exposure			
Net principal re fixed rate borrowing / investments	190	190	190
Upper limit for variable rate exposure			
Net principal re variable rate borrowing / investments:-	60%	80%	80%
Upper limit for total principal sums invested for over 364 days			
(per maturity date)	95%	95%	95%

Maturity structure of fixed rate borrowing during 2012/13	lower limit	upper limit
under 12 months	0%	25%
12 months and within 24 months	0%	25%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	75%
10 years and above	25%	100%

Summary of Investments at 31 May 2013

	Sovereign Credit Rating	Individual Credit Rating	Total £m	%
Call Accounts				
HSBC	UK AA+	F1+ AA- Support 1 Viability A+	3.602	
RBS	UK AA+	F1 A Support 1 Viability BBB	14.730	
Santander	UK AA+	F1 A Support 1 Viability A	19.715	
			38.047	60
Fixed Deposits				
Barclays	UK AA+	F1 A Support 1 Viability A	20.000	
RBS	UK AA+	F1 A Support 1 Viability BBB	5.000	
			25.000	40
Variable Deposit				
None			0.000	0
			0.000	0
Total			63.047	100

Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.13
Safer Stronger Communities Partnership (SSCP)	Yellow	Yellow	Various follow up's have been undertaken due to changes with the team / working practices and the team have also recently had a restructure so again some actions have been delayed while this has taken place.	Regular follow up's have been undertaken however due to re-structure there have been significant delays in implementing the agreed recommendations – 2 are still in progress. Last follow up (5 th) undertaken March 2013 – Agreed to carry out 6 th follow up at end of September 2013.
ICT Release Management	Yellow	Yellow	Previous follow ups have been undertaken but there has been insufficient progress made to change the audit opinion.	Update will be provided to the next appropriate Audit Committee
Confirm System	Amber	Yellow	Previous follow up reviews have been undertaken and we have seen some implementation of recommendations however there are still outstanding recommendations to be addressed.	Update will be provided to the next appropriate Audit Committee
ICT Governance	Amber	Yellow	Previous follow up reviews have been undertaken and we have seen some implementation of recommendations however there are still outstanding recommendations to be addressed.	Update will be provided to the next appropriate Audit Committee
Protocol System Review	Amber	Yellow	Previous follow up reviews have been undertaken and we have seen some implementation of recommendations however there are still outstanding recommendations to be addressed.	Full audit due Quarter 1 of 2013/14 plan.

Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.13
ICT Change management	Amber	Yellow	Previous follow up reviews have been undertaken and we have seen some implementation of recommendations however there are still outstanding recommendations to be addressed.	Update will be provided to the next appropriate Audit Committee
Community Centres	Yellow	Green	Follow up delayed due to service review and a scrutiny review. Follow up completed in May 2013.	No further follow up required.
Putting People First – Mainstreaming & Developing Personalisation	Yellow	Yellow	Due to changes arising from the service restructure revised implementation dates were agreed with Management and the follow up is due to take place in January 2013.	Follow up completed in March 2013. No change to grade as insufficient progress evidenced. Next follow up to be undertaken in December 2013 to allow service area to address issues raised.
Software Licensing	Yellow		Follow up in progress	Update will be provided to the next appropriate Audit Committee
ICT Back up and Recovery	Amber	Yellow	Previous follow up reviews have been undertaken and we have seen some implementation of recommendations however there are still outstanding recommendations to be addressed.	Update will be provided to the next appropriate Audit Committee
Server Virtualisation	Yellow		Follow up due April 2012 however delays due to office moves and restructures.	Update will be provided to the next appropriate Audit Committee
P2 Net	Yellow		Follow up completed in April 2012. Insufficient progress made to changed audit opinion. 3rd follow up in progress.	Follow Up currently in progress. Update will be provided to the next Audit Committee

STATUS ON FINAL REPORTS ISSUED APRIL 2010 TO DECEMBER 2012

APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.13
Abacus system	Amber	Amber	Follow up completed in August 2012. Some progress has been achieved but insufficient to change the grading. 2nd follow up undertaken in December also insufficient progress made to change grading. Further follow up due March 2013.	Follow up completed in March 2013 and reported to Audit Committee. Further follow up will be undertaken in June 2013 and agreed report back to September Audit Committee.
ICT Procurement	Yellow	Yellow	Follow Up completed in January 2013 but no change to grade because although good progress there are still some recommendations outstanding.	Further Follow up to be completed July 2013.
Supplier Query Review	Yellow	Yellow	Follow up included in the Property & Design Helpdesk audit which is now complete. Only 2 out of the 7 recommendations had been implemented.	This review was included in the Property & Design Help Desk audit which was completed in March 2013 and due to be followed up in September 2013. Further follow up of the supplier query review will be included in the Property & Design Help Desk follow up.
ICT Infrastructure Contract & Project review	Yellow		Follow up in to commence January 2013	To be incorporated in ICT contract monitoring audit quarter 2. Update will be provided to the next appropriate Audit Committee
Hospital Discharge Review	Yellow		Follow up in progress.	Update will be provided to the next appropriate Audit Committee.
Email Arrangements	Yellow		Follow up due August 2012 but due to resource pressures within ICT it was agreed that all follow ups would be postponed and currently in progress.	Update will be provided to the next appropriate Audit Committee

STATUS ON FINAL REPORTS ISSUED APRIL 2010 TO DECEMBER 2012

APPENDIX C

Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.13
Markets & cash collection	Amber	Amber	Follow up completed but no change to grade. Follow ups undertaken in September 2012 and January 2013.	Further follow up due June 2013.
Planning Application Fees	Yellow	Yellow	Follow up in progress	Further follow up due June 2013
Building Control Fees	Yellow	Yellow	Follow up in progress	Further follow up due November 2013
Town Park Visitor Centre	Amber	Green	Follow up in progress	No further follow up required.
SS Peter and Paul School	Amber	Green	Follow up December 2012	No further follow up required.
St Lawrence School	Yellow	Green	Follow up October 2012	No further follow up required.
Jacobs replacement contract	Yellow	Green	Follow up October 2012	No further follow up required.
Carbon Reduction Commitment	Yellow	N/a	Annual review	No further action – annual review
Telford Tennis Centre	Amber	Yellow	Follow up undertaken and grade changed to yellow.	Further follow up due July 2013
Insurance	Yellow	Green	Follow up January 2013	No further follow up required.
Bank Contract Review	Amber	Yellow	Follow up due November 2012 and undertaken February 2013	Further follow up due May 2013. Update will be provided to the next appropriate Audit Committee
HR Allowances	Yellow	Green	Follow up January 2013	No further follow up required.
Network Infrastructure Report	Various – see below+		Follow up commenced March 2013	Update will be provided to the next appropriate Audit Committee
Agresso – Post Implementation Review	Yellow	N/a	During Annual General Ledger audit	Covered in General Ledger audit 2012/13
Supported Lodgings	Yellow	Green	Follow up December 2012	No further follow up required.
Teenage Pregnancy Governance Structures	Yellow	Yellow	Follow up March 2013 and grade remained yellow	Further follow up due July 2013
GIS Application	Yellow	Yellow	Follow up January 2013 and grade remained yellow.	Further follow up due September 2013.

Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.13
ICT Procurement – Follow Up	Yellow	N/a	Follow up January 2013	To be follow up as part of ICT tender processes review in 2013/14 audit plan.
Contract Changes & Waivers	Yellow		Follow up in progress	Update will be provided to the next appropriate Audit Committee
Young People In Transition & Enablement	Yellow		Follow up in progress.	Update will be provided to the next appropriate Audit Committee
Church Aston Infants School	Yellow	Green	Follow up completed and satisfactory	No further work required.
Council Tax	Yellow	N/a	2013-14 Annual Audit	Recommendations raised in annual audit.
NNDR	Yellow	N/a	2013-14 Annual Audit	Recommendations raised in annual audit.
Procurement – Contract Monitoring	Yellow	Yellow	Follow up completed May 2013 and no change to grade.	Further follow up to be undertaken in September 2013.

+ = Various assurances split between the areas of work - Network Infrastructure – **Limited**; Virus Protection – **Reasonable**; Data Centre – **Reasonable**; Wireless Network - **Good**

* - undertaken by Deloitte under specialist IT audit contract

RED REPORTS ISSUED QUARTER 4

A) REVIEW OF FINANCIAL INFORMATION IN FORM F ASSESSMENTS
(Children in Care & Fostering Team, Children's Safeguarding Service Area)

1. Introduction and Scope

- 1.1 A Form F Assessment is completed on each occasion that an application is made to become a Foster Carer
- 1.2 Form F Assessments for the Authority had been undertaken by Social Work Choices, an outside agency, under an extended contract that expired in December 2011.
- 1.3 The Assistant Director: Children's Safeguarding had identified that the private company undertaking Form F assessments on behalf of the Authority had not undertaken a financial check, which is a mandatory part of the process, for one of the assessments.
- 1.4 At the request of the Assistant Director: Children's Safeguarding, an audit review was undertaken to provide an opinion on the control environment and a level of assurance for the financial information within Form F Assessments undertaken by Social Work Choices. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.5 Form F assessments undertaken by Social Work Choices were reviewed during the audit, although the scope of review concentrated on the presence of financial information within each assessment. The review only examined the Social Work Choices files provided by the Team Leader. The review also included an examination of the procurement of the contract and an overview of the other information on the Form F assessment files. No files have been examined in respect to Form F assessments undertaken by the new/current contractor.
- 1.6 We would like to thank the following for their help during the audit:
- ✧ Team Leader – Fostering
 - ✧ Commissioning Contracts Officer

2. Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out it is our opinion that the level of assurance provided by controls for the financial information in respect to the Form F assessments undertaken by Social Work Choices is Poor – the system of control is weak and there is evidence of non-compliance with the controls that do exist. There is concern over audit findings and severity of recommendations. This Poor grading was discussed and agreed with the Team Leader – Fostering.
- 2.2 At the draft report discussion it was agreed that no further work would be undertaken by Audit Services in respect to Social Work Choices Form F assessments¹. In respect to those Form F assessments undertaken after Social Work Choices and to date,

¹ The service area will confirm the existence of the 6 missing assessments by way of examination of e-mails by 31/12/12.

verification of the number will be completed. Audit Services will review the new assessments that are to be presented to panel in January 2013. The Team Leader – Fostering is to advise Audit Services when these are available for review.

- 2.3 The recommendations to improve the controls found to be unsatisfactory are categorised as shown below

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	4	40%
Financial Regulation – immediate implementation	-	-
Policy/Procedure – implementation within a month of agreement to the report.	6	60%
Best Practice – implementation at a mutually agreed date	-	-
Total	10	100%

- 2.4 The implementation of the recommendations made in this report will further strengthen the controls and processes in this area.

B) CORPORATE PARENTING TEAM

(Achievement, Standards & Alternative Provision Team; Education & Skills Service Area)

1. Introduction and Scope

- 1.1 Following a restructure and appointment of a new Group Manager, concerns were raised by the new incumbent about a lack of policies, procedures and historic practices in relation to expenditure incurred within the Corporate Parenting Team.
- 1.2 The Group Manager has recently withdrawn and cancelled use of the Government Procurement Card (GPC) but will reintroduce following the audit and when appropriate controls have been established and the Group Manager is comfortable with internal processes.
- 1.3 An audit review was undertaken to provide an opinion on the control environment and a level of assurance for expenditure within the Corporate Parenting team. The Internal Audit review of these controls will contribute to recommendations and improvements in practice within this area and will be included as appropriate in the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.4 The scope of the audit was agreed by the Group Manager – Access & Achievement.
- 1.5 We would like to thank the following for their help during the audit:
- ⌘ Service Delivery Manager – Achievement & Standards
 - ⌘ Group Manager – Access & Achievement
 - ⌘ Participation worker for Children in Care

2. Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out on the previous and on-going practices in this area we propose that our opinion based on the level of assurance provided by the controls for the expenditure in this audit area is Poor – the system of control was weak and there is evidence of non-compliance with the controls that do exist. This poor grading was agreed with the Service Delivery Manager – Achievement & Standards.
- 2.2 Recommendations have been made to improve the controls found to be unsatisfactory in the knowledge that although the current GPC card has been cancelled that a new one will become operational shortly. The recommendations are categorised as shown over the page.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	1	7%
Financial Regulation – immediate implementation	6	43%
Policy/Procedure – implementation within a month of agreement to the report.	7	50%
Best Practice – implementation at a mutually agreed date	-	-
Total	14	100%

- 2.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in your area.

AMBER REPORTS ISSUED QUARTER 4

C) CHILDREN'S PLACEMENTS

(Children in Care & Fostering Team, Children's Safeguarding Services and Integrated Planning, Placements & Commissioning, Family & Cohesion Services)

1. Introduction and Scope

- 1.1 An audit review was undertaken to provide an opinion on the control environment and a level of assurance for Children's Placements. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.2 The scope of the audit was agreed by the Service Delivery Manager – Children in Care & Fostering and Service Delivery Manager - Integrated Planning, Placements & Commissioning.
- 1.3 We would like to thank the following for their help during the audit :
- ❖ Senior Finance Officer
 - ❖ Accountancy Team Leader
 - ❖ Business Support Officers (Finance)
 - ❖ Commissioning Specialist

- ✱ Commissioning Contracts Officer
- ✱ Senior Business Support Officer

2. Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out we propose that our opinion based on the level of assurance provided by the controls for this audit area is Limited - whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls. This Amber grading was agreed with the Service Delivery Manager – Children in Care & Fostering and Service Delivery Manager - Business and Information Support.
- 2.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	-	-
Financial Regulation – immediate implementation	5	25%
Policy/Procedure – implementation within a month of agreement to the report.	15	75%
Best Practice – implementation at a mutually agreed date	-	-
Total	20	100%

- 2.3 As part of this audit we have also followed up the implementation of recommendations made in the previous audit undertaken in 2010. The table below shows the action taken since that audit:

Recommendation Category	Implemented	Not Implemented
Legal Requirement	-	-
Financial Regulation	1	1
Policy/Procedure	6	4
Best Practice	-	-
Total	7	5

- 2.4 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the controls and processes in your area.

D) TERM/SERVICE CONTRACTS

(Property & Design, Development, Housing & Business Services)

1. Introduction and Scope

- 1.1 An audit review was undertaken to provide an opinion on the control environment and a level of assurance for the term and service contracts. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.

- 1.2 The scope of the audit was agreed by the Surveying, Mechanical and Electrical Team Leader.
- 1.3 We would like to thank the following for their help during the audit :
- ✂ Property & Design Manager
 - ✂ Surveying, Mechanical and Electrical Team Leader
 - ✂ Business Support Officer
 - ✂ Administration Officer

2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the process for term and service contracts were identified. These included:
- ✂ Both of the contracted works are duly recorded in the contract register as required by Financial Regulations.
 - ✂ It was noted that there is a central record of all insurance documents for all contractors. This enables the chasing of expired certificates to be more efficient and carried out by a central officer.
 - ✂ Staff managing / overseeing the contract administration were found to be suitably qualified in contract management.
 - ✂ There are regular meetings with contractors to discuss the progress of works against the contract. These meetings are well minuted showing discussion topics and any arising actions.
 - ✂ Key Performance Indicators are monitored on a monthly basis for both the Response Maintenance Contractor and the Inspection & Maintenance Servicing Contractor.
 - ✂ Audit was able to confirm that invoices are all authorised by Council Officers with suitable delegations.

3. Management Summary and Overall Opinion

- 3.1 On the basis of the work carried out our opinion based on the level of assurance provided by the controls for this audit area is Amber– Limited Assurance - whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls. This Amber grading has been discussed and agreed with the Surveying, Mechanical & Electrical Team Leader and the Assistant Director – Development, Business and Housing during the discussions of the draft report.
- 3.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	1	25%
Financial Regulation – immediate implementation	2	50%
Policy/Procedure – implementation within a month of agreement to the report.	1	25%

Best Practice – implementation at a mutually agreed date	-	-
Total	4	100

3.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in your area.

E) NEWPORT INFANTS SCHOOL
(Education & Skills Services)

1. Introduction and Scope

1.1 An audit review was undertaken to provide an opinion on the control environment and a level of assurance for Newport Infants School. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.

1.2 We would like to thank the Administrator and the Administration Assistant for their help during the audit.

2 Management Summary and Overall Opinion

2.1 On the basis of the work carried out and the evidence provided to date our opinion based on the level of assurance provided by the controls for the school is Amber – Limited Assurance due to the number of legal requirement and financial regulation recommendations and repeat recommendations from the last audit in 2008/09. This was discussed and agreed with the Head Teacher at the draft report discussion meeting.

2.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	2	7%
Financial Regulation – immediate implementation	15	52%
Policy/Procedure – implementation within a month of agreement to the report.	9	31%
Best Practice – implementation at a mutually agreed date	3	10%
Total	29	100%

2.3 As part of the audit we have also followed up the implementation of recommendations made in the previous audit. The table below shows the action taken since that audit:

Recommendation Category	Implemented	Not Implemented	No longer applicable
Legal Requirement	1	-	-
Financial Regulation	-	4	1
Policy/Procedure	6	1	
Best Practice	2	-	1

DCSF	5	1	2
TOTAL	14	6	4

2.4 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the controls and processes in your school.

F) ARTHOG & THE OUT REACH CENTRE
(Leisure Facilities & Services, Neighbourhood & Leisure Services)

1. Introduction and Scope

- 1.1 An audit review was undertaken to provide an opinion on the control environment and a level of assurance for Arthog Outdoor Educational Centre, including the Outreach Centre based in Telford.
- 1.2 The scope of the audit was agreed by the Head of Centre
- 1.3 We would like to thank the following for their help during the audit:
 - ⌘ Head Of Centre
 - ⌘ Secretary
 - ⌘ Catering Supervisor
 - ⌘ 3 Outdoor Educators
 - ⌘ Finance Officer

2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the process for Arthog and the Outreach Centre were identified. These included:
 - ⌘ Due to the nature of the work undertaken at Arthog and the Outreach Centre it is pleasing to find that all instructor staff are suitably qualified in first aid.
 - ⌘ Both the Outreach Centre and Arthog were found to have adequate evacuation procedures which are provided to any visiting staff as part of the induction process.
 - ⌘ Job descriptions examined as part of this review were found to be accurate, reflecting the duties of current staff, and sufficiently up to date.
 - ⌘ The Outreach Centre keep a record for each instructor which details the date of their CRB, date of first aid certificate, qualifications and induction /training

3. Management Summary and Overall Opinion

- 3.1 Out of the 53 controls reviewed during this audit, 16 (30%) were found to be satisfactory. On the basis of the work carried out and evidence provided to date it is our opinion that the level of assurance provided by controls for this audit area is Amber – Limited Assurance - whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-

compliance with some key controls. The grading of this report was agreed with the Head of Centre, during the discussions of the draft report.

3.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown over the page.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	1	2%
Financial Regulation – immediate implementation	21	49%
Policy/Procedure – implementation within a month of agreement to the report.	21	49%
Best Practice – implementation at a mutually agreed date	-	-
Total	43	100%

3.3 As part of the audit we have also followed up the implementation of recommendations made in previous audit reports. The tables below show the action taken since those audits:

Previous audit

Recommendation Category	Implemented	Not Implemented	Agreed not to implement	In progress
Legal Requirement	-	-	-	-
Financial Regulation	4	5	-	-
Policy/Procedure	9	4	-	-
Best Practice	1	2	2	1
Total	14	11 *	2	1

Special Investigation

Recommendation Category	Implemented	Not Implemented
Legal Requirement	-	-
Financial Regulation	3	4
Policy/Procedure	4	2
Best Practice	-	-
Total	7	6 *

*Recommendations re-iterated in this audit report (some recs have been combined)

3.4 The implementation of the recommendations made in this report and those outstanding from the previous reviews will further strengthen the controls and processes in your area.

G) CAR PARKING
(Highways, Neighbourhood & Leisure Services)

1. Introduction and Scope

- 1.1 An audit review was undertaken to provide an opinion on the control environment and a level of assurance for Car Parking. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.2 The scope of the audit was agreed by the Transport Planning & Traffic Management Group Manager
- 1.3 We would like to thank the following for their help during the audit:
- ✧ Car Parking Officer
 - ✧ Senior Accountant

2. Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out it is our opinion that the level of assurance provided by controls for this audit area is amber – limited - whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls. This amber grading, which incorporates the follow up of previous recommendations, has been discussed and agreed with the Group Manager as part of the discussions of the draft report.
- 2.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	-	-
Financial Regulation – immediate implementation	-	-
Policy/Procedure – implementation within a month of agreement to the report.	5	83%
Best Practice – implementation at a mutually agreed date	1	17%
Total	6	100%

- 2.3 As part of the audit we have also followed up the implementation of recommendations made in the previous audit. The table below shows the action taken since that audit:

Recommendation Category	Implemented	Not Implemented	In Progress	Superseded
Legal Requirement	-	-	-	-
Financial Regulation	4	3	3	-
Policy/Procedure	6	9	11	1
Best Practice	-	1	-	-
Total	10	13	14	1

- 2.4 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the controls and processes in your area.
- 2.5 The recommendations not implemented from the previous report are not shown again as a recommendation in this report. The current audit concentrated on income collection and the new contract with Jade Security, therefore the recommendations made in this report relate to this area only, and the previous report should still be considered current for all other outstanding actions. However the report grading incorporates both reviews.

H) PURCHASE LEDGER

(Employment Services & Purchase Ledger, Finance, Audit & IG Services)

1. Introduction and Scope

- 1.1 An audit review was undertaken to provide an opinion on the control environment and a level of assurance for the Purchase Ledger – Purchase to Pay system (P2P). The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.2 The scope of the audit was agreed by the Employment Services and Purchase Ledger Manager.
- 1.3 We would like to thank the following for their help during the audit:
- ✱ Purchase Ledger Supervisor
 - ✱ Two Purchase Ledger Officers
 - ✱ Theatre Assistant
 - ✱ Business Support Officer
 - ✱ Senior Accountant - Taxation

2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the process for the Purchase Ledger – Purchase to Pay (P2P) were identified. These included:
- ✱ A number of useful, easy to use guides/videos are available on the intranet which Officers can use for training / answering general queries
 - ✱ An Agresso newsletter, detailing developments and problems, is issued monthly in the Staff News

3. Management Summary and Overall Opinion

- 3.1 On the basis of the work carried out it is our opinion that the level of assurance provided by controls for this audit area is Amber - Limited - whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls. The grading of this report was discussed and agreed with the Employment Services and Purchase Ledger Manager during the discussions of the draft report.

3.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	1	4
Financial Regulation – immediate Implementation	3	11
Policy/Procedure – implementation within a month of agreement to the report.	24	85
Best Practice – implementation at a mutually agreed date	-	-
Total	28	100

3.3 As part of the audit we have also followed up the implementation of recommendations made in the previous audit. The table below shows the action taken since that audit:

Recommendation Category	Implemented	Not Implemented
Legal Requirement	-	-
Financial Regulation	-	1
Policy/Procedure	15	17
Best Practice	-	-
Total	15	18*

* Recommendations re-iterated this audit

3.4 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the controls and processes in your area.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 25th JUNE 2013

INTERNAL AUDIT UPDATE REPORT – QUARTER FOUR 2012/13

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarters two and three – July – December 2012.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the information in this Internal Audit update report.

3 SUMMARY

- 3.1 The Audit Committee receives a regular update of the work of Internal Audit. This report provides the update report for quarter four – January – March 2013.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 26th June 2012 – Internal Audit Quarter 4 Update report
Audit Committee 25th September 2012 – Internal Audit Quarter 1 and IG Update Report
Audit Committee 29th January 2013 – Internal Audit Update Report – Quarters Two & Three 12/13

5 INTERNAL AUDIT QUARTER FOUR UPDATE (JANUARY – MARCH 2013)

- 5.1 The report provides information on the work of Internal Audit from 1st January – 31st March 2013 and provides an update on the progress of previous audit reports issued (April 2010 to December 2012).
- 5.2 The key focus for the team during quarter 4 was the completion of the fundamental audits which the Council's External Auditors review and rely as part of their final accounts audit. The informal feedback on the work has been satisfactory. The Audit & IG SDM continued to support the transfer of the Public Health function to the local authority.
- 5.3 The following internal audit update report appendices are attached:
- i) **Appendix A** – List of final reports issued in quarter four with our grading – red, amber, yellow or green. This report also includes budgeted time, actual time and percentage variance.
 - ii) **Appendix B** – List of all work undertaken for quarter four for a period of 1 day or more.
 - iii) **Appendix C** - Previous graded reports from April 2010 to December 2012 with their current status. (Members should note that once reports have reached a green status and have been reported to members that are excluded from future reports).
 - iv) **Appendix D** – Summary of the red amber report issued in quarter 4.
- 5.4 Appendix A shows 28 reports were issued in quarter 4 including 1 follow up report. For the final reports issued the areas shown in this table below varied from the allocated time by more than +/- 10% for the reasons highlighted.

Area	Variance (> +/- 10%)	Reason
Children's Placements	+93.20%	Far reaching audit covering many departments, scope unknown when setting days allocated.
Wellington Combined Services	-28.25%	Over estimated allocation. Able to carry out work by meeting with multiple teams at the same time.
Lilleshall Primary School	+22.88%	New Internal Auditor deployed and therefore time was spent on familiarisation and explaining the processes.
Shortwood Primary School	-18.00%	Well prepared school.
CRM & ERDMS Systems	-49.50%	Well organised and was able to provide evidence without delay.
ICT Governance Of Projects	-34.22%	Well organised and was able to provide evidence without delay.
Sales Ledger	+54.09%	New Internal Auditor deployed therefore familiarisation with area and processes. Also time spent discussing reports and overall grading.
Abraham Darby Leisure Centre	+16.49%	New Leisure Centre and first Leisure Centre review for New Auditor.
Term / Service Contracts	+69.00%	Detailed and far reaching review with involved discussions regarding findings and grading of report.
Arthog	+147.43%	Scope larger than had been allocated for. A large number of findings and a number of discussions involving finance and service delivery manager to assist in addressing control weaknesses identified.
Property & Design Help Desk	+19.50%	Additional testing carried out at the request of Facilities Management.
Benefits	-43.49%	Reduction due to testing being undertaken with benefits staff on hand to answer queries and very few recommendations to follow up.
Car Parking	-44.60%	Reduced scope due to potential changes in service area. Review concentrated on income collection.
Cash Collection	-23.30%	Service areas well prepared in advance of visit and all information readily available.
Donnington Wood Infant School	-20.67%	Well prepared school.
Main Accounting	-34.28%	Well organised service area.

The reasons for the positive and negative variances are as explained above. Time allocations for 2013/14 will be reviewed based on this information.

5.5 There were two red reports issued in quarter 4 – Foster Care Form F Assessments and Corporate Parenting. Both areas were reviewed following requests from Senior Management due to concerns about processes and their desire for an independent review. The audit reviews confirmed poor systems and controls in place. Follow ups have been undertaken on the Form F Assessments and processes have improved such that the grading is now green. This is because use of the external provider has ceased and the recommendations made for other changes have been implemented. For Corporate Parenting there have been staff changes and the systems have now been changed as a result of the audit so we are confident the issues identified have been addressed. Summary information on these reports is provided in Appendix D.

5.6 There were six amber reports issued during quarter 4 – Children’s Placements, Term/Service Contracts, Newport Infants School, Arthog, Car Parking and Purchase Ledger. Summary information is provided in Appendix D. The follow up for the Children’s Placements audit has already been completed and the grading has already improved to yellow. For the other areas management actions to implement recommendations have been agreed and Internal Audit has follow up work planned or in progress. Internal Audit is confident that management will implement the remaining recommendations to provide appropriate assurance and improve the grading.

5.7 Areas of more 10 days or more in Appendix B are explained below:

Audit Area	Days	Explanation
Advice & Consultancy	15	Due to restructures, reductions in budgets and the implementation of revised governance, systems and procedures service areas are continuing to seek advice and support.
Catering	15	Review requested by AD on the cashless systems, procedures and completion of documentation/system input
HR/Payroll	24	Fundamental audit
Main & Capital accounting	21	Fundamental audit
Purchase Ledger	22	Fundamental audit

5.8 From Appendix C there are currently two original amber reports that remain amber – the Abacus review and Markets cash collection review. Members received an update at the March 2013 meeting on the Abacus review and agreed a further update to the September meeting. The Markets follow up is due to be undertaken in June so that the restructure and new procedures have bedded in. We have received information from management that improvements have already been made but these will be confirmed in the follow up and an updated position will be reported verbally to the Committee.

5.9 All other areas reported on in this update report but not highlighted to members are either improving or the follow ups are in progress or planned. Internal Audit is confident and has been assured by management that controls have and will continue to improve in all areas where recommendations have been made. There are no other issues to bring to the attention of the Committee at this time.

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	The work undertaken in quarter 4 has been resourced by Audit staff that are funded from the Council's base budget. 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

FINAL REPORTS ISSUED QUARTER FOUR – JANUARY TO MARCH 2013

Audit Area	Opinion	Follow Up Due	Days allocated	Days Taken	Variance %
Foster Care Form F Assessments Review	Red	February 2013	0+	5.57	N/A
Customer Relationship Manager (CRM) IT review	Yellow	June 2013	*	*	*
TEN – Income Collection & Imprest Compliance Checks	Yellow	May 2013	0+	2.19	N/A
Children's Placements	Amber	April 2013	10	19.32	+93.20%
Wellington Combined Services	Yellow	April 2013	8	5.74	-28.25%
Lilleshall Primary School	Yellow	July 2013	6.25	7.68	+22.88%
Shortwood Primary School	Green	N/a	6	4.92	-18.00%
CRM & ERDMS Systems	Green	N/a	6	3.03	-49.50%
ICT Governance of Projects	Yellow	August 2013	4.5	2.96	-34.22%
Telecommunications	Yellow	August 2013	*	*	*
Sales Ledger	Yellow	Part of annual audit	22	33.90	+54.09%
Apley Wood Primary School	Yellow	July 2013	6	5.48	-8.67%
Abraham Darby Leisure Centre	Yellow	August 2013	12.25	14.27	+16.49%
IT Service Design	Various – see below	May 2013	*	*	*
Term / Service Contracts	Amber	May 2013	3	5.07	+69.00%
Newport Infants School	Amber	September 2013	7	7.49	+7.00%
Arthog	Amber	July 2013	7	17.32	+147.43%
Property & Design Help Desk	Yellow	September 2013	10	11.95	+19.50%
Corporate Parenting Team	Red	June 2013	3.75	3.77	+0.53%
Benefits	Yellow	Part of annual audit	37.50	21.19	-43.49%
Car Parking	Amber	September 2013	10	5.54	-44.60%
HR & Payroll	Yellow	Part of annual audit	30	30.48	+1.60%
Cash Collection	Various – see below	Part of annual audit	20	15.34	-23.30%
Tibberton Primary School	Yellow	September 2013	6	5.83	-2.83%
Donnington Wood Infant School	Yellow	September 2013	6	4.76	-20.67%

Purchase Ledger	Amber	Part of annual audit	30	29.39	-2.03%
Main Accounting	Yellow	Part of annual audit	40	26.29	-34.28%

* Review undertaken by Deloittes under specialist IT audit contract.

+ Reviews requested by service area so days taken from contingency

ICT Service design – Various: Strategy – Yellow; Service Delivery – Yellow; Capacity – Amber
Cash Collection – Various: Cash Management – Yellow, Darby House Reception – Yellow, Wellington First Point (Library) – Amber, Legal Services Search Fees – Yellow and Youth & Cohesion (Stafford Park) – Yellow.

QUARTER FOUR - AREAS WHERE WORK UNDERTAKEN HAS BEEN FOR ONE DAY OR MORE

Audit Area	Days
Abacus system review	3
Advice and Consultancy	15
Apley Wood Primary School	5
Arthog	2
Car Parking Enforcement	1
Care first application review	3
Cash Collection	3
Catering	15
Children's Commissioning	8
Children's Placements	1
Continuing Healthcare	2
Corporate parenting	4
CRM & ERDMS systems	1
Donnington Wood Infants	4
Electronic Client Records	1
Follow ups	4
Foster Carers Form F review	2
Fraud & Compliance Checks	5
Homelessness Thresholds	5
HR/Payroll	24
Integrated Benefits System	7
John Fletcher of Madeley Primary School	5
Licensing	4
Review of overpayments to Lightmoor /Reflexions	3
Lilleshall Primary School	1
Main & Capital Accounting	21
Newdale Nursery and First Steps system	6
Newport Infants School	1
Oakengates Theatre - review re missing cash	1
Ombudsman Complaints	6
Performance Information Verification	3
Property & Design Helpdesk	2
Public Health Transfer	9
Pupil Tracking	2
Purchase Ledger	22
Sales Ledger	6
Self Directed support	2
Service User Journey	4
Shortwood School	1
Stirchley Recreation Centre	1
Term Contract / Service Contracts	1
Tibberton Primary School	5
Trading standards	2
Uniform system	5
Voluntary Sector Agreements	1

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 25th JUNE 2013

2012/13 INTERNAL AUDIT AND INFORMATION GOVERNANCE ANNUAL REPORT

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To present the 2012/13 Internal Audit and Information Governance Annual Report to the members of the Audit Committee.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the 2012/13 Internal Audit and Information Governance Annual Report.

3 SUMMARY

- 3.1 To continue to demonstrate good governance and support the Annual Governance Statement (AGS) the Council produces an Annual Report on the Internal Audit and Information Governance activities of the Council.
- 3.2 The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the Code)¹, which has been deemed as proper internal control practice under the Accounts and Audit (England) Regulations 2011, states under Standard 10 – Reporting, that “the Head of Internal Audit must provide a written report to those charged with governance timed to support the Statement on Internal Control”. This report meets this requirement.
- 3.3 The Councils Information Governance (IG) function forms part of the responsibilities of Audit & Information Governance within the Finance, Audit and Information Governance service delivery unit. IG is a key component of good governance and consists of several aspects:
- Data Protection & Privacy
 - Freedom of Information
 - Information Security
 - Information Sharing & Confidentiality
 - Information & Records Management
 - Information Quality & Assurance

During 2012/13 IG has continued to support senior managers and service delivery managers with the management of their information governance arrangements.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 16th June 2009 – Annual report 2008/09
Audit Committee 28th June 2010 – Annual report 2009/10

¹ The Code was superseded on 1st April 2013 with the Public Sector Internal Audit Standards which apply from that date.

5 2012/13 INTERNAL AUDIT ANNUAL REPORT

5.1 Assurance and Opinion on the Systems of Internal Control

- 5.1.1 The Council's section 151 officer's statutory obligation under the Accounts and Audit (England) Regulations 2011 to provide assurance on the systems of internal control is provided by the work of internal audit. This assurance forms part of the Council's assurance framework.
- 5.1.2 The system of internal control helps the Council to manage and control the risks which could affect the achievement of its priorities and objectives rather than eliminate them completely. Internal Audit and the other assurance processes therefore provide reasonable and not absolute assurance of the adequacy and effectiveness of the systems of internal control within the Annual Governance Statement.
- 5.1.3 The planned Internal Audit resources for 2012/13 were 1032 days plus 58 days specialist ICT audit provided under contract (from an external provider). These resources were just over 8% less than for 2011/12 (1193 compared to 1090) due to the full implementation of the Audit & IG team restructure. These revised resources and the plan were agreed by the Audit Committee in March 2012. The actual resources available were similar to those planned (minor reduction due to gap between Auditor leaving and new one starting) but some resources were diverted from Internal Audit work due to work on Ombudsman complaints (13), Public health transfer (27), recruitment – Auditor (5), accommodation move (9) and assistance to Family & Cohesion services (6).
- 5.1.4 Based on the work undertaken during the year (main areas attached as **Appendix A**) and the implementation by management of the agreed recommendations Internal Audit can provide reasonable assurance that the systems of internal control within these areas of the Council were operating adequately and effectively when reviewed during the year. Where necessary the Audit Committee invited Senior Management to explain why progress on the implementation of recommendations were not as agreed and appropriate assurance was provided (or further information is to be provided to the Audit Committee).
- 5.1.5 The previous Internal Audit Annual Report included information in respect to the type and number of recommendations made during the year (as requested by the Committee). This information has continued to be collected for 2012/13 and is shown below with comparisons to 2011/12 shown in brackets.

Number of Recommendations made by Type 2012/13 (2011/12)

No. of Audit Reports & Grading	Total number of recommendations	Financial Regulation or DCSF Requirement (schools only)	Legal	Policy and/or Procedure	Best Practice
60 (44)	693 (416)				
9 (11) Green		157	41	416	79
32 (30) Yellow		(63)	(29)	(288)	(36)
14 (3) Amber					
2 (0) Red					
3 various* gradings					

Gradings - Green = good; Yellow = reasonable; Amber = limited; Red = poor

*3 reports with various levels of assurance (details below)

Network Infrastructure Report - Network Infrastructure - Amber, Virus protection - Yellow, Data Centre - Yellow, Wireless Network - Green

IT Service Design - Strategy - Yellow, Service Delivery - Yellow, Capacity - Amber

Cash Collection - Cash Management - Yellow, Darby house Reception - Yellow, Wellington First Point (Library) - Amber, Legal Services Search Fees - Yellow, Youth & Cohesion (Stafford Park) – Amber

5.1.6 60 reports were issued during 2012/13, 16 more than in 11/12. This is probably due to the scope and complexity of the audits, less unplanned/irregularity type work (53 days in 11/12) and improved processes/efficiency within the team.

5.1.7 Out of the 57 reports (excluding the various grading reports) 16% were green (good), 56% were yellow (reasonable), 25% were amber (limited) and 3% were red (poor). Summary amber and red reports and explanations have been reported to the Committee with detailed reports being circulated to members of the Committee prior to the meeting.

5.1.8 29% of the 12/13 recommendations were legal/financial regulation compared to 22% in 11/12. 60% of the 12/13 recommendations were policy and procedure compared to 69% in 11/12. This again outlines the impacts of organisational change, restructures and the reduced familiarity of staff in new roles.

5.2 Performance against External Review

5.2.1 KPMG has been the Council's External Auditors since 1st April 2007. There is continuous liaison between Internal and External Audit to ensure that Internal Audit is undertaking appropriate work upon which the External Auditor can rely and reduce the external audit fee. Internal Audit has delivered all the work for 2012/13 by the end of March 2013 upon which External Audit places reliance to a good standard.

5.2.2 In order to place reliance on the work of Internal Audit the External Auditor assesses the performance of Internal Audit each year against the CIPFA Code (see 3.2). KPMG have undertaken the 2012/13 review and a summary of the findings will be presented to the Committee as part of their interim review feedback. There has been no indication from KPMG of any adverse findings but any actions required will be incorporated into the Internal Audit 13/14 key tasks list. This external review has also been used to meet the requirement of the Accounts and Audit (England) Regulations 2011 for an annual review of internal audit.

5.3 Local Performance

5.3.1 Internal Audit has retained 2 local performance indicators. The results with explanations are shown below.

PI Ref	Definition	Outturn 09/10	Outturn 10/11	Outturn 11/12	Target 12/13	Outturn 12/13	Comments/Explanation
LAUD1	% of completed work for the external auditor	100.00	100.00	100.00	100.00	100.00	Achieved

LAUD2	% Planned work completed	90.00	92.00	90.00	92.00	91.70	Slight under achievement due to reasons in para.5.1.3
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5.3.2 During the year to improve the team's efficiency, effectiveness and productivity we have held team meetings and development sessions. At these sessions and continually during the year we investigate and implement new/alternative ways of service delivery (practices, use of technology, procedures and standard documentation) based on our analysis, customer feedback (see 5.4), sharing best practice with other local authorities and service providers.

5.3.3 The team has also achieved the staff and non-staff savings put forward in addition to the previous savings made (23.3% staff savings (target 20%) and 20% non-staff savings).

5.3.4 Internal Audit is a member of the CIPFA benchmarking club (membership of 147 local authorities). A report was presented to the Audit Committee in January 2013 providing the results which showed that Internal Audit compares positively against other unitary authorities.

5.3.5 The Audit & Information Governance Manager is the Unitary and District representative on the CIPFA Audit Panel. This helps the team to continue to develop and have early awareness of developments in public sector Internal Audit and Governance enabling them to contribute to and influence relevant guidance.

5.4 Customer Feedback

5.4.1 Internal Audit receives customer feedback in several ways:-

- a) Informal feedback from auditees during the audit
- b) Seeking feedback from auditees at draft report discussion meetings
- c) Completion of a post audit questionnaire

5.4.2 The analysis of post audit questionnaire feedback is shown in the table below compared to the last 3 years.

POST AUDIT QUESTIONNAIRE FEEDBACK 2012/13 compared to last 3 years

Question	2009/10 from top score 5	2010/11 from top score 5	2011/12 from top score 5	2012/13 From top score 5	Difference 11/12 to 12/13
Pre- Audit Arrangements	4.6	4.8	4.8	4.6	-0.2
Audit Visit	4.8	4.8	4.6	4.7	+0.1
Communication	4.3	4.5	4.8	4.5	-0.3
Report	4.7	4.7	4.7	4.5	-0.2
Is audit a positive support – Yes	100%	100%	100%	100%	No change

5.4.3 The team continues to perform well with all average scores of 4.5 or more out of 5. However although the audit visit score has increased slightly the other areas have

reduced by between 4 and 6%. The team has reviewed these scores and where additional information has been provided in the feedback changes have been made, where appropriate.

6. 2012/13 INFORMATION GOVERNANCE ANNUAL REPORT

6.1 Background

6.1.1 There are a number of pieces of legislation and good practice standards that govern the IG arrangements of the Council. The work of IG is primarily based on the requirements of the Local Authority Data Handling guidelines, ISO27001 (standard for information security), Data Protection Act 1998, Freedom of Information Act 2000² and Environmental Information Regulations 2004.

6.1.2 The Local Authority Data Handling Guidelines recommend that each local authority should appoint a Senior Information Risk Owner (SIRO). The SIRO should be a representative at senior management level and has responsibility for ensuring that management of information risks are weighed alongside the management of other risks facing the Council such as financial, legal and operational risk. At Telford & Wrekin the nominated SIRO is the Assistant Director: Finance, Audit & Information Governance with the Audit & Information Governance Service Delivery Manager designated as the Deputy SIRO.

6.2 Information Rights

6.2.1 Information rights is a collective name for 3 main pieces of legislation in respect to public sector information, these are:

- **Data Protection Act 1998** – looks at personal information relating to individuals
- **Freedom of Information Act 2000** – encompasses any information held by the Council
- **Environmental Information Regulations 2004** – information with an environmental impact

6.2.2 The IG Team has continued to play a key role in providing assurance that the Council complies with information rights legislation during the year. The IG Team has responsibility for the administration of all information rights requests on behalf of the Council including the application of relevant exemptions in respect to requests received.

6.2.3 IG also plays a prominent part when the Council receives a subject access request (someone requesting their personal information) or a request to access social care records, e.g. a parent asking to view the contents of their child's records. The Council's Data Protection Officer (part of IG Team) gives guidance on what records should or should not be released under the Data Protection Act 1998.

6.2.4 The ICO has set a benchmark of 80% for responding to FOI requests within the 20 working day statutory deadline for responding to requests. The table below sets out the figures relating to FOI performance for the year 1 April 2012 to end of March 2013 compared with the same period for the previous year:

² Full provision of FOI Act 2000 powers were not fully introduced until 1 January 2005

	12/13	11/12	% Increase / Decrease
Number of FOI requests received	862	898	-4%
Average number of FOI requests received per month	72	75	-4%
% of FOI requests responded to within statutory deadline	90	86	+4%
Average time taken (days) to respond to each request	10	12	-20%

As can be seen from the figures in the table above, IG performance in responding to FOI requests has improved and compares favourably with the ICO benchmark of responding to 80% of FOI requests received with 20 working days.

6.2.5 In this period we have received and responded to 11 appeals from requestors who were not satisfied with the response they received to their FOI request. This is a reduction of a total of 9 appeals (45%) from the previous year. This demonstrates a general improvement in the quality of responses to FOI requests sent by the IG team.

6.2.6 Also in this period we received 1 referral from the Information Commissioner (ICO) in respect to a complaint made to them by an FOI requestor. The requestor was not satisfied that the IG team had withheld elements of the information they had requested by applying the appropriate exemptions as detailed in the FOI Act 2000. The ICO initially upheld the requestor's complaint but the Council appealed the ICO's decision. The Council's appeal was upheld with the tribunal stating that we had correctly applied the relevant FOI exemptions.

6.2.7 Between 1 April 2012 and 31 March 2013 we received 65 Subject Access Requests³ (SAR's) compared to 95 requests for the same period in the previous year. 82% of SAR's received have been processed within the 40 calendar day deadline (71% of SAR's processed within deadline for 2011/12). This is a positive improvement in performance and now compares favourably with the Information Commissioner's benchmark of responding to 80% of SAR's within 40 calendar days.

6.3 Data Security Incidents

6.3.1 IG investigates all instances of alleged data breaches that are identified and referred to them. A data breach can cover a number of different incidents from a member/employee reporting a lost Blackberry to confidential/sensitive information being communicated to an unauthorised and/or incorrect recipient.

6.3.2 Between the 1 April 2012 and 31 March 2013 there were 97 reported instances of possible data breaches (77 reported instances in 2011/12). IG investigated all of these and has confirmed that 51 data breaches had occurred (40 data breaches were identified in 2011/12). These are shown below categorised by type of breach:

	Number of Cases	Number of Complaints/Referrals from Data Subjects
Information accidentally sent/made available to the incorrect recipient	44 (31 in 11/12)	25
Accidental release of personal information verbally	3 (3 in 11/12)	2

³ A request by an individual for personal information that relates to them or their children

Documents containing sensitive information left in an insecure location	1 (1 in 11/12)	1
Documents/information containing sensitive information disposed of inappropriately	0 (2 in 11/12)	0
Information lost or stolen	3 (3 in 11/12)	0
TOTAL	51 (40 in 11/12)	

6.3.3 None of the data breaches detailed above met the Information Commissioner's rationale for reporting serious breaches to them.

6.3.4 For each of these breaches IG agreed actions with the relevant management team to minimise the impact of the breach on the customer. The Council has also changed procedures and provided training to reduce the possibility of similar data breaches occurring in the future. Disciplinary action has been taken in 3 cases:

- 2 officers have received warning letters
- 1 officer resigned during the disciplinary process

In addition to this 1 further officer is currently being investigated under the Council's disciplinary rules. The outcome of this investigation is yet to be determined.

6.3.5 Any lessons learnt from data security incidents are shared locally with appropriate employees. In addition to this the IG Team communicates half yearly lessons learnt highlighted by data breach investigations to all services across the Council – the lessons learnt from October 2012 – March 2013 are attached as Appendix B for information.

6.3.6 The IG Team has received one referral from the Information Commissioner in respect to a complaint made to them by a member of the public affected by one of the data breaches detailed in 6.3.2. This related to a Sales Ledger invoice being sent to an incorrect address. After receiving requested information from the Council in respect to this breach the Information Commissioner was satisfied with our response and the changes made and further plans in place for improvements for processing personal information in this area and no further action was required.

6.3.7 The IG Team also received correspondence in 2012/13 from the Information Commissioners Office (ICO) in respect to 2 data breaches, see details below.

Breach 1 – Wrekin Housing Trust (WHT) Officer left social care information (including police information) at an individual's home in error.

This incident occurred in 2011/12 and was notified to the ICO by WHT. The ICO contacted the Council in 2012/13 querying why we had not notified them of this incident. The Council provided a response which satisfied the ICO's query and no further action was required.

Breach 2 – An employee of a care company that the Council contract with had their car stolen. Personal information relating to care clients had been left in the car (information for T&W related to the names of 14 clients). The care company had notified the ICO of this incident.

The ICO contacted the Council and requested additional information in respect to the relationship the Council had with the care company. The ICO were satisfied with the response provided by the Council and no further action was required.

- 6.3.8 As reported to the Audit Committee on 25/9/12 the ICO fined the Council £90,000⁴ in June 2012 for two data breaches notified to the ICO by the Council in May 2011.

6.4 Information Governance Work Programme

6.4.1 The IG Team, in addition to the administration of information rights legislation and the investigation of data security breaches, set down a work programme to further improve the information governance framework of the Council. The 2012/13 IG work programme was agreed at the March 2012 Audit Committee. Detailed progress to date in respect to this programme is shown in Appendix C.

6.4.2 The next update to the Audit Committee on Information Governance will be the 2013/14 update report, incorporating activity during April – end of August 2013 which will be presented to the September Audit Committee.

7 CONCLUSIONS FOR 2012/13

- 7.1 Despite limited resources the Internal Audit & IG Team has achieved good results and contributed to the governance arrangements within the Council.
- 7.2 The statutory responsibilities of the Council's Chief Financial Officer (section 151 officer) to provide an adequate internal audit service have been met and Internal Audit has provided reasonable assurance to the Council on the internal control systems for the areas reviewed in 2012/13.
- 7.3 Internal Audit and Information Governance Team has also continued to provide advice and guidance on procedures, controls, information security and risk management.
- 7.4 However, there are numerous major changes occurring both within and outside the Council during 2013/14 which could affect the team's activities, for example :-
- a) The Public Sector Internal Audit Standards became operative from 1st April 2013. We have commenced the process to review our practices and reporting requirements against them and will update/introduce new procedures where appropriate including improved quality review (internal and external).
 - b) The pressure on the Council's budget strategy for 13/14 has resulted in further savings being put forward including a voluntary reduction in the Service Delivery Manager's resources. It is anticipated that the effect of this on Internal Audit work will be limited as the reduction is being realised by a reduction in corporate work;
 - c) Further service restructures and re-engineering, revised governance arrangements and reduced supervisory levels;
 - d) The continued development of relationships with revised service delivery areas to ensure the team continues to support the authority in achieving its objectives.
 - e) Changes to legislation and the Government's expectations of local government and its policies;
 - f) Consideration of the future changes to the external audit and inspection regime;
 - g) The Council's key projects including Building Schools for the Future, Waste, Commercial Projects (including the Housing Investment programme) and Single Status.

⁴ Reduced to £72,000 for prompt payment

8 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of the Audit & IG Team have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified.
Environmental Impact	All members of the Audit & IG Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager.
Legal Implications	<p>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 the 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. Undertaking the audits as set out in the report and providing updates and an Annual Report to this Committee contributes towards meeting these requirements.</p> <p>Further reference to legal requirements and the implementation of those legal requirements in accordance with CIPFA guidance are contained within the main body of the report at paragraphs 3.2, 5.1.1 and 5.2.2 respectively.</p> <p>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.</p> <p>Compliance with the Information Rights legislation mentioned in this report is mandatory. When assessing compliance, the ICO will consider approved policies and procedures of the authority.</p>
Links with Corporate Priorities	All aspects of the Audit & IG teams work support good governance which underpins the achievement of the Council's objectives and quality service delivery.
Risks and Opportunities	<p>All aspects of the Audit & IG teams work supports managers and the Council to identify and manage their risks and opportunities.</p> <p>The role of IG includes reviewing information security arrangements in place to manage IG risks within service areas. IG reports produced assist the Council in improving systems and controls (reducing IG risks) and therefore the delivery of services and achievement of objectives.</p> <p>If the Council does not comply with the information rights legal requirements there is the risk of the Council being issued with a fine by the ICO of up to £500,000. Service areas supported by the IG Team have and are continuing to implement mitigation to avoid this but there is still risk associated with this.</p>
Financial Implications	<p>Audit & IG operated within budget for 2012/13 with an under spend at the end of the year. Where recommendations are made by team members following reviews, if possible, cost implications are identified.</p> <p>The budget for external audit was also under spent for 2012/13 by £90k due to a reduction in the main audit fee.</p> <p>It should be noted that if the ICO found that the Council was not complying with the information rights legal requirements and a fine was imposed there is no budget allocation identified to meet this.</p>
Ward Implications	The work of the Audit & IG team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.

9 BACKGROUND PAPERS

Annual Audit Plan 2012/13 and strategy

Internal Audit Action Plan 2012/13

CIPFA Benchmarking Information 2012

Corporate Information Security Policy

Corporate Information Security Breach Procedure

Report by Jenny Marriott, Audit & Information Governance Manager. Telephone: 383101

MAIN AREAS OF INTERNAL AUDIT WORK UNDERTAKEN 2012/13

Areas	Days
16+ Commissioning	11
Abacus system review	12
Abraham Darby Leisure Centre	13
Accommodation project	1
Advice and Guidance	62
Annual Governance Statement assurance and certification	11
Apley Wood Primary	6
Aqueduct School	6
Arthog	17
Bank contract review	5
Benefits - Workbook sample test	5
Building Schools for the Future	3
Building control fees	2
Car Parking Enforcement	6
Care first application review	4
Cash Collection - general	16
Catering	15
Children's Commissioning	8
Children's Placements	17
Church Aston School	5
Continuing Healthcare	5
Contract changes & waivers of SOs	11
Corporate Parenting expenditure check	4
Council Tax / NNDR	34
Carbon Reduction Commitment review	6
Customer Relationship Management system	3
Dept of Transport grant review	1
Donnington Wood Infants School	5
Early Intervention imprest check	4
Electronic Client Records	4
External IT Audit Contract Management & Procurement	7
Follow ups (including ICT)	19
Foster Carers Form F review	6
Foster carers recruitment campaign	1
Fraud & Compliance Checks	10
Graphical Information Systems review	4
Homelessness Thresholds	6
HR Allowances	9
HR/Payroll	31
ICT Equipment	1
ICT Governance of projects	2
ICT Procurement	2
Infrastructure Project review	1
Insurance	7
Integrated Benefits System	20

John Fletcher of Madeley Primary School	5
Licensing	5
Lightmoor /reflexions overpayment	3
Lilleshall Primary School	8
Main Accounting system	26
Markets & Cash collection	1
Mileage/overtime checks	5
Newdale Nursery and First Steps system	7
Newport Infants School	8
Oakengates Tennis Centre contract	11
P2P and Purchase Ledger	30
PFI facilities management contract review	3
Performance Indicator Verification	3
Planning Applications	2
Procurement	7
Property & Design Helpdesk	12
Pupil Tracking	3
Replacement Jacobs/consultancy	2
Revised School Audit programme	5
Risk management	1
Safe checks	2
Sales Ledger	47
School Funds	1
Self Directed support	2
Service User Journey	4
Shortwood School	5
St Lawrence Primary School	4
St Peters & Pauls School	3
St Peters Edmond School	8
Stage 1 Complaints Correspondence Checks	2
Supportive Lodgings	3
Teagues Bridge School	7
Teenage pregnancy Governance	4
Term Contract / Service Contracts	5
The Bridge Special school	7
Tibberton School	6
Town Park Visitors Centre	6
Trading standards	2
Transparency Agenda	2
Treasury Management	10
Uniform system	5
Voluntary Sector Agreements	1
Wellington Office & Leisure centre accommodation	6
Wrekin View Primary School	8

Information Security Incidents: Lessons Learnt – 2012/13

Information Governance (IG) 2nd Half Yearly Update – 1 October to 31 March 2013

Information on lessons learnt in respect to data breaches investigated for the first half of 2012/13 were included in the weekly Briefing Note for Managers dated 11/10/12 and Staff News on 19/10/12.

Despite further training/publicity the Council has continued to experience data breaches. These breaches have been investigated by the IG team/service areas and changes to processes have been agreed. However there are lessons to be learnt by us all from these breaches and this note aims to share them with you.



Top 5 reasons for data breaches at Telford & Wrekin

1

Emails sent to incorrect recipients

2

Officers not completely following agreed processes/procedure

3

Officers basing decision on assumptions rather than fact

4

Use of paperclips to accidentally clip together unrelated information

5

Human error – typing errors, lack of checking contact details, etc.

What is the impact of these data breaches?

- **Fact:** We have given out someone's bank details to another individual in error – **possible impact: identity theft, financial fraud, etc.**
- **Fact:** We have given out the contact details for a victim of domestic abuse in error – **possible impact: the alleged abuser nearly received these details which could have put the victim in significant danger.**
- **Fact:** One individual affected by a data breach complained to the Information Commissioner – **possible impact: Council could have been fined £500,000, further internal investigation and disciplinary action against employee.**



Lessons learnt from data breaches



Always check you are emailing who you think you are emailing particularly when the email address auto-populates in Outlook

- ✓ If you are sending an email to a group email address check all the officers in that group are authorised to receive it
- ✓ Ensure you are fully aware of, and abide by, your local procedures and applicable corporate policies such as the Corporate Information Security Policy (CISP)
- ✓ When dealing with personal information NEVER assume. Think what the impact could be of your assumption. All your decisions need to be based on fact.
- ✓ Be careful when sorting personal information for different individuals at the same time. Never use paperclips to separate documents, always consider using plastic wallets
- ✓ When sending correspondence to individuals always double check the address stated on your letter with the source address on your records. Remember house number 82 can easily be quoted as 28 by mistake. But this mistake can be picked up by checking

£££'s - Top 3 latest fines for local authorities nationally

<p>Lewisham - £70,000 <i>December 2012</i></p> <p>A social worker left sensitive documents in a plastic shopping bag on a train, after taking them home to work on. The files, which were later, recovered from the rail company's lost property office, included GP and police reports and allegations of sexual abuse and neglect.</p>	<p>Plymouth - £60,000 <i>November 2012</i></p> <p>An employee at Plymouth Council collected three pages of sensitive information from a printer alongside another document by accident. These documents were then sent out at the same time to one family who received details about a family that wasn't related to them.</p>	<p>Devon - £90,000 <i>October 2012</i></p> <p>An employee used a previous case as a template for an adoption panel report they were writing up, but sent out a copy of the old report instead of the new one, leaking data on 22 people. That data breach saw details of mental and physical health exposed.</p>
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Remember: Protecting personal information is everybody's responsibility

**INFORMATION GOVERNANCE WORK PROGRAMME
PROGRESS AND PROGRAMMED WORK**

No	Task	Completion Date & Comments
1	Administer FOI/EIR/DPA requests, appeals, complaints and associated correspondence from the ICO	Ongoing
2	<p>Deliver IG training and awareness programme and ensure the content of the induction programme is appropriate.</p> <p>Annual refresher training</p>	<p>Ongoing</p> <p>Draft IG module designed for Learning Pool – looking to implement by end of May 2013.</p>
3	<p>Keep the IG and security framework up to date including the Corporate Information Security Policy and associated procedures.</p> <p>Disseminate changes across the Council</p>	<p>IG strategy approved at April 2013 Cabinet.</p> <p>Corporate Information Security Policy currently under review – due for finalisation by end of May 2013.</p> <p>Other policies and procedures that form part of the security framework are in draft pending agreement by the SIRO following approval of the IG strategy in April 2013.</p>
4	Complete Corporate Retention & Disposal Schedule	Complete
5	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	Ongoing
6	Support service areas during and after service reviews/restructures to address any information security risks that arise.	Ongoing
7	Support information sharing and the production of information sharing agreements	Ongoing
8	Monitor the publication scheme and ensure service areas are keeping it up to date	Ongoing
9	Review and update intranet and internet pages for FOI and DPA	Complete – intranet Planned completion end of May 13 for internet

No	Task	Completion Date & Comments
10	Complete N3 connection assessment for central government	Complete apart from awaiting confirmation from Connecting for Health on one requirement.
11	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications	Ongoing
12	Rationalise IG file structure	Complete
13	Report to the Audit Committee on progress against the work programme and any issues arising	June 2012 - Complete September 2012 - Complete June 2013 – In progress

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 25th JUNE 2013

CORPORATE ANTI-FRAUD & CORRUPTION POLICY – 2012/13 ANNUAL REPORT AND POLICY UPDATE

REPORT OF THE CHIEF FINANCIAL OFFICER

1. PURPOSE

- 1.1 For the Audit Committee to:
- a) consider the 2012/13 Annual Report on Corporate Anti-Fraud and Corruption activity; and
 - b) agree an updated policy and to recommend its adoption by the Council.

2. RECOMMENDATIONS

- 2.1 That the Audit Committee notes the 2012/13 Annual Report on Corporate Anti-Fraud and Corruption activity.
- 2.2 That the Audit Committee agrees the updated policy attached as Appendix B and recommend its adoption by the Council.

3. SUMMARY

- 3.1 The Council is committed to high standards of Corporate Governance and has a set of effective procedures in place to support this. These procedures include the Anti-Fraud & Corruption Policy.
- 3.2 The terms of reference of the Audit Committee include:
“15. To approve the Anti-Fraud and Corruption Policy for adoption by the Council and to monitor its operation. The policy will be reviewed it at least once every two years.”
- 3.3 This report includes information in respect to the fifth annual report setting out the Corporate Anti-Fraud and Corruption activity for 2012/13 to enable the Audit Committee to monitor the policies operation. In addition attached as Appendix B is an updated policy for members to agree and recommend on for adoption by the Council.

4. PREVIOUS MINUTES

- 4.1 Audit Committee 28th July 2009 – Annual Report 2008/09
Audit Committee 27th July 2010 – Annual Report 2009/10
Audit Committee 22nd March 2011 – Update of Anti-Fraud & Corruption Policy 2011
Audit Committee 20th September 2011 – Annual Report 2010/11
Audit Committee 26th June 2012 – Annual Report 2011/12

5. INFORMATION - ANNUAL REPORT 2012/13

- 5.1 The Anti-Fraud and Corruption Policy supports one of the key dimensions of good Corporate Governance – Standards of Conduct. The Council aims to ensure that all those associated with it maintain high standards of ethics and conduct in public life contributing to good Corporate Governance.

- 5.2 Nationally due to the economic climate there are indications from Police and Government statistics that fraudulent activity has and will continue to increase during the recession. Therefore it is important that the Council continues to maintain its vigilance in respect to Council services and the Community.
- 5.3 This report contains information for 2012/13 about counter fraud and investigation activities within Benefits, Internal Audit and Trading Standards, including Licensing. The Committee should note that the Councils procedures and controls are designed to minimise the opportunity for fraud and to highlight where possible activity may have occurred.
- 5.4 Members and officers regularly receive information on their responsibilities in respect to the use of public money and the prevention and detection of fraud. They provide information for investigation by appropriately trained and experienced officers within the Council (and by the Police or other external party when required).

6. BENEFITS

- 6.1 The benefit caseload has increased again over the last 12 months, from 20,063 (live cases) at 31st March 2012 to 20,333 at 25th March 2013. This represents a 1.35% increase over the year.
- 6.2 The Council has followed the Department for Work & Pensions (DWP) lead in “securing the gateway”. The DWP aim at ‘getting it right, and keeping it right’ i.e. ensuring only those properly entitled are granted and paid benefit. A telephone claim process is still in place and the vast majority of claims continue to be processed in this way. A telephone appointment is made within anyone making contact to make a new claim. A Benefit Assessment Officer takes all the necessary details and then an appointment is made for the claimant to see a Benefit Assessment Officer at the Council’s First Point facility where the information they have given is checked against the relevant proof of income, identity and rent details. To this end the majority of new benefit claimants who make a claim direct to the Council are seen in person by a Benefit Officer. This ensures the best possible service for the customer as claims are processed whilst they wait and the Benefit Assessment Officer explains to the customer their responsibilities regarding reporting of changes in circumstance. Entitlement letters are given to the customer at the end of the interview and explained and checked with the customer to ensure accuracy.
- 6.3 Referrals to the Benefits Investigation team come from various sources. The table below show the sources, number and percentage of total.

Source	Number of Referrals	Percentage of Total
Anonymous letter	69	8.3
Anonymous telephone call	319	23.7
Member of staff	308	15.3
Housing Benefit Matching Service (HBMS)	75	7.2
DWP	90	13.6
Police	13	2.2
Landlord	51	3.2
Internet/email	193	11.6
Newspaper	1	0.1
Other Local Authority	21	1.3
Named Member Of Public	10	0.3
National Fraud Initiative (2011/12)	18	13.1
Fraud drive	2	0.1

Other	2	
Total Referrals	1172	100.00

6.4 Benefits Data Matching

- 6.4.1 In 2012/13 there were 40 investigations closed which had been opened due to a Housing Benefit Matching Service (HBMS) referral. Of these, 30 resulted in a positive outcome i.e. benefit was affected / fraud found. There were 75 referrals as a result of new HBMS match within 2012/13 – some of these files were still open at the end of the financial year.
- 6.4.2 The Investigation Team have also been completing matches identified through the National Fraud Initiative (NFI) 2011. In addition to the cases completed in 2011/12 a further 25 investigations have been completed, 13 of which resulted in a sanction. The overpaid benefit for the cases which received a sanction total £76,263.
- 6.4.3 Unfortunately Benefit fraud is not just external to the Council. The Council undertakes internal checks in respect to monthly data matches with all new starters. This ensures all changes in circumstances have been declared. During the last year we have prosecuted one person who was a Telford and Wrekin employee and another has accepted an administrative penalty following investigations into benefit fraud.

6.5 Cases Investigated

- 6.5.1 We use a risk based approach to ascertain which cases are investigated. In 2012/13 a total of 348 investigations were closed and of which 192 proved positive (benefit was affected in some way). Of this total, 81 cases received a formal sanction:
- Prosecutions – 39
 - Administrative Penalties – 22
 - Formal Cautions - 20
- 6.5.2 Although no credit is given, sanctions are also applied to partners/landlords/employers where it can be demonstrated that they were complicit in the fraud. As a result, 4 further people (partners) were prosecuted.
- 6.5.3 For the prosecutions fines of £350 were imposed and costs of £5,927.50 were awarded, please note that some of these are attributable to joint working with Department for Work and Pensions. Other sentences imposed by the courts in the last year include a custodial sentence, suspended custodial sentences, community orders, curfews and unpaid work. In addition to recovery of the overpaid benefit amount anyone accepting a caution, administrative penalty or successful prosecution cases will have a loss of benefit sanction applied which means that any ongoing benefit entitlement is reduced for a period of four weeks.
- 6.5.4 Overpayments detected in the above sanction cases totalled £423,615.

6.6 Benefit Fraud Sanction & Prosecution Policy

- 6.6.1 The benefit fraud policy was rewritten and approved by Cabinet in January 2010. The refreshed policy was to give much clearer guidance to decision makers on a wider range of factors that they should consider when deciding which sanction to apply to a fraud case, as well as streamlining the decision making process to speed up the time taken for sanction authorisation to be granted.

7. INTERNAL AUDIT

- 7.1 Internal Audit has an important role in the investigation of suspected internal fraud and assisting managers in ensuring they have appropriate systems and controls in place that are designed to prevent or reduce the opportunity for fraud.
- 7.2 Annually days are allocated within the audit plan to undertake proactive fraud work and work in areas where previous frauds have occurred. This work is informed by a Fraud Risk register¹. A summary of the fraud risk areas and audit action taken during 2012/13 is attached as Appendix A for your information. For 2012/13 the planned proactive days were 40 days and actual 17.5 days. The reduction was due to unplanned work and the loss of resources due to staff turnover. In addition where possible the proactive activities were included within other planned audits.
- 7.3 In addition to proactive fraud work and continuous advice and guidance to managers, Internal Audit also has role to investigate potential irregular activities reported to them throughout the year. During 2012/13 although management requested areas to be reviewed due to restructures and new responsibilities no potential frauds were identified. Changes to procedures and controls have been implemented as a result of these reviews and additional training and awareness provided to employees.

7.4 National Fraud Initiative (NFI)

- 7.4.1 The Audit Commission's NFI exercise is part of Central Government's national recognition that taxpayers have a right to expect public bodies to put in place every possible measure to protect their money from fraud. The national public bodies included in this exercise are police authorities, local probation boards, fire and rescue authorities and all upper tier and districts councils.
- 7.4.2 The Council has a statutory responsibility to provide data to the Audit Commission for the prevention and detection of fraud as part of the NFI. NFI is an exercise that matches electronic data within and between audited bodies to prevent and detect fraud.
- 7.4.3 The Information Governance Team Leader is the nominated 'Key Contact' for the authority. It is the Key Contacts responsibility to ensure the appropriate datasets are sent to the Audit Commission and then when data match information is provided (January 2013) to provide a co-ordination role to ensure service areas are investigating matched records in their areas in compliance with Audit Commission guidelines.
- 7.4.4 The Council received their data match information in January 2013. In total 4,958 matches were identified covering a number of data sets, see below for breakdown:

Housing Benefit – 2,453
Payroll - 85
Blue Badge - 253
Concessionary Travel - 226
Private Residential Care Homes - 48
Licensing - 1
Creditors – 1891*
Insurance - 1

¹ This register was developed based on good practice, local internal intelligence and the West Midlands Fraud Group (this is a specialist fraud networking and training group of West Midlands metropolitan authorities and unitary authorities).

*This includes standing data such as duplicate creditor masterfile records and historical data in respect to possible duplicate payments made to suppliers.

- 7.4.5 The Audit Commission does not expect all 4,958 matched records to be reviewed but they do suggest reviewing matches on a risk basis using their recommended filters. In total 848 matches have been processed with a further 70 in the process of being investigated. This is broadly in line with the number of recommended matches highlighted by the Audit Commission.
- 7.4.6 Steady progress has been made by the Council in reviewing matches on a risk basis. Due to competing priorities some service areas have only just started reviewing their matches. However a timetable has been agreed with service areas for completion of their investigation work and Audit & IG have set up quarterly meetings with each area to monitor progress.

7.5 Training & Awareness

- 7.5.1 The Council ensures that both Members and Officers are aware of their responsibilities in respect to the Council's Anti-Fraud and Corruption policy.
- 7.5.2 All new staff within Revenues & Benefits (R&B) (as part of their induction) receives in depth Fraud Awareness training from the Corporate Training Team. In addition periodic refresher training is given to existing staff. Out of the fraud referrals received in 2012/13, 308 came from members of staff.
- 7.5.3 For officers there is the Code of Conduct for Employees which is included as part of induction and is available on the intranet. The principles of the Anti-fraud and corruption and the Speak Up policies are included in induction for new employees.

7.6 Publicity

- 7.6.1 As per the policy publicity of cases is important as a deterrent. The Benefit Fraud Team and Trading Standards use Corporate Communications to issue press releases about upcoming notable cases. Often the press then follow up with the headlines about the action/fine. The press releases are also published on the Council's website.
- 7.6.2 Internally cases of note are included within the Revenues and Benefits weekly team brief notes and also included in the quarterly Service Area report. These are issued to all R&B staff.
- 7.6.3 Where allegations of internal frauds have been investigated and procedures and controls are changed the lessons learnt are shared across the Council through the staff news and in management meetings.

8. TRADING STANDARDS & LICENSING

- 8.1 The Trading Standards and Licensing services of the Council play a significant role in delivering the Council's response to business related fraud in the borough. The majority of the responses are based around statutory responsibilities refined to provide effective detection and countermeasures in respect to fraud. These services are not restricted as to whom its officers may investigate, and are constrained only by the limitations of the statute under which an investigation is being conducted. As such investigations may involve Council officers, Members, suppliers to the Council and the business activities of the Council itself.

- 8.2 Officers of these services have access to specific legal, procedural and operational training to enable effective discharge of their responsibilities.
- 8.3 Staff undertake extensive professional training and mentoring before being permitted to commence enforcement duties, and have access to a range of professional competency training facilities through CEnTSA (Central England Trading Standards Authorities) and the Institute of Licensing (IOL) and their regional professional networks.

8.4 Anti Fraud responsibilities

- 8.4.1 Specific and identifiable responsibilities falling to the Trading Standards and Licensing within the Public Protection Service Delivery Unit, to combat fraud in the community include:

For the Licensing Service:

- **Street trader consents**
Prevention and detection of the illegal and highly lucrative transfer of street trader consents ('burger wars')
- **Taxi licensing**
Ensuring the correct vehicle, correctly insured and driven by the licensed driver.
Ensuring that licences are granted to people who have the right to work in the UK.
- **National Insurance Fraud Network.**
Partnership working to detect and report vehicle accident patterns.
- **Scrap metal dealers licensing.**
Joint working with police to detect illegal trading in stolen vehicles through scrap metal dealers and motor salvage operators.
- **National Fraud Initiative.**
Provision of information for the purposes of detection of benefit and other related frauds.
- **Intelligence Data System.**
New data system linked to DVLA for the detection of driving licence frauds.
- **Gambling Act enforcement**
Gaming establishments, registration of gaming machines, enforcement of 'amusement machines licensing duty certificates' in respect of the avoidance of taxation payments.
- **Money Laundering.**
Taxis, private hire vehicles, gaming machines, as a means of converting large quantities of cash.
- **Street Collections, Charity collections.**
Identification, detection and enforcement of fraudulent collections

For the Trading Standards Service:

- 8.4.2 Trading Standards has responsibility for enforcing a wide range of legislation that supports the authority's anti fraud responsibilities, and could be considered under the following broad headings:

- **Goods and services misdescriptions legislation.**
cover such things as property (houses etc. misdescriptions) vehicles, animals, professional, personal and manual services.
- **Intellectual Property crime**
Copyright, Trade marks

- **Consumer protection against unfair trading legislation**
Wide ranging and subject unspecific legislation to keep pace with constantly changing fraudulent practices.
- **Consumer Credit**
Credit, debt, finance agreements, misleading advertising
- **Cattle identification legislation**
To prevent fraudulent transfer to limit disease spread.
- **Weights and Measures**
Misrepresentation of quantity of goods supplied.

8.4.4 Trading Standards receives intelligence about rogue trader activities in Telford and deal with complaints about fraudsters that specifically target vulnerable and older people, carrying out unnecessary or misrepresent home improvement work and as a result defraud them out of thousands of pounds. This area of fraud remains a priority for Trading Standards for 2013/14.

8.4.5 The team also has a proactive role in educating consumers and businesses by raising awareness of rogue traders, counterfeiters and making consumers better able to distinguish the rogues from the reputable businesses and increasing consumer confidence.

8.5 Trading Standards Regional Initiatives

Scambusters

8.5.1 Dedicated Trading Standards officers working alongside officers from the Police, HM Revenue & Customs and other enforcement agencies. They work across local authority boundaries focusing on the hardest to tackle scams and rogue traders that set out to defraud people out of their money/assets.

8.5.2 This regional approach has demonstrated that targeted, proactive and intelligence led enforcement works. There has been much closer co-operation and data sharing between Trading Standards and other agencies, partly due to the level of criminality the teams have investigated.

Examples of the types of issues that have been targeted are:

- Doorstep crime
- Deceptive selling techniques
- 'Cowboy' builders doing shoddy and unnecessary work
- Large scale organised counterfeiting operations

8.6 Loan Shark Team

8.6.1 A loan shark is an unlicensed moneylender. Licensed moneylenders are regulated by the Office of Fair Trading (OFT) and must follow the OFT's codes of practice. Because they're not licensed, loan sharks operate outside the law. If you borrow from them it's likely you'll:

- get a loan on very bad terms
- pay an extortionate rate of interest
- be harassed if you get behind with your repayments
- be pressured into borrowing more from them to repay one debt with another

8.6.2 The role of this team is to identify, investigate and if necessary prosecute loan sharks and to work with victims to secure a satisfactory financial outcome. It also has a proactive role to

educate and raise awareness in local communities of the pitfalls of loans harks and promotes alternative sources of obtaining small loans and savings plans.

9. Challenges for 2013/14

- Reduced resources for the provision of Council services and therefore reduction in control and supervision and therefore potential increased opportunities for internal fraud
- Reduced resources for the provision of Council services, including Governance and therefore reduction in fraud awareness, investigation of data matches and opportunities for proactive work.
- Impact of the continued recession and economic climate on the potential incidence of fraud
- The impact of the benefit changes introduced as part of the government’s welfare reform. This will result in a reduction for many working age people in receipt of Housing Benefit. Council Tax Benefit is abolished with effect from 1 April 2013 and will be replaced by a local Council Tax Support which will also see a reduction in support for a majority of working age benefit recipients.

10. ANTI-FRAUD & CORRUPTION POLICY UPDATE

10.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 22nd March 2011 and was approved by Council on 23rd June 2011. The terms of reference of this Committee set out that it should be reviewed every 2 years and therefore the results of this review are presented to this committee as Appendix B for comment and agreement. The agreed version will be recommended to the Council for adoption by the Council.

10.2 The minimal changes made to the policy reflect:

- a) Organisational change and restructures;
- b) The Co-operative values;
- c) Changes to the External audit arrangements; and
- d) Updates to the Constitution

10. OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	The Anti-Fraud & Corruption policy operates within Equalities legislation and the Council’s associated policies. Any investigations follow legal requirements and proper procedures to ensure that equality and diversity requirements are met.
Environmental Impact	None
Legal Implications	Regulatory and enforcement teams throughout the Council (including internal audit) have powers and responsibilities set out in statute and regulation to detect, investigate and take enforcement action in relation to fraud and corruption. Such roles and responsibilities also include information sharing which is referred to in this report. When undertaking these actions all relevant statutory requirements need to be adhered to.
Links with Corporate Priorities	The policy supports all Corporate Priorities and good Corporate Governance demonstrating the Council’s desire to ensure sound conduct and ethical procedures for all those associated with the Council and service delivery. Monitoring the policy provides the opportunity to identify if there are any changes required or additional areas of activity.
Financial Implications	None as all current activity is met from within existing budgets.
Opportunities and	Having a policy which sets out the Council’s anti-fraud and corruption

Risks	culture and associated procedures assists in the management of the risk of fraud and corruption against the Council.
Ward Implications	Borough wide implications.

11. BACKGROUND PAPERS

Corporate Anti-Fraud and Corruption Policy 2011

Speak Up Policy 2012

Benefits Counter Fraud and Sanctions Policy 2010

Audit Commission requirements for the National Fraud Initiative

Trading Standards & Licensing Legislation

**Report prepared by Jenny Marriott – Audit & Information Governance SDM - 01952 383101;
Becky Owen-Jones – Benefit Welfare and Assurance Group Manager – 01952 83881 & Anita
Hunt – Trading Standards Team Manager – 01952 381998; Suzanne Fisher – Licensing &
Support Team Manager**

**INTERNAL AUDIT PLANNED PROACTIVE FRAUD & CORRPUTION WORK UNDERTAKEN
2012-13**

Work Area	Work undertaken
Car Mileage & Overtime Claims	This review looked at car mileage claims to ensure that they are reasonable and correctly applied. Also covered overtime payments made to ensure that they are reasonable and in line with quoted savings from restructures.
Cash collection	Annual cash collection audits Review of arrangements at Darby House reception, Wellington First Point (Library), Legal Services Search Fees, and Youth and Cohesion Safe checks also undertaken at various locations.
Catering – assurance on cashless system & free school meals (secondary)	Audit working with catering Service who are implementing new cashless system
Car Parking	Review of revised income collection processes
Term Contracts / Service contracts	Examined the processes in place for the appointment of term contracts to ensure they are awarded correctly
Review of HR Allowances	Examined the allowances currently paid to staff other than salary payments to ensure that they are genuine
Contract Changes & SO Waivers	Examined contracts to ensure that they had been subject to an appropriate tender process or a waiver had been obtained where applicable.
Procurement – Contract Monitoring	This review concentrated to ensuring that contracts are appropriately monitored to ensure the Council is getting the expected service from contractors.

APPENDIX B

TELFORD & WREKIN COUNCIL - ANTI-FRAUD AND CORRUPTION POLICY 2013

1. INTRODUCTION

- 1.1 The Council through this policy clearly demonstrates its zero tolerance commitment to dealing with fraud, bribery and corruption and will deal equally with perpetrators from inside (members¹ and employees²) and outside the Council.
- 1.2 The policy outlines measures designed to frustrate attempted fraud, bribes or corruption (defined in Appendix A) and the steps that will be taken if such action occurs. It is separated into four areas:-
1. Culture
 2. Prevention/Deterrence
 3. Detection and Investigation
 4. Training
- 1.3 The Council also recognises the high degree of external scrutiny of its affairs by a variety of external bodies. These bodies are important in highlighting any areas where improvements to anti-fraud, anti bribery and anti corruption activities can be made.

2. CULTURE

- 2.1 The Council's ~~co-operative culture and~~ values including openness ~~and honesty which~~³ supports the ~~Council's commitment to~~ zero tolerance ~~commitment in respect~~ to fraud, bribery and corruption.
- 2.2 The prevention and detection of fraud, bribery or corruption and the protection of the public purse are responsibilities of everyone, both internal and external to the organisation. The ~~Council's~~ anti-fraud, bribery and corruption culture and associated procedures assist the Council in its management of the risk of fraud, bribery and corruption against the Council and are an integral part of its governance framework.
- 2.3 The Council's members, employees, partners, volunteers and governors play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud, bribery and corruption, regardless of seniority, rank or status, in the knowledge that such concerns will be investigated and wherever possible be treated in confidence⁴. Suppliers/contractors to the Council and the public also have roles to play in this process and should inform the Council if they feel that fraud, bribery or corruption may have occurred. Examples of types of concerns are listed in Annex 1.
- 2.4 The Council will deal firmly and take appropriate action against those who defraud the Council or who are corrupt. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees/members raising malicious allegations) will also be dealt with appropriately.
- 2.5 When fraud, bribery or corruption has occurred due to a breakdown in the Council's systems or procedures, senior managers will ensure that appropriate improvements in systems of control are implemented within a reasonable timeframe to prevent a re-occurrence.

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¹ The term "members" is used in the policy to include elected, co-opted and independent members.

² ~~The term employees is used in the policy to include employees, temporary staff, volunteers, partners~~

³ ~~Part of the Ethos/Culture/Values of the One Council One team One Vision~~

⁴ The Council's Speak Up policy sets out how concerns can be raised (including anonymous information) and how they will be dealt with, including allegations in respect to fraud and corruption.

APPENDIX B

3. PREVENTION & DETERRENCE

3.1 MEMBERS

3.1.1 All members of the Council have a duty to the citizens of the Borough to protect the Council and public money from any acts of fraud, bribery or corruption. This is achieved through the Anti-Fraud and Corruption Policy, compliance with the Code of Conduct for Members, the Council's Constitution⁵, relevant legislation and any other protocols and procedures adopted by the Council.

3.2 EMPLOYEES

3.2.1 The Role of the Chief Financial Officer – one of the ~~Assistant Corporate~~ Directors⁶ has been designated the statutory responsibilities of the Chief Financial Officer as defined by s151 of the Local Government Act 1972. These responsibilities are set out in Annex 2.

3.2.2 ~~Employees and their M~~anagers are responsible for controls and ensuring that adequate systems of internal control exist within their areas of responsibility, that these controls operate effectively and that they test ~~—~~them regularly to confirm this. They should also operate so as to prevent and detect fraud and ~~—~~implement appropriate controls into new/~~developed~~ systems and new controls into existing systems to ~~—~~reduce the risk of fraud occurring or recurring.

3.2.3 Managers at all levels are responsible for managing the risk of fraud, bribery and corruption through:

- a) Recruitment – following the Council's recruitment policies and procedures
- b) ~~—~~ Appropriate induction and training in order for their staff to do their job
- ~~b)c) Their adherence to and promotion of the Employee Code of Conduct~~
- ~~e)d) Providing awareness of the Council's constitution, appropriate policies and procedures (key documents~~enes~~ associated with this policy are listed in Annex 2)~~
- ~~e)e) Regular reminders, updates and vigilance in respect to fraud, bribery & corruption~~
- ~~e)f) Encouraging ~~their~~ staff to raise concerns with them or through the Speak Up policy~~

3.3 MEMBERS & EMPLOYEES

3.3.1 Both members and employees must ensure that they avoid situations where there is a potential for a conflict of interest⁷. Such situations can arise particularly with planning and land issues, procurement (especially tendering), recruitment etc. Effective role separation is essential to ensure decisions made are based upon impartial advice ~~and seen to be based upon impartial advice~~ to maintain public confidence in the Council's decision-making processes and avoid questions about improper disclosure of confidential information.

3.3.2 All members and officers are expected to fully co-operate with whoever is conducting fraud, bribery and corruption investigations, proactive checks or data matching exercises.

3.4 INTERNAL AUDIT

3.4.1 Internal Audit plays a vital preventative role in ensuring that systems and procedures are in place to prevent and deter fraud, bribery and corruption and has specific rights within the constitution (see Annex 2). Internal Audit investigates all employee cases of suspected financial irregularity, fraud, bribery or corruption⁸, except Benefit fraud investigations (see below), in accordance with agreed procedures. Internal Audit liaises with management to recommend changes in procedures to improve controls, reduce risks and prevent losses to the Authority.

⁵ Including Financial Regulations and Standing Orders

⁶ Assistant Director Finance, Audit & Information Governance

⁷ ~~Conflicts could also arise where employees have additional employment outside the Council but this is managed through the Private Works procedure.~~

⁸ Except where they are referred to the Police when they may leave it to the Police or assist, as appropriate

~~Agreed Audit Committee 22nd March 2011 and Council 23rd June 2011~~

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3.5 BENEFITS INVESTIGATION TEAM

- 3.5.1 Benefits administration is recognised nationally as being complex and difficult to administer. This results in the scheme being prone to error and abuse. The Authority is committed to tackling poverty but it must also ensure that the administration of housing and council tax benefit is secure, fair and provides prompt help to those who need it. Equally, it must also be vigilant in tackling fraud and error to ensure value for taxpayers' money. The Revenues & Benefits Service operates within ~~the~~ legislation, government guidance and local procedures with the aim of improving the quality and accuracy of benefit determinations and to both prevent and reduce the incidence of fraud.
- 3.5.2 The Benefits Investigation Team is responsible for the investigation of welfare benefit fraud, often jointly with the Department for Works & Pensions (DWP), in accordance with legislation, agreed codes of conduct and a separate Council policy. In cases where employees and/or members are involved the team will work with Internal Audit, Human Resources, the Monitoring Officer and appropriate senior management to ensure that correct procedures are followed.

3.6 DATA MATCHING

- 3.6.1 The Council participates in all mandatory Data Matching exercises. In respect to ~~Benefits~~ there are also regular external exercises with HBMS (Housing Benefits Matching Service) and DWP. In addition internal data matching exercises are undertaken. All exercises adhere to Data Protection requirements.

3.7 EXTERNAL AUDIT

- 3.7.1 Independent ~~E~~external ~~a~~Audit is an essential safeguard of the stewardship of public money. This is currently carried out by ~~suppliers appointed by~~ the Audit Commission ~~who operate or their nominated supplier~~ through a Code of Practice that is designed to test (amongst other things) the adequacy of the Council's financial systems, the arrangements for preventing/limiting the opportunity for fraud and the arrangements for the detection of fraud, bribery and corruption. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. Where External Audit is required to undertake an investigation they will operate within legislation and their codes of conduct.

3.8 OTHER AGENCIES

- 3.8.1 Appropriate Council services have arranged (in compliance with the Data Protection Act 1998) the exchange of information on national and local fraud, bribery and corruption activity with appropriate external agencies.

3.9 CONTRACTORS/SUPPLIERS AND THE PUBLIC

- 3.9.1 This policy, although primarily aimed at those within or associated with the Council, encourages contractors/suppliers and the public to assist in the Council's zero tolerance commitment to fraud, bribery and corruption.

3.10 PROSECUTION AND RECOMPENSE

- 3.10.1 To support this policy the Council has a Corporate Prosecution Policy which is complemented by the Benefit Fraud Sanction & Prosecution Policy. The corporate policy is designed to clarify and ensure consistency in the Council's action in specific cases and to deter others from committing offences against the Authority. The Benefit Fraud Sanction & Prosecution policy ensures that Benefits prosecutions are undertaken within the requirements of Benefits legislation.

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3.10.2 In addition or instead of prosecution, the Council will seek to recover any money or assets fraudulently/corruptly obtained from the Council.

3.11 DISCIPLINARY OR OTHER ACTION

3.11.1 Theft, fraud, bribery and corruption are serious offences against the Authority and employees will face disciplinary action if there is evidence that they have been involved in these activities, including Benefit fraud. Disciplinary action will be taken in addition to, or instead of, criminal proceedings depending on the circumstances of each individual case but in a consistent manner.

3.11.2 Members will face appropriate action under this policy if there is evidence that they have been involved in theft, fraud, bribery and corruption against the Authority. Action will be taken in addition to, or instead of criminal proceedings, depending on the circumstances of each individual case but in a consistent manner. If the matter is a potential breach of the Code of Conduct for Members then it will also be referred to the Standards Committee.

3.12 PUBLICITY

3.12.1 The Council's Corporate Communications & Marketing Team will optimise the publicity opportunities associated with anti-fraud, anti bribery and anti corruption activity within the Council. Information will be publicised in respect to prosecutions and other appropriate cases as a deterrent.

3.12.2 Internally where the Council can learn from incidents the relevant points will be communicated to members and employees.

3.12.3 Any notifications received by the Council of possible regional/national frauds, scams or alerts will be communicated to employees and members, as appropriate.

3.12.4 All anti-fraud, anti bribery and anti corruption activities, including the update of this policy⁹, will be publicised in order to make ~~the~~ employees, members and the public aware of the Council's commitment to taking action on fraud, bribery and corruption, when it occurs.

4. DETECTION AND INVESTIGATION

4.1 Internal Audit plays an important role in the detection of fraud. Included in their ~~risk based~~ audit plan (informed by a fraud risk register) are specific fraud tests, spot checks and unannounced visits. However it is often the vigilance of employees, partners, volunteers, members, governors, suppliers/contractors and the public that aids detection.

4.2 All suspected fraud, bribery and corruption irregularities (except benefit fraud) are required to ~~be~~ reported (verbally or in writing) to the Audit & Information Governance Assurance Manager¹⁰ either by the person ~~with~~ whom the initial concern is raised or through the Council's Speak Up policy. ~~-(See paragraph 3.4.1).~~

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5. AWARENESS AND TRAINING

5.1 The Council recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of training and awareness for Members, employees and affected external parties. The principles of this policy ~~are integrated into~~ ~~an integral part of~~ the officer and member's induction programme and incorporated in the Member Development programme. Specialist training for certain employees is provided by their service area due to their specific roles.

⁹ This policy will be updated on a regular basis, with a maximum of two years between each update.

¹⁰ Further information can be found in the Fraud Response Plan on the intranet

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- 5.2 Regular awareness through corporate communication, ~~staff news managers' briefings~~ and ~~the e-learning pool (Ollie) leaflets~~ will ~~support ensure that~~ the ~~successful application of this policy is applied~~. Full copies of the Anti-Fraud and Corruption and Speak Up policies are available on the intranet.

DEFINITIONS OF FRAUD, BRIBERY & CORRUPTION

Fraud is defined by the Audit Commission as:-

Fraud – *“the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”*.

In addition, fraud can also be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to mislead or misrepresent”*.

The Fraud Act 2006 which came into effect on 15th January 2007 created a new general offence of fraud with three ways of committing it:

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position

It also created new offences:

- Obtaining services dishonestly
- Possessing, making and supplying articles for use in frauds
- Fraudulent trading applicable to non-corporate traders.

Corruption is defined by the Audit Commission as:-

Corruption – *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”*.

In addition, this policy also covers *“the failure to disclose an interest in order to gain financial or other pecuniary benefit.”*

Bribery is defined under the Act as:-

A bribe is a financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity.

EXAMPLES OF THE TYPES CONCERNS that ~~should~~ be raised:

- * A criminal offence
- * A failure to comply with a statutory or legal obligation
- * Improper or unauthorised use of public or other official funds
- * A miscarriage of justice
- * Maladministration, misconduct or malpractice
- * Discriminatory behaviour
- * Endangering an individuals health and/or safety
- * ~~Damage to the environment~~
- * Benefit Fraud
- * That offers or requests have been made in respect to a promise, gift, financial or other advantage to or from a person that results in improper performance of a decision or action
- * Deliberate concealment of any of the above

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ANNEX 2

Roles and Responsibilities of the Chief Financial Officer (CFO) in respect to Fraud & Corruption

S151 of the Local Government Act sets out that in every local authority in England & Wales should:
“make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs”.

Under the Constitution the CFO responsibilities of proper administration encompasses all aspects of local authority financial management including:

- Compliance with the statutory requirements for accounting and internal audit;
- ~~Ensuring the Authority's responsibility for the proper administration of its financial affairs;~~
- ~~The responsibility for the proper administration and management of the Council's financial affairs and dealings;~~
- The proper exercise of a wide range of delegated powers both formal and informal; and
- ~~The responsibility for managing the financial affairs of the local authority in all its dealings; and~~
- The recognition of the fiduciary responsibility owed to local tax payers.

KEY COUNCIL DOCUMENTS THAT SUPPORT THIS POLICY

(This list contains examples but is not exhaustive)

- Constitution
- Financial Regulations and Standing Orders and associated detailed procedures
- Fraud Response Plan
- Employee Code of Conduct
- Health and Safety Policies
- Corporate Information Security Policy (which includes the E-mail and Internet Usage Policies and IT Strategy).
- Gifts and Hospitality Guidance
- ~~Equalities policies~~
- Private Works Procedure

CONSTITUTION POWERS FOR REPRESENTATIVES OF INTERNAL AUDIT

(Part 4 – Rules of Procedure: Section 6 – Financial Regulations paragraph 9.7)

9.7 The Chief Finance Officer's authorised Internal Audit representatives shall be empowered to:

- enter at all reasonable times any Council premises or land
- have access to all Council and partner records¹¹, 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~~Head of Governance or Audit & ~~Information Governance~~Risk 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.
- 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.

¹¹ Records include business e-mail and internet records



ANNUAL GOVERNANCE STATEMENT 2012/13

1. Standards of Governance

- 1.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Codes of Conduct, Constitution, and policies of the Council as well as applicable statutory requirements.

2. Scope of Responsibility

- 2.1 Telford & Wrekin Council is responsible for ensuring that its 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 to secure continuous improvement.
- 2.2 To this end the Council has a local code of corporate governance to ensure that it is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and Delivering Good Governance in Local Government: Guidance Note for English Local Authorities\2012 edition. Within this code and to meet its responsibilities, the Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations¹ and ensuring the effective exercise of its functions.
- 2.3 The Council continues to review its arrangements against best practice and implement changes to improve the governance framework (including the system of internal control) - see paragraph 5.

3. The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.
- 3.3 The governance framework has been in place at the Council for the year ended 31st March 2013 and up to the date of approval of the statement of accounts. Reviews and updates to

¹ Regulations 4(2), 4 (3) and 4(4) of the Accounts and Audit (England) Regulations 2011

the framework will take place during 2013/14 and beyond to support good governance, revised service delivery and organisational change.

4. The Governance Framework

4.1 The key elements of the systems and processes that comprise the authority's governance framework include:

- Vision 2026 – Transforming Telford & Wrekin: From New Town to Modern City, the Community Strategy which has been reviewed and updated during 2012/13 – ‘Shaping our Future: Our Journey to 2020’ to be approved by Council on 3rd May 2013;
- The Council's Medium Term Plan 2012/13 to 2014/15 which outline the Council's ambitions and priorities based on stakeholder feedback and these inform the service and financial planning process and personal targets;
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes;
- Co-operative Council principles and clear vision and values² for the Council and the Community;
- Clear governance arrangements to manage the Council's change programmes and restructuring occurring across the Council and key capital projects;
- The Council has designated statutory officers – Head of Paid Service (Managing Director), Chief Financial Officer, Monitoring Officer, Director of Children's Services, Director of Adult Social Services and Scrutiny Officer;
- The Council's Information Governance Framework including a designated Senior Information Risk Owner (SIRO), data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme;
- The Performance management framework and data quality systems. These provide reports to SMT³, Cabinet and Scrutiny;
- Legal Services ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation;
- The democratic decision making and accountability processes contained within the Constitution;
- SMT meets weekly with regular management meetings with Service Delivery Managers and Group/Team Leaders;
- Policy Review – appropriate SMT members and Cabinet meet regularly to discuss emerging key strategic issues which could affect the Council in the future and formulate medium term planning strategy/options.
- The Standards Committee, Audit Committee, scrutiny function and other regulatory committees;
- The development of internal controls and checks within new systems and when existing systems are reviewed;
- The Council's human resources and workforce/organisational development procedures⁴ are supported by clear recruitment processes. These are followed up by induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on going training and development;
- Member and Officer⁵ Codes of Conduct and the Officer/member protocol underpin the standards of behaviour expected by members and officers;
- Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;

² Co-operative values of ownership, openness & honesty, involvement, fairness & respect

³ Senior Management Team – Managing Director, Directors and Assistant Directors.

⁴ Further development work is required on some of these during 2013/14 to reflect the People Services reorganisation and the Co-operative Council

⁵ The Employee Code of Conduct has been reviewed during 2012/13 and was re-issued in April 2013.

- The Council's communication and consultation strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council's priorities;
- The deputy Leader of the Cabinet is the lead member responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Managing Director. The service and financial planning process incorporates risk management and the strategic risk register is reviewed by SMT and Cabinet;
- The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and Audit Commission guidance and is monitored by the Audit Committee;
- Internal audit review controls based on risk to provide assurance and recommendations for improvement and the Audit & Information Governance Manager has previously been measured by external Audit against the CIPFA Statement on the Role of the Chief Internal Auditor in Public Sector (2010) and this year against the CIPFA Code of practice for Internal Audit in Local Government;
- Anti-fraud and Corruption, Speak Up and Prosecution policies support the council's governance processes and anti-fraud and corruption culture;
- The Council's Partnership protocol and agreed governance and reporting arrangements for the Council's significant partnerships;
- A list of significant projects and their governance arrangements was agreed by SMT in April 2012 and then monitored by them;
- Projects are managed, as appropriate, within the principles of the PRINCE 2 methodology. This includes risk identification and management.
- Awareness and training for members within their member development programme and for officers through induction, Staff news, and update sessions on any revised governance arrangements (including information governance).

5. Review of Effectiveness

- 5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-
- a) the senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
 - b) the work of internal audit; and also
 - c) by comments made by the external auditors and other external review agencies and inspectorates.
- 5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance information and financial management reports from senior management. Individual Cabinet members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to the Cabinet.
- 5.3 The Council's Scrutiny function continues to review the decision making process and areas of concern. The subjects for the areas of concern are informed by community consultation, direct feedback to members from within the community and the results of review and inspection (both external and internal) and areas of policy being developed by the Council and the Executive.

- 5.4 The Internal Audit plan is informed by the Council's financial, performance and risk management processes, external inspection reports, the requirements of the External Auditor, comments from senior management and their opinion of the current state of the governance arrangements and internal control system. During 2012/13 the Internal Audit team achieved 90% of their planned work (best practice is 90%) and this has been used with the relevant output from unplanned work to form their opinion on the systems of internal control.
- 5.5 Internal Audit report on a quarterly basis and also annually to the Audit Committee. The Audit Committee has asked for additional information during the year and requested Assistant Directors and Service Managers to attend to provide assurance on the management of risks and implementation of recommendations. The Audit Committee has also reviewed benchmarking information on Internal Audit.
- 5.6 The Audit Committee terms of reference also incorporates the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on the state of the markets that influence/affect delivery of the strategy.
- 5.7 The Council's performance management framework has systems and procedures which drive continuous improvement in performance. This has been reviewed and developed to reflect the Government's Single Data List.
- 5.8 The Council has continued to review its governance framework to gain assurance that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. These reviews have included the Constitution and associated policies, procedures, management processes and reporting arrangements. However it is recognised that further work is required to some areas within the Constitution and management procedures and this is included in the action plan attached to this statement (Annex 1).
- 5.9 The Council recognises the importance of Information Governance and has taken significant steps to improve the security of its IT, paper and handling processes to meet the compliance requirements for Data Handling in Government. Following a reorganisation of resources to co-ordinate information rights⁶ responses in October 2011 the Audit & Assurance Team was restructured in September 2012 to become the Audit & Information Governance Team, reflecting further the importance of Information Governance to the overall governance arrangements. Information Governance support has continued during 2012/13 and this has been reported to the Audit Committee including information on responses to information rights requests and data security breaches. The Council reported two data breaches to the Information Commissioners Office (ICO) in 2011/12 and in June 2012 were fined £90,000⁷. During 2012/13 no enforcement action has been taken by the ICO despite exchanges of correspondence between the ICO and the Council due to referrals to the ICO by the public and other third parties.
- 5.10 ICT infrastructure upgrades during the year have further improved security, data handling and business continuity.
- 5.11 The Managing Director, Directors, Assistant Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.

⁶ Requests made under the Freedom of Information Act, Environmental Information Regulations and the Data Protection Act

⁷ This was reduced to £72,000 by prompt payment

5.12 The requirements under the Accounts and Audit (England) Regulations 2011 require a review of internal audit and the External Auditors review of Internal Audit has been used to meet this requirement. The results of the review will be presented to the Audit Committee as part of the Internal Audit Annual Report.

5.13 The External Auditor’s Annual Audit Letter 2011/12 included in its headlines:

- VFM conclusion – We issued an unqualified value for money (“VFM”) conclusion for 2011/12 on 27 September 2012. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.
- Audit opinion - We issued an unqualified opinion on your financial statements on 27 September 2012. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

5.14 There was an inspection of Safeguarding and Looked after Children’s Services by Ofsted and the Quality Care Commission from 25th June – 6th July 2012. The main findings are shown below but the full report is available at www.ofsted.gov.uk :

Area	Grading ⁸
Safeguarding services	
Overall effectiveness	Adequate (3)
Capacity for improvement	Adequate (3)
Services for looked after children	
Overall effectiveness	Adequate (3)
Capacity for improvement	Adequate (3)

An action plan to address the immediate, short and long term recommendations made has been developed and implementation is being monitored by SMT and members.

5.15 Ofsted also reviewed the Council’s Fostering Service on 24th January 2013. The main findings are shown below but the full report is available at www.ofsted.gov.uk

Area	Grading
Overall effectiveness	Adequate (3)
Outcomes for children and young people	Adequate (3)

An action plan to address the recommendations made has been developed and implementation is being monitored by SMT and members.

5.16 There were 3 Ofsted inspections of Children’s Centre in the Borough during 2012/13. Copies of the reports are available at www.ofsted.gov.uk but the main findings were

Location	Date	Inspection Area	Grading ⁹
Oakengates	15-16/11/12	Overall effectiveness	Satisfactory (3)
		Capacity for improvement	Satisfactory (3)
St Georges	17-18/10/12	Overall effectiveness	Inadequate (4)
		Capacity for improvement	Inadequate (4)
Dawley	3-4/10/12	Overall effectiveness	Inadequate (4)
		Capacity for improvement	Satisfactory (3)

⁸ Grades are 1 = Outstanding; 2 = Good; 3 = Adequate; 4 = Inadequate

⁹ Grades are 1 = Outstanding; 2 = Good; 3 = Satisfactory; 4 = Inadequate

These inspections occurred over a short period of time, the inspections were critical of our use of data to inform programmed activity and hence reach the right families. Significant improvements have already been implemented in this area with action plans in place to address the remaining recommendations and these are being monitored by senior management and members. Ofsted recognises that a recent restructure of the service area is starting to have a positive impact.

5.17 Whilst T&W Council is primarily a commissioner of care services, the Council does directly provide some care services which are registered and inspected by the Care Quality Commission. In 2012/13 CQC undertook the following inspections¹⁰ and the outcomes were:

- Intermediate Care - Domiciliary Care – All standards met – 22.2.2013
- Carwood Residential Home – All standards met – 8.8.2012
- Downing House Residential Home - All standards met other than a required action in respect of medication processes (though recognised that no residents had been put at risk and action plan agreed with CQC) – 22.2.2013

The following services were not inspected in 2012/13:

- Shared Lives - Adult Placement Scheme – Last inspection rated “excellent”
- Community Services – Learning Disability, Domiciliary Care – Last inspection rated “excellent”

5.18 We have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards Committee, Audit Committee, Scrutiny, senior managers, Internal Audit and external review, and plan to address weaknesses and ensure continuous improvement of the framework as outlined in the action plan attached as Annex 1.

Leader of the Council.....

Managing Director.....

Date.....

Audit Committee Chair.....

Date.....

¹⁰ Copies of full reports are available on the Care Quality Commission website www.cqc.org.uk/

ANNUAL GOVERNANCE STATEMENT 12/13 ACTION PLAN FOR IMPLEMENTATION 2013/14

No	Action	Lead Officer	Comments	Target Completion Date
1.	Strategic management of continued organisational change in respect to the co-operative council and continued development and implementation of revised governance framework (encompassing the corporate governance structure incorporating information, information technology, partnership and project governance).	Managing Director and SMT	Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies. Endorsing an awareness programme for officers and members.	Ongoing 31/03/14
2.	Managing Decision making: a) Outstanding constitutional changes to reflect the revised organisational structures & ways of working b) Preparations for the revised external audit arrangements.	Assistant Director Law, Democracy & Public Protection and Assistant Director Finance, Audit & IG	This action develops further the implementation of previous actions in respect to the Constitution and revised external audit arrangements.	(a) 31/03/14 (b) – will need to respond to consultations on the proposed future changes during 13/14.
3.	<ul style="list-style-type: none"> • Review of our Workforce Development priorities and delivery • Continue to review and update the management competencies and skills required in the revised organisation. Review of HR policies and processes to support the organisational changes and People Services restructure. 	Assistant Director Customer and People Services	People Services has been fully restructured and implemented and interviews for an Organisational Development and Talent Manager will hopefully be appointed to on 15 th May. The post is critical in taking a lead on workforce development and management development. A workforce plan for children's services has already been completed in line with Ofsted requirements. A review of HR policies has commenced with priority being given to sickness absence and capability policies. A number of other policies have been redesigned and reduced to maximum of 4 pages to make them more accessible and more business relevant. Work to 'lean' the recruitment process from start to finish commences in June.	31/03/14 and on going

No	Action	Lead Officer	Comments	Target Completion Date
4.	Further develop the governance and decision making arrangements for the Health & Well Being agenda and the transferred health services including Public Health	Director: Care, Health & Well-Being	Further clarification required of the governance (including clinical governance) and decision making routes for transferred Public Health and other Health services to meet the Health & Well Being Strategy.	31/12/13
5.	Implement the action plans from the Ofsted and Care Quality Council inspection reports (Safeguarding, Services for Looked after Children, Fostering Services, Children's Centres and Adult Care Provider Services).	Director: Children & Family Services and Director: Care, Health & Well-Being	This action plan is particularly focussed on any recommendations that improve the governance arrangements in these areas.	Various dates throughout 2013/14
6.	Agree and implement the appropriate governance arrangements in respect to the Commercial Projects which form part of the income generation programme.	Managing Director	An internal Commercial Board has been set up to oversee the development and implementation of key commercial projects (including the set up and design of the associated governance arrangements).	On going during 2013/14

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 25TH JUNE 2013

THE ANNUAL GOVERNANCE STATEMENT 2012/13

JOINT REPORT OF THE ASSISTANT DIRECTOR FINANCE, AUDIT & IG and THE MONITORING OFFICER

1 SUMMARY OF MAIN PROPOSALS

- 1.1 For the Audit Committee to review and approve the Annual Governance Statement 2012/13 prior to the statement accompanying the 2012/13 annual accounts.

2 RECOMMENDATION

- 2.1 That members of the Audit Committee approve the Annual Governance Statement 2012/13, attached as Appendix A, and note the information in the report.

3 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	<i>The Governance Framework encompasses the whole Council and therefore all of the Council's priorities.</i>
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	<i>Annual Governance Statement signed and ready to accompany the 2012/13 accounts by 30th June 2013.</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	No	<i>Good governance processes support value for money in ensuring economy, efficient and effectiveness in the Council's decision making and processes.</i>
LEGAL ISSUES	Yes	<i>The requirement for an Annual Governance Statement is included in the Accounts and Audit (England) Regulations 2011.</i>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<i>Good governance supports the identification and management of risks and robust control arrangements.</i>
IMPACT ON SPECIFIC WARDS	Yes	<i>Borough-wide impact</i>

4 INFORMATION

- 4.1 Under the Accounts and Audit (England) Regulations 2011 the Council is required to produce an Annual Governance Statement and it is best practice that the statement is signed by the Leader and Managing Director of the Council. This statement should accompany the Annual Accounts.
- 4.2 The Annual Governance Statement for 2012/13 is attached at Appendix A and has been developed based on the requirements of the regulations and CIPFA/Solace guidance¹. The statement includes an action plan (Annex 1) to ensure that we continue to improve our existing governance arrangements.

¹ Application Note to Delivering Good Governance in Local Government: a Framework March 2010 and Delivering Good Governance in Local Government Guidance Note for English Authorities 2012 Edition

- 4.3 The action plan attached to the 2011/12 statement (implemented during 2012/13) has been reviewed and updated to reflect current progress. The position as at 31/03/13 is attached as Appendix B to this report.
- 4.4 The Annual Governance Statement outlines that the Council has been adhering to its Local Code of Corporate Governance, continually reviewing procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control. The Council can be assured that during 2012/13, including during organisational changes that the existing or revised governance arrangements have continued to support proper governance. Where required changes to procedures have been agreed by SMT and changes to the Constitution have been agreed by the Council, through the Council's Constitution Committee.
- 4.5 Assurance for the annual governance statement is provided by all areas of the Council and externally by the following:
- a) Leader and Managing Director – who sign the statement;
 - b) Senior management – Managing Director, Directors, Assistant Directors;
 - c) Chief Financial Officer;
 - d) The Monitoring Officer;
 - e) Members – Scrutiny arrangements, Standards Committee, Audit Committee and other Regulatory Committees;
 - f) Internal Audit ;
 - g) Partners;
 - h) External Audit; and
 - i) Other external inspection agencies.
- 4.6 The 2012/13 Annual Governance Statement sets out the Council's governance arrangements that operated during the period – 1st April 2012 to 31st March 2013 and measures the effectiveness of them.

5 IMPACT ASSESSMENT – ADDITIONAL INFORMATION

N/A

6 PREVIOUS MINUTES

- 6.1 Cabinet 31st May 2012
Audit Committee 26th June 2012

7 BACKGROUND PAPERS

Local Code of Corporate Governance May 2008
CIPFA/SOLACE - Application Note to Delivering Good Governance in Local Government: a Framework March 2010
CIPFA/SOLACE – Delivering Good Governance in Local Government Guidance Note for English Authorities 2012 Edition and Addendum
KPMG Report to those charged with governance 2011/12
KPMG Annual Audit Letter 2011/12
Ofsted inspection reports – Safeguarding and Fostering Services
Annual Audit & Information Governance Report 2012/13

Report by Jenny Marriott, Audit & Information Governance Manager 383101

PROGRESS ON ANNUAL GOVERNANCE STATEMENT 11/12 ACTION PLAN FOR IMPLEMENTATION 2012/13

No	Action	Lead Officer	Original Comments	Original Date	Progress & Comments as at 31/03/13
1.	Strategic management of continued organisational change in respect to the co-operative council and continued development and implementation of revised governance framework (encompassing the corporate governance structure incorporating information, information technology, partnership and project governance).	Managing Director and SMT	Agreeing the revised governance requirements and incorporating into any changes to the Constitution, strategies and policies. Endorsing an awareness programme for officers and members.	Ongoing 31/03/13	Some work completed but still changes being implemented so work is ongoing. Included in 13/14 plan.
2.	Managing Decision making: a) Implementation of the revised officer governance arrangements; b) Clarifying officer/member roles & responsibilities including delegations c) Other constitution changes to reflect the revised organisational structures & ways of working d) Preparations for the revised external audit arrangements.	Assistant Director Law, Democracy & Public Protection and Assistant Director Finance, Audit & IG	This action develops further the implementation of previous actions in respect to the Constitution and revised external audit arrangements.	(a), (b) and (c) by 31/03/13 (d) – will need to respond to consultations on the proposed future changes during 12/13.	Changes required in respect to (a) and (b) completed but some outstanding from (c) so carried forward to 13/14 action plan for completion. (d) – ongoing as implementation not due until 2016/17.
3.	<ul style="list-style-type: none"> • Review of our Workforce Development priorities and delivery • Continue to review and update the management competencies and skills required in the revised organisation. Review of HR policies and processes to support the organisational changes. 	Assistant Director Customer and People Services	A restructure in these areas is planned for May/June 2012 with implementation Autumn 2012. Review work will then continue to reflect the needs of the organisation.	31/03/13 and on going	People Services restructure due to be fully implemented by January 2013. Not all reviews of workforce development priorities & delivery have been completed alongside other activities to support the Co-operative Council & new ways of working. Carried forward to 13/14 action plan.

No	Action	Lead Officer	Original Comments	Original Date	Progress & Comments as at 31/03/13
4.	Information governance: (a) continuation of the training and awareness programme; and (b) the implementation of any actions arising from directions from the ICO	Assistant Director Finance, Audit & IG Director Children's Services/SMT		On-going 31/07/12	Ongoing and e-learning to be implemented in Spring 2013. Complete
5.	Implementation of improvements to the Financial management system	Assistant Director Finance, Audit & IG	To implement the improvements identified during the annual audit review overseen by the Steering Board	31/10/12	Complete. Further developments and associated training now complete.
6.	Develop the governance arrangements for the Health & Well Being Board and transfer of Public Health	Assistant Director Social Care Specialist	Shadow Board 12/13 and prepare for transfer of Public Health April 2013 and associated governance arrangements.	31/01/13	Still some areas to be clarified in respect to decision making so carried forward to 13/14 action plan. Training programme still being delivered to members of the Health & Well Being Board.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 25th JUNE 2013

RESULTS OF THE SKILLS AUDIT FOR AUDIT COMMITTEE MEMBERS MAY/JUNE 2013

REPORT OF THE AUDIT & INFORMATION GOVERNANCE MANAGER

1 PURPOSE

- 1.1 To provide members of the Audit Committee with the results of the skills audit undertaken in May/June 2013 for Audit Committee members.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the results of the skills survey and agree any action to be taken.

3 SUMMARY

- 3.1 The Audit Committee agreed at their meeting in March 2013 for a skills survey to be undertaken following Annual Council in May 2013. The questions used were based on the terms of reference of the Committee and previous skills surveys undertaken.
- 3.2 The results will inform any training or awareness programme for Audit Committee members.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 27th March 2012
Audit Committee 26th March 2013

5 BACKGROUND

- 5.1 The skills survey was undertaken to help assess the training needs of Audit Committee members. 57% of members returned their forms (4 out of 7) and the results are attached at Appendix A including any additional comments made.
- 5.2 A summary of the findings of the returned surveys highlighted that 8 out of the 13 questions were answered as competent (3 members or more), 2 were assessed as developing and 3 had equal scores for equal competent and developing. 1 member felt that in one area of the assessment that they were not yet developed.
- 5.3 Additional training has been requested on the following areas:
a) General legislation, rules and regulatory frameworks governing the Council ;
b) Treasury management (strategy, practice & reporting)
c) Council's Anti-Fraud & Corruption Strategy
d) Council's Information Governance framework
Member's views on these topics, timings and duration are sought to inform delivery arrangements.
- 5.4 In the additional comments boxes there were areas highlighted where members suggested they needed to be kept updated:

- i. Priorities and progress for the Co-operative Council
- ii. Council's structure, key relationships and partners
- iii. Changes to the External audit arrangements
- iv. Financial accounting and reporting arrangements
- v. The development of the Council's commercial activities

It is suggested that (i), (ii) and (v) are referred to the Member Services Officer and are included in the general members development programme. The contents of the Internal Audit Plan will probably be influenced by developments in (v) and will be reported onto the Committee. In respect to (iii) and (iv) members of the Committee will be updated as appropriate within the current Audit Committee reporting arrangements.

- 5.5 It is suggested that the next survey is undertaken following the induction of the new Council and Audit Committee members in November 2015 and for the results to be presented to the January 2016 Audit Committee meeting.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All reviews should ensure that Equality of Opportunity is adhered to. All training opportunities will be available to all Audit Committee members.
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 Audit Committee members to have training but they should be provided with the appropriate information and training for them to undertake their roles on the Audit Committee. This enables the Audit Committee to 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. Appropriately skilled members of the Audit Committee help it to be effective.
Opportunities and Risks	Ensuring members of the Audit Committee are appropriately skilled helps them to support the Council's risk management framework.
Financial Implications	There are no direct financial implications arising from this report as any costs arising from training 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

Report by Jenny Marriott, Audit & Information Governance Manager 383101

Skills Audit May/June 2013 Results

No.	Skill	Competent	Developing	Not yet developed	Additional Comments
1.	Do you consider that you have sufficient understanding of the Council's co-operative priorities and significant issues it faces to undertake your Audit Committee responsibilities?	Yes Yes Yes Yes			I think we need more general discussions amongst members/officers regarding the progress and priorities for the Co-operative Council
2.	Do you consider that you have sufficient understanding of the Council's structure including key relationships and major partners to undertake your Audit Committee responsibilities?	Yes Yes Yes	Yes		As structure and relationships change will need updating
3.	Do you consider that you have sufficient knowledge and understanding of the general legislation, rules and regulatory frameworks governing the Council so that you can undertake your Audit Committee role?	Yes	Yes Yes Yes		<ul style="list-style-type: none"> • I am involved in writing these rules • I wouldn't presume to know all legal aspects, but I feel assured that if specific knowledge is needed Jenny will ensure this is available to use • More training required
4.	Do you have an understanding of the democratic, accountability and decision making processes of the Council?	Yes Yes Yes Yes			This has been helped by having worked in local government for 20 years

No.	Skill	Competent	Developing	Not yet developed	Additional Comments
5.	Do you have sufficient understanding of the External Audit and Inspection requirements on the Council so that you can undertake your Audit Committee responsibilities?		Yes Yes Yes Yes		As these requirements change on a regular basis will need regular updates This is being improved over time
6.	Do you have sufficient understanding of the Council's governance arrangements including the Code of Good Governance so that you can undertake your Audit Committee responsibilities?	Yes Yes Yes	Yes		
7.	Do you have sufficient understanding of the Council's financial accounting and reporting arrangements to enable you to undertake your Audit Committee responsibilities?	Yes Yes	Yes Yes		As these arrangements change on a regular basis will need regular updates This has been helped by having worked in local government for 20 years
8.	Do you have sufficient understanding of the Council's Treasury Management strategy and reporting arrangements to enable you to undertake your Audit Committee responsibilities?	Yes Yes Yes		Yes	Treasury Management (Strategy, Practice & Reporting) – training required This has been helped by having worked in local government for 20 years

No.	Skill	Competent	Developing	Not yet developed	Additional Comments
9.	Do you have sufficient understanding of the Council's risk management and reporting arrangements to undertake your Audit Committee responsibilities?	Yes Yes	Yes Yes		The shape of the Council's activities is changing As the Council takes on more commercial activities I believe the Committee will need to strengthen its understanding of its role This has been helped by having worked in local government for 20 years
10.	Do you have sufficient knowledge and understand the Council's Internal Audit arrangements so that you can undertake your Audit Committee responsibilities?	Yes Yes Yes	Yes		
11.	Do you have sufficient knowledge of the Council's Anti-Fraud and Corruption Strategy to enable you to undertake your Audit Committee responsibilities?	Yes Yes Yes	Yes		Working on this but would appreciate further training
12.	Do you have sufficient understanding of the Council's Compliments, Complaints and Comments procedures and reporting arrangements to enable you to undertake your Audit Committee responsibilities?	Yes Yes Yes Yes			
13.	Do you have sufficient knowledge and understanding of the Council's Information Governance framework to enable you to undertake your Audit Committee responsibilities?	Yes Yes	Yes Yes		Working on this but would appreciate further training

Within the Audit Committee there should be someone with the following:

No.	Skill	Competent	Developing	Not yet developed	Additional Comments*
14.	Do you have any recent and relevant financial experience that enables you to have effective engagement with financial accounts reporting and your responsibilities on the Audit Committee?		Yes Yes Yes		<p>Learning more every day through my work as a councillor on the Audit committee</p> <p>I work with budgets within my workplace and also have experience I can draw on from my previous working life.</p> <p>Some familiarity with financial accounts reporting on various LAs over a period of years.</p>

**TELFORD & WREKIN AUDIT COMMITTEE
OUTLINE OF BUSINESS FOR FUTURE MEETINGS 13/14**

DATE OF MEETING	ITEM	RESPONSIBLE OFFICER
Tuesday 25 th June 2013	<ol style="list-style-type: none"> 1. Review of TOR for the Committee 2. KPMG Interim Report 2012/13 3. KPMG Fee Letter 13/14 4. Treasury Management Outturn 2012/13 5. Internal Audit Quarter 4 12/13 Update Report 6. 2012/13 Annual Report – Internal Audit & Information Governance 7. Anti- Fraud & Corruption Annual Report 2012/13 and Policy update 8. Annual Governance Statement 12/13 9. Audit Committee members Skills Survey results and training programme 10. Outline of business for 2013/14 	JE KPMG KPMG KC JM JM JM JM JM JM
Tuesday 17th Sept 2013	<ol style="list-style-type: none"> 1. Annual Governance Report 2012/13 2. Annual Statement of Accounts 2012/13 3. Capital receipts update 4. Audit Committee Annual Report 2012/13 5. Annual Report on Complaints and assurance on lessons learnt 2012/13 6. Internal Audit Activity Update Report April – July 13/14 7. IG update report 13/14 	KPMG KC DS/KC JM AA/AM/HW JM JM
Tuesday 28th January 2014	<ol style="list-style-type: none"> 1. KPMG Annual Audit Letter 2012/13 2. Grants Report 2012/13 3. External Audit Plan 13/14 4. Draft Treasury Management Strategy 2014/15 and update 13/14 5. Internal Audit Activity Report August – December 13/14 6. Updated position of the AGS Action Plan 2012/13 7. Review of the Effectiveness of the Audit Committee 	KPMG KPMG KPMG KC JM JM JM
June 2014	<ol style="list-style-type: none"> 1. Review of TOR for the Committee 2. KPMG Interim Report 2013/14 3. KPMG Fee letter 14/15 4. Treasury Management Outturn 2013/14 5. Internal Audit Quarter 4 13/14 Update Report 6. 2013/14 Annual Report - Internal Audit & Information Governance and IG Annual Report 13/14 7. Annual Governance Statement 13/14 8. Internal Audit Plan 2014/15 9. Anti- Fraud & Corruption Annual Report 2012/13 and Policy update 10. Outline of business for 2014/15 	JE KPMG KPMG KC JM JM JM JM JM JM

Training – January 2014 Treasury Management training prior to strategy being presented at January 2014 meeting
Other to be confirmed