



Telford & Wrekin  
C O U N C I L

Addenbrooke House Ironmasters Way Telford TF3 4NT

## AUDIT COMMITTEE

Date **Tuesday 2 October 2018**

Time **6.00pm**

Venue **Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford TF3 4NT**

### Enquiries Regarding this Agenda:

Democratic Services	Jayne Clarke	01952 383205
Media Enquiries	Corporate Communications	01952 382407
Lead Officer	Suzanne Dodd	01952 383255

Committee Membership: Councillors **R J Sloan (Chair)**, **C F Smith (Vice Chair)**,  
I T W Fletcher, A D McClements, T J Nelson, K S Sahota,  
W L Tomlinson and D G Wright

## AGENDA

- 1. Apologies for Absence**
- 2. Declarations of Interest**
- 3. Minutes**  
To confirm the minutes of the Audit Committee held on 24 July 2018  
**Appendix A**  
Page No: 2
- 4. 2018/19 Internal Audit & Information Governance Update Report**  
To receive the report of the Audit & Governance Team Leader  
**Appendix B**  
Page No: 6
- 5. Report from those charged with Governance**  
To receive a verbal introduction from Grant Thornton

**AUDIT COMMITTEE****Minutes of a meeting of the Audit Committee held on  
Tuesday, 24 July 2018 at 6.00pm in Meeting Room G3-G4,  
Addenbrooke House, Ironmasters Way, Telford**

**PRESENT:** Councillors R J Sloan (Chair), I T W Fletcher, A D McClements, K S Sahota C F Smith, W L Tomlinson and D G Wright

**IN ATTENDANCE:** J Eatough (Assistant Director: Governance, Procurement & Commissioning), K Clarke (Assistant Director: Finance & Human Resources) T Drummond (Principal Auditor), P Harris (Finance Manager: Corporate & Capital), E Rushton (Principal Accountant), K King (ICT Service Delivery Manager) and J Clarke (Democratic & Scrutiny Services Officer)

**AUC 13      APOLOGIES FOR ABSENCE**

None.

**AUC 14      DECLARATIONS OF INTEREST**

None.

**AUC 15      MINUTES**

**RESOLVED** – that the minutes of the meeting of the Audit Committee held on 29 May 2018 be confirmed and signed by the Chairman.

**AUC 16      TREASURY MANAGEMENT - 2017/18 ANNUAL REPORT AND  
2018/19 UPDATE**

The Committee received the report on the outcome of Treasury Management activities for 2017/18 and gave details of the position for 2018/19 to date. The treasury portfolio ended the year with net indebtedness of £236.8m, borrowing was £256.7m less investments of £19.9m. The base rate was increased from 0.25% to 0.50% in 2017 and remained unchanged. The borrowing strategy for 2017/18 was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate and the strategy for 2018/19 remained consistent with that of the previous year.

During the ensuing debate some Members asked if the PWLB interest rates were currently locked in if they were likely to rise, what were the current borrowing commitments, how long would the contributions to the Shropshire Council debt continue, how would the changes to business rates impact the Council and what mitigations measures were in place if officers in key financial roles leave the Council?

Officers informed Members that the Council currently achieved significant revenue benefits from short term temporary debt and there was currently a management guide

limiting exposure to short term debt to a maximum of around £100m. The Council would continue to take opportunities when they arose as Arlingclose had not yet advised to lock in to long-term rates but were actively monitoring the position. With regard to the Shropshire Council debt, this was gradually reducing but contributions were at a historic rate taken out many years ago. There was considerable uncertainty regarding the review of business rates system to be brought in by the Government in 2020/21, but currently collection was more or less on target. With regard to staffing, mitigation measures were in place and considerable attention was given to succession planning in key areas.

**RESOLVED** – that the content of the report and the performance against Prudential Indicators be noted.

#### **AUC 17      REPORT TO THOSE CHARGED WITH GOVERNANCE 2017/18**

The Committee received the External Audit Report presented by KPMG which summarised the key findings arising from the Council's audit work in relation to the 2017/18 financial statement and the work undertaken to support KPMG.

KPMG informed members that this had been a good audit, with all advanced deadlines met on time. In respect of valuation of PPE (Property, Plant & Equipment), Pensions Liabilities and Faster Close, no errors had been identified although there were a few presentational adjustments and typographical errors. Estimates on account were considered to be "middle of the road". All related party declarations had been received prior to the deadline. It was anticipated an unqualified audit opinion on the Authority's financial statements would be issued imminently.

Two recommendations had been raised with regard to:

- Information technology (IT) – password policy enforcement
- Completeness of the Contracts Register

#### **AUC 18      AUDITED ANNUAL STATEMENT OF ACCOUNTS 2017/18**

The Committee received the report on the outcome of the audit of the Council's accounts for 2017/18 and the final Statement of Accounts for approval. In accordance with the Accounts and Audit (England) Regulations 2015 the Committee noted that the draft statement of accounts had been:

- certified by the Chief Financial Officer prior to the 31 May 2018
- presented to Audit Committee on the 29 May 2018
- made available for public inspection
- provided to the external auditors to undertake the audit of accounts.

The Committee used its delegated authority to approve the council's final audited Statement of Accounts; no financial adjustments had been made as a result of the audit and the outturn position remained as reported to Cabinet on 31 May 2018. Presentational changes and typographical errors identified had been agreed and included in the final version.

**RESOLVED:**

- a) **The 2017/18 Statement of Accounts be approved; and**
- b) **Delegated authority be granted to the Assistant Director: Finance & HR to make any further changes required to the Statement of Accounts prior to publication.**

**AUC 19      PUBLICATION OF INFORMATION ON COUNCILLORS WHO TRADED WITH THE COUNCIL DURING 2017/18**

The Committee received the report on information that was due to be published on Councillors who traded with the Council during 2017/18. The information had been collected as part of the final accounts process to provide better transparency, and was in addition to the declarations of interest.

The information provided details of the 2017/18 year's value and a description of any payments made by the Council to any businesses/companies where that Member had an interest. This information would be readily accessible by the public and demonstrated the Council's co-operative commitment to openness.

**RESOLVED that the contents of the report be noted together with the information that will be published on the Council's website.**

**AUC 20      AUDIT COMMITTEE ANNUAL REPORT 2017/18**

The Committee received the report of the 2017/18 operations of the Audit Committee. It was noted that as this was the key assurance Committee of the Council, best practice was to present an Annual Report to the Council on the operations of the Committee during the municipal year (May 2017 – April 2018). The structure of the report was based on the terms of reference and included a summary of the business conducted by the Committee during the period. A total of four meetings had been scheduled for municipal year 2018/19.

The Committee noted the conclusions on the work of the Committee during 2017/18, which had included comprehensive agendas providing assurance for Members and the community on the audit, governance (including information governance), risk management, financial statements, treasury management, complaints and anti-fraud and corruption arrangements of the Council. The Committee recognised that the Council was continuing to experience some significant challenges and that it must continue to seek and provide appropriate assurance during 2018/19. Most notable were organisational changes, continued significant reductions in resources and the more commercial approach being adopted by the Council.

**RESOLVED: that the contents of the annual report 2017/18 be noted**

**AUC 21      2018/19 - INTERNAL AUDIT UPDATE REPORT**

The Internal Audit report for the period of 30 April to 30 June 2018 was received by the Committee. It provided an update on the progress against the Internal Audit Plan, which included an update on the progress of the previous audit reports issued.

Three Yellow, two Amber and two Green Audit Reports had been issued in the time period. One report remained Amber from the previous report and a follow up was in progress. A Red/Yellow report from the previous report also remained in place and this had been placed on the 2018/19 work programme. 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. Spot checks had also been undertaken by the team as prescribed by the PSIAS and no issues had been raised.

With regard to the Benefits Subsidy, following a procurement exercise, Grant Thornton have been awarded the contract to audit the benefit subsidy and this contract will start from April 2019. The Benefits Team have notified the Department for Work and Pensions in line with the deadline.

During the ensuing debate, some Members raised concerns with regard to the evidence of non-compliance and asked what was being done to ensure this was improved. Officers informed Members that the reports highlighted areas of improvement to the services and follow up visits were undertaken in order to monitor progress and ensure good practice and improvement. The workplace bulletin was used as a reminder to staff follow procedures. KPMG commented that the audit process was important as, however good the control environments were, over time they decay and need regular audit to guard against this.

**RESOLVED: that in respect of the audit work undertaken between 30 April 2018 and 30 June 2018 together with the information contained within the report be noted.**

**AUC 22      IMPLEMENTATION OF RED REPORT ACTIONS**

The ICT Service Delivery Manager gave Members an update on the implementation a mixed amber/ red audit report in her service area. She reported 14 risks were identified and we mainly dealt with by changing the way that the service was provided

A further piece of work would be undertaken by Audit during the coming 2018/19 work programme but this had not yet been started.

The meeting ended at 7.23pm

**Chairman:** .....

**Date:** .....

**TELFORD & WREKIN COUNCIL****AUDIT COMMITTEE 2 OCTOBER 2018****2018-19 INTERNAL AUDIT & INFORMATION GOVERNANCE UPDATE REPORT****REPORT OF THE AUDIT & GOVERNANCE TEAM LEADER****1 PURPOSE**

- 1.1 To update members on the work of Internal Audit for the period 30 June 2018 to 7 September 2018 and the work of Information Governance.

**2 RECOMMENDATIONS**

- 2.1 That members of the Audit Committee note the information contained in this report in respect to Internal Audit work between 30 June 2018 to 7 September 2018 and Information Governance work.

**3 SUMMARY**

- 3.1 The terms of reference of the Audit Committee include:  
“The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan”. The Audit Committee receives regular updates on the work of Internal Audit. This report provides the update for 2018/19 in respect to audit reports between 30/6/18–7/9/18.

**4 PREVIOUS MINUTES**

Audit Committee:           31 January 2017  
                                      27 June 2017  
                                      19 September 2017  
                                      30 January 2018  
                                      29 May 2018  
                                      24 July 2018

**5 INTERNAL AUDIT UPDATE**

- 5.1 This report provides information on the work of Internal Audit from 30 June 2018 to 7 September 2018 and provides an update on the progress of previous audit reports issued (March 2017 – July 2018).
- 5.2 The key focus for the team during this period was the completion of the audit plan including the fundamental systems audits.
- 5.3 The following internal audit update report appendices are attached:
- i) **Appendix 1** – List of final reports issued this period with our grading – red, amber, yellow or green. This report also includes budgeted time, actual time and percentage variance.
  - ii) **Appendix 2** – List of all work undertaken this period of 1 day or more.

- iii) **Appendix 3** - Previous graded reports from March 2017 to June 2018 with their current status. (Members should note that once reports have reached a green status and have been reported to members they are excluded from future reports).

5.4 Appendix 1 shows 5 reports were issued this period. For the final reports issued the time taken for the areas shown in the table below varied from the allocated time by more than +/- 10%.

Area	Variance (> +/- 10%)	Reason
Review Procedures Services to Schools (Commercial Projects)	+68%	New audit areas and lots of compliance testing
John Randall Primary School	-15%	Well organised school with documentation ready for the audit
Planning Income	+81%	Assistant Director: Finance & HR requested additional work

The reasons for the variances are as explained above and the scopes and time allocations for 2018/19 audits will be informed by this information and will be closely monitored.

5.5 From Appendix 1 there were no amber or red reports issued during this period.

5.6 Areas of more than 10 days from Appendix 2 are explained below:

Audit Area	Days	Explanation
Council Tax & NNDR (2018-19)	17	There are 38 days budgeted for this audit on the annual plan therefore no concerns that 17 days have currently been taken.

5.7 From Appendix 3 there are 0 reports which remain Red/Amber after a follow up has been undertaken.

5.8 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.

### **Quality Assurance and Improvement Programme**

5.9 The Audit & Governance Team Leader has continued to undertake quarterly spot checks of audit files to review compliance to the PSIAS alongside the normal quality review process applied to all audit assignments. No issues were identified during this period.

## **6 INFORMATION GOVERNANCE UPDATE – April to end of August**

6.1 The IG work programme for 2018/19 was presented and approved at the June 2018 Audit Committee. Appendix 3 of this report details each task on the programme and a summary of the progress to date on completing each of these. IG has made good progress in respect to completing agreed tasks to date. The majority of tasks that were due for completion have either been completed on time or are within acceptable extended timescales. IG is confident that the remaining tasks on the work programme will be completed in full by the end of 18/19.

- 6.2 The Council has received 634 FOI requests in this period. Out of 518 requests responded to (the remaining 116 requests were not due to be responded to in this period), 434 (84%) have been responded to within the 20 working day statutory period; this is against the Information Commissioners benchmark of 90%. It takes on average 12 days to respond to each request we receive.
- 6.3 The Council has also received 6 EIR requests in the same period. Out of 6 requests responded to, all (100%) have been responded to within the 20 working day statutory period; this is against the Information Commissioners benchmark of 90%. It takes on average 6 days to respond to each request we receive
- 6.4 For the same period we had received 16 Subject Access Requests (SARs) under the Data Protection Act 2018. Out of 5 requests responded to (the remaining 11 were not due to be responded to in this period) 4 (80%) responses were completed within the one calendar month statutory period (compared to the Information Commissioners benchmark of 90%).
- 6.5 Also in this period we have received and responded to 10 appeals from requestors who was not satisfied with the response they received to their information request. Out of these 10 appeals, 2 were withdrawn, 2 were not upheld and the remaining 6 are currently being processed. In our responses to information requests we provide requestors with details on how they can make an appeal in compliance with relevant information rights legislation.
- 6.6 The Council takes its responsibility for protecting personal and sensitive information very seriously and therefore encourages an open culture where employees are encouraged to report all actual and potential data breaches in order that we can put measures in place to reduce potential issues in future. In this period we identified 6 data breaches. One of these met the Information Commissioners rationale for reporting serious breaches to them. We are awaiting communications from the Information Commissioner on this incident. IG is continuing to work with all service areas where breaches have occurred to ensure they improve procedures and that disciplinary action is taken where appropriate. The table below shows a summary by type of the confirmed data breaches and the number of subsequent formal complaints received.

<b>Category/Type</b>	<b>Number of cases (%)</b>	<b>Number of Formal Complaints received from Data Subjects</b>
Information accidentally sent/made available to the incorrect recipient	6 (100 %)	1

- 6.7 The Information Governance Team continue to support Council services in complying with the General Data Protection Regulations (GDPR) / Data Protection Act 2018. To date over 1,300 staff have completed over 10,000 online training modules relating to data protection.

## 7 OTHER CONSIDERATIONS

<b>AREA</b>	<b>COMMENTS</b>
Equal Opportunities	All members of the Audit 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 Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager.
Legal Implications	The Accounts and Audit Regulations 2015 (Part 2, paragraph 5) state that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account

	<p>public sector internal auditing standards or guidance. The information set out in this report illustrates the work that has been undertaken to meet the appropriate statutory requirements.</p> <p>In the event that an audit reveals a legal issue or concern this is referred to the Council's Legal Services Team and/or the Council's Monitoring Officer for further advice and assistance.</p>
Links with Corporate Priorities	All aspects of the Audit teams work support good governance which underpins the achievement of the Council's objectives and priorities.
Risks and Opportunities	All aspects of the Audit teams work supports managers and the Council to identify and manage their risks and opportunities.
Financial Implications	Financial monitoring is currently showing that Audit, IG, Insurance & Investigations are operating within budget for 2018/19. There are therefore no financial implications arising from adopting the recommendations of this report.
Ward Implications	The work of the Audit team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards.

### **BACKGROUND PAPERS**

Annual Audit Plan 2018/19 and Charter

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

Public Sector 2013 and updated January 2017

CIPFA Local Government Application Note – April 2013

Accounts and Audit Regulations – 2015

Report by: Tracey Drummond Principal Auditor. Telephone 383105

Rob Montgomery Audit & Governance Team Leader. Telephone 383103

## FINAL REPORTS ISSUED 30 JUNE 2018 – 7 SEPTEMBER 2018

<b>Audit Area</b>	<b>Opinion</b>	<b>Follow Up Due</b>	<b>Days allocated</b>	<b>Days Taken</b>	<b>Variance %</b>
Review Procedures Services to Schools (Commercial Projects)	Yellow	January 2019	6	10.1	+68%
John Randall Primary School	Yellow	January 2019	8.25	7.04	-15%
Planning Income	Green	Not Applicable	8	14.49	+81%
Treasury Management	Green	Not Applicable	10	9.11	-9%
Ladygrove Primary school	Yellow	March 2019	8.25	7.57	-8%

**AUDIT WORK UNDERTAKEN FOR THIS PERIOD (30/6/18) - 7/9/18) FOR A PERIOD OF 1 DAY  
OR MORE**

AUDIT AREA	DAYS
Advice & Consultancy including org change	6
Cash Collection (2018-19)	3
Council Tax & NNDR (2018-19)	17
Direct Payments	8
Electronic Case File Audit (Care first)	3
Follow ups	2
HR/Payroll (2018-19)	3
My Options (Young Peoples Services)	8
Ombudsman Complaints	2
Permit Scheme for working on highways	2
Queenswood Primary School	2
Sir Alexander Fleming Primary School	1
Southall School	1
Strengthening Families Grant	2
Treasury Management (2018-19)	8

## Information Governance (IG) Work/Compliance Programme 2018/19

No	Task	Completion date	Progress as at 31/8/18
1	Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO.	Ongoing	Ongoing – response rates detailed in this report.
2	Continue the provision and promotion of additional services to schools within and outside the area to generate agreed income.	Ongoing	Ongoing. Income generation progressing well.
3	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	Ongoing	Ongoing – statistics on data breaches included in this report.
4	Support service areas to address any information security risks that arise.	Ongoing	Ongoing.
5	Support information sharing/production of sharing agreements.	Ongoing	Ongoing. Revised Information Sharing Policy in place.
6	Support service areas in the completion of Data Protection Impact Assessments for new systems/applications and those for priority existing applications.	Ongoing	New DPIA documents guides / templates produced and available on intranet.
7	GDPR Compliance	Ongoing	Ongoing
8	Review of IG training and awareness	October 2018	Many online training modules have been converted to comply with GDPR.
9	Review and update the Corporate Information Security Policy (CISP)	End of March 2019	TBC
10	Complete N3 connection assessment for central government.	End of March 2019	TBC

**STATUS ON FINAL REPORTS ISSUED MARCH 2017 TO JULY 2018 AS AT 10/9/18**

**APPENDIX 3**

<b>Audit</b>	<b>Original Opinion</b>	<b>Updated Opinion</b>	<b>Previous Comments</b>	<b>Status as at September 2018</b>
Ski & Snowboard Centre	Red	Yellow	2 <sup>nd</sup> follow up completed moved to yellow.	3 <sup>rd</sup> follow up due December 2018
Wellington Leisure Centre	Amber	Yellow	n/a	Follow up completed moved to Yellow 2 <sup>nd</sup> follow up to be completed February 2019
Arthog	Amber	Yellow	2 <sup>nd</sup> follow up completed remained yellow 3 <sup>rd</sup> follow up due August 2018.	3 <sup>rd</sup> Follow up in progress.
Additional Payments to Foster Carers	Amber	Yellow	2 <sup>nd</sup> follow up completed moved to Yellow	3 <sup>rd</sup> follow up to be completed after October 2018 once policy has been approved.
Nuplace	Amber	Yellow	2 <sup>nd</sup> follow up completed remained yellow.	3 <sup>rd</sup> follow up due November 2018.
Off Contract Agency Staff	Amber	Yellow	1 <sup>st</sup> follow up complete moved to yellow 2 <sup>nd</sup> follow up due November 2018	2 <sup>nd</sup> follow up due November 2018
St Marys Catholic Primary	Yellow	Green	Follow up in progress	Follow up completed, now a green grading. No further follow ups to be undertaken.
Deprivation of Liberty Safeguards (DoLS).	Red	Yellow	1 <sup>st</sup> Follow up completed. 2 <sup>nd</sup> follow up due December 2018	2 <sup>nd</sup> follow up due December 2018
Core Groups	Amber	Yellow	2 <sup>nd</sup> Follow Up due December 2018	2 <sup>nd</sup> Follow Up due December 2018
Discharge From Hospital	Amber	Yellow	2nd Follow Up Due December 2018	2nd Follow Up Due December 2018
ICT Change Release Management	Yellow	n/a	Follow up to be undertaken October 2018	Follow up to be undertaken October 2018
St Luke's Primary School	Yellow	n/a	Follow up to be undertaken July 2018	Follow up in progress
ICT – Help Desk	Yellow	Green	Follow up to be undertaken August 2018	Follow up completed September 2018. Revised audit opinion to Good (Green) no further follow up required

**STATUS ON FINAL REPORTS ISSUED MARCH 2017 TO JULY 2018 AS AT 10/9/18**

<b>Audit</b>	<b>Original Opinion</b>	<b>Updated Opinion</b>	<b>Previous Comments</b>	<b>Status as at September 2018</b>
ICT Hosting – Libraries & Schools MIS	Yellow	Green	Follow up to be undertaken August 2018	Follow up completed September 2018. Revised audit opinion to Good (Green) no further follow up required
Meadows Primary	Yellow	n/a	Follow up to be undertaken September 2018	Follow up in progress
My options Comfort fund	Amber	Yellow	1 <sup>st</sup> follow up undertaken in June, changed to a yellow grading.	2 <sup>nd</sup> follow up due December 2018

Status on reports reported to Audit Committee July 2018

<b>Audit</b>	<b>Original Opinion</b>	<b>Updated Opinion</b>	<b>Status as at September 2018</b>
Stirchley Recreation Centre	Yellow		Follow up due November 2018
ICT Strategy and Risk Management *	Yellow		Follow up due November 2018
ICT Active Directory & Single Sign on *	Yellow		Follow up due November 2018
School Catering	Green	N/A	Green report therefore no follow up to be undertaken
Oakengates Nursery School	Green	N/A	Green report therefore no follow up to be undertaken
My Options Young Peoples Services – Purchasing & Procurement	Amber		Follow up in progress
Setting up Home Grant	Amber		Follow up due October 2018  There has been a change in Team Leader since the audit was finalised. A copy of the report has been shared with the new Team Leader and he is reviewing the agreed actions. A more detailed update will be provided as part of the January 2019 committee meeting