

A&I Plan

June 2008



Audit and Inspection Plan

Telford and Wrekin Council

Audit 2008/09

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

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Introduction

- 1 This plan sets out the audit and inspection work that we propose to undertake for the 2008/09 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2008/09;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 During 2008/09, the role of Relationship Manager will be replaced by the post of Comprehensive Area Assessment Lead (CAAL). The CAAL will provide the focal point for the Commission's work in your local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission has become the statutory gatekeeper of all inspection activity involving local authorities.
- 3 As the Audit Commission's CAAL, I will be taking responsibility for the delivery of the planned inspection work. The audit work will be undertaken by the appointed auditor, KPMG LLP, and their team is led by Mike McDonagh.
- 4 As KPMG have not yet completed their audit for 2007/08, the audit planning process for 2008/09, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 5 The Audit Commission and the Council's appointed auditor will comply with the statutory requirements governing our audit and inspection work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999 (best value inspection and audit); and
 - the Code of Audit Practice.
- 6 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the annual governance statement); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies (from April 2008) sets out the respective responsibilities of the auditor and the Authority. The Audit Commission has issued a copy of the Statement to every audited body.
- 8 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

Fees

- 9 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2008/09. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 10 The total indicative fee for the work included in this audit and inspection plan for 2008/09 is £372,470 which compares to the planned fee of £246,925 for 2007/08. The audit element of the fee for 2008/09 remains broadly similar overall to that of 2007/08. The inspection fee for this year represents a significant increase on the fee in 2007/08. This is mainly as a result of the Corporate Assessment to be carried out during 2008.
- 11 Appendix 2 contains further details of the fee and the underlying assumptions. The risk factors which have contributed to the determination of the fee are set out in Appendix 3.
- 12 The audit and inspection fee is summarised in Table 1. As described below, this Plan includes the 2007/08 Use of Resources assessment to be completed during 2008 and also the element of the 2008/09 assessment planned to be completed before March 2009. This additional element has been separated out in the table below to ensure comparability of the fee with previous years.

Table 1 Audit and inspection fee

Audit area	Planned fee 2008/09	Planned Fee 2007/08	Page
Use of resources 2008/09 - work completed prior to 31 March 2009	£10,000	N/A	
Other audit work	£235,000	£240,300	
Total audit fee	£245,000	£240,300	
Total inspection fee	£127,470	£6,625	

- 13 The fee proposed for 2008/09 is 19 per cent below the scale fee specified by the Commission.
- 14 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.

- 15 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Authority. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.
- 16 The planned audit fee for 2008/09 varies from 2007/08 planned fee as a result of:
- cost inflation, net of efficiency savings;
 - the requirement for the 2008/09 Plan to include part of the work on the 2009 Use of Resources assessment;
 - changes to the certification requirements over the Housing and Council Tax Benefit claim which are expected to reduce the fee for this work; and
 - KPMG's revised risk assessment for the audit of the Authority's accounts, set out in Appendix 3.

Process for agreeing any changes in audit fees

- 17 As set out in paragraph 4, it is possible that the initial risk assessment will change as the year progress. Where this is the case, we will discuss this in the first instance with the Chief Executive. If required, supplements to the plan will then be issued and discussed with you to record revisions to the risk and the impact on the fee.

Auditor's report on the financial statements

- 18 KPMG are required to issue an audit report giving our:
- opinion on whether the financial statements present fairly the financial position of the Authority as at 31 March 2009; and
 - conclusion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial statements

- 19 **KPMG have undertaken an initial risk assessment of the Authority's audit risks, shown fully at Appendix 3. This will be updated following the 2007/08 audit to reflect changes in the level of risk.**
- 20 At this stage KPMG are aware of the following risks that are likely to affect the audit of the financial statements.
- Accounting standards for local authorities are specified in CIPFA's Statement of Recommended Practice (SORP). One of the changes to the SORP in 2006/07 was the new requirement for a Statement of Total Recognised Gains and Losses (STRGL) in the accounts. This proved challenging for many authorities, including Telford and Wrekin, and the Authority and the issues raised by this change are still being investigated. KPMG will review the required revisions as part of the 2007/08 audit. KPMG will need to assess critically how the Authority has addressed changes to the SORP in 2008 and 2009.
 - The timetable for the adoption of International Financial Reporting Standards (IFRS) in local government has now been determined: IFRS-compliant accounts will now be required in 2010/11. In practice, this means that the closing 2008/09 balance sheet position will need to be made IFRS-compliant. Based on the experience of private sector IFRS conversion, implementation of the new standards will require a significant level of work, so the Authority will need to formulate its approach to implementation soon. KPMG will discuss this project plan with officers and review working papers for the proposed changes as they become available.
 - The Authority is currently in the process of implementation of Single Status. KPMG will consider the impact of implementation on the financial standing of the Authority. Failure to implement a Single Status agreement would expose the Authority to risk of equal pay claims.
 - KPMG will discuss progress with Campus Telford and Wrekin, the Authority's Building Schools for the Future initiative, with officers and discuss accounting implications, such as the treatment of project costs, as they arise. Additionally, given the scale of the project, it is relevant to KPMG's Use of Resources assessment, as described in Appendix 3.

- 21 KPMG will continue to work with the Council to ensure that emerging risks are adequately addressed.

VFM conclusion

- 22 In reaching his conclusion, the appointed auditor, KPMG will review evidence that is relevant to the Authority's performance management and financial management arrangements.
- 23 The key risks highlighted from the planning are summarised in the table below with details of planned work to mitigate the risks. Full details of the risk assessment is outlined in Appendix 3. In summary the risks relevant to the VFM conclusion include the following.
- The Council's implementation of Single Status has potentially substantial financial consequences which need to be considered within service and financial planning. KPMG will need to consider implementation progress and the financial consequences in relation to the Financial Standing and Value for Money assessments.
 - KPMG will discuss the progress of Campus Telford and Wrekin, the Council's Building Schools for the Future programme, with officers and will discuss the accounting implications of the Outline Business Case and the treatment of project costs as they arise. Additionally, given the scale of the project, it is relevant to KPMG's Use of Resources assessment, as described in Appendix 3.

Use of Resources 2007/08

- 24 This audit plan covers the last year of the current regime for Use of Resources assessment as part of the CPA framework. The work required to arrive at the 2007/08 Use of Resources assessment is fully aligned to that required to arrive at the auditor's 2007/08 Value for Money conclusion.
- 25 Appendix 1 outlines the criteria and scoring.
- 26 The initial risk assessment for use of resources work is shown in Appendix 3. This will be updated through the continuous planning process as the year progresses.

Use of Resources 2008/09

- 27 2009 will be the first year of a new use of resources assessment which will form an element of the CAA framework. The Audit Commission has specified that auditors will complete a use of resources assessment for 2008/09.
- 28 There have been significant changes to the criteria for 2008/09. Appendix 1 outlines the criteria assessed as part of our use of resources work and our VFM conclusion. For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Authority to mitigate the risk, and plan our work accordingly.
- 29 This Plan and its fee contain only the element of the work which is undertaken prior to 31 March 2009; the remainder of the work will be included within the 2009/10 Annual Audit and Inspection Plan.

Mandated work

30 As part of the audit, the mandated work programme comprises:

- data quality 2007/08;
- whole of government accounts; and
- National Fraud Initiative.

Appendix 1 highlights the work to be undertaken.

CPA and inspection

- 31 From April 2009, the Audit Commission, jointly with the other public service inspectorates, will be implementing Comprehensive Area Assessment (CAA). Therefore, 2008/09 is the last year in which corporate assessments and programme service inspections will be undertaken as part of the CPA framework.
- 32 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 33 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. For CPA 2007, the Authority was categorised as four stars.
- 34 We have applied the principles set out in the CPA framework, 'CPA – The Harder Test', recognising the key strengths and areas for improvement in the Authority's performance.
- 35 Strengths in the Authority's performance include:
 - working well with key partners such as English Partnerships to deliver innovative capital projects such as the regeneration of Woodside, transformation of the town centre and the Hadley PFI project;
 - delivering high quality services to Children and Adults; and
 - the Council has strong governance and internal control arrangements.
- 36 Areas for improvement in the Authority's performance include:
 - highways maintenance and street lighting; and
 - the need to reduce absence rates at secondary schools and the number of teenage pregnancies.

- 37 On the basis of the planning process we have identified where inspection activity will be focused for 2008/09 as follows.

Table 2 Summary of inspection activity

Inspection activity	Reason/impact
Comprehensive Area Assessment Lead (CAAL) role	To act as the Commission's primary point of contact with the Authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of Travel (DoT) assessment	An annual assessment, carried out by the CAAL, of how well the Authority is securing continuous improvement. The DoT statement will be reported in the Annual Audit and Inspection Letter. The DoT assessment summary will be published on the Commission's website.
Corporate assessment	As part of the agreed process for CPA, we will carry out a corporate assessment in line with the processes set out in 'CPA – The Harder Test' to assess the Council's corporate abilities and achievements.

Advice and assistance

- 38 Under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 the Audit Commission has powers to provide 'advice and assistance' (A&A) to another public body where this is requested.
- 39 If you wish the Commission to provide additional services under these powers, please contact Dorothy Welsh at d-welsh@audit-commission.gov.uk or your CAAL.

The audit and inspection team

- 40 The key members of the audit and inspection team for the 2008/09 audit are shown in the table below.

Table 3 Audit and inspection team

Name	Contact details	Responsibilities
Dianne Thomas Corporate Area Assessment Lead	di-thomas@audit-commission.gov.uk 07901 513884	Dianne is the primary point of contact with the Authority for inspection work and is responsible for coordinating audit and inspection work between KPMG and inspectorates, government offices and other key stakeholders.
Mike McDonagh Partner KPMG engagement lead	michael.a.mcdonagh@kpmg.co.uk 0121 335 2440	Mike is responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and audit committee.
Andrew Cardoza KPMG Senior Manager	andrew.cardoza@kpmg.co.uk 0121 232 3879	Andrew is responsible for the management and delivery of the audit elements of this Plan.
Tim Pearce KPMG Manager	timothy.pearce@kpmg.co.uk 0121 232 3149	Tim is responsible for the on-site delivery of all the audit elements of this Plan.
Peter Evans KPMG Assistant Manager	peter.evans@kpmg.co.uk 0121 232 3879	Peter will work with Tim to plan and deliver KPMG's on-site work.

Quality of service

- 41 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 your CAAL or Appointed Auditor in the first instance. Alternatively, you may wish to contact the [name of (sub) Region] Head of Operations, [Head of Operations name] For any complaints concerning audit work, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).
- 42 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.

Planned outputs

- 43 Reports will be discussed and agreed with the appropriate officers before being issued to the Standards and Audit Committee.

Table 4 Planned outputs

Planned output	Indicative date	Responsibility
Audit and Inspection Plan	May 2008	CAA Lead & KPMG
Interim audit memorandum	May 2009	KPMG
Annual governance report (ISA260)	September 2009	KPMG
Auditor's report giving an opinion on the financial statements and value for money conclusion	September 2009	KPMG
Annual Audit Letter	TBC	KPMG
Corporate Assessment	July 2008	CAA Lead
Direction of Travel Assessment	March 2009	CAA Lead

Appendix 1 – Elements of our work

Financial statements

- 1 KPMG will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 2 KPMG are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year.
- 3 KPMG are also required to review whether the Annual Governance Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Governance Statement is misleading or inconsistent with our knowledge of the Authority.

Value for money conclusion

- 4 The Code requires your appointed auditor to issue a conclusion on whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires the auditor to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at their conclusion.
- 5 In meeting this responsibility, KPMG will review evidence that is relevant to the Authority's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators, KPMG will normally place reliance on their reported results to inform our work.
- 6 KPMG will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment 2007/08

- 7 The Use of Resources themes and KLOE are outlined below.
- 8 KPMG will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes.

Table 1 Use of resources assessment criteria 2007/08

Theme	Description
Financial reporting	<ul style="list-style-type: none"> • Preparation of financial statements • External reporting
Financial management	<ul style="list-style-type: none"> • Medium-term financial strategy • Budget monitoring • Asset management
Financial standing	<ul style="list-style-type: none"> • Managing spending within available resources
Internal control	<ul style="list-style-type: none"> • Risk management • System of internal control • Probity and propriety
Value for money	<ul style="list-style-type: none"> • Achieving value for money • Managing and improving value for money

- 9 The details of the scores and judgements will be reported to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve.
- 10 The auditor's scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of the CPA.

Use of resources assessment 2008/09

- 11 The Commission has now consulted on its proposals for the 2008/09 Use of Resources assessment. It proposes that the work required to arrive at the 2008/09 use of resources assessment is fully aligned with that required to arrive at the auditor's 2008/09 value for money conclusion.
- 12 The Commission proposes that the assessment will be based upon the evidence from three themes.
 - Managing money.
 - Managing the business.
 - Managing other resources.
- 13 The Commission proposes that Data Quality will become an element of the Use of Resources framework from 2008/09.

Data quality

- 14 The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:
 - Stage 1 – management arrangements;
 - Stage 2 – analytical review; and
 - Stage 3 – risk-based data quality spot checks of a sample of performance indicators.
- 15 Work will be focused on the overall arrangements for data quality, particularly on the responsibility of the Authority to manage the quality of its data including data from partners where relevant.
- 16 Our fee estimate reflects an assessment of risk in relation to the Authority's data quality arrangements and performance indicators. This risk assessment may change depending on our assessment of your overall management arrangements at Stage 1 and we will update our plan accordingly, including any impact on the fee.

Whole of government accounts

- 17 KPMG are required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.

National Fraud Initiative

- 18 The Authority participates in the National Fraud Initiative, which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated against public bodies. KPMG will review the Authority's approach to addressing data matches and periodically monitor its progress.
- 19 This work will be carried out by an individual appointed to assist in the audit of the Authority's accounts (in accordance with section 3(9) of the Audit Commission Act 1998).

Certification of grant claims and returns

- 20 KPMG will continue to certify the Authority's claims and returns on the following basis.
 - Claims below £100,000 will not be subject to certification.
 - Claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification.
 - Claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims.

Appendix 2 – Basis for fee

- 1 The Audit Commission and KPMG are committed to targeting work where it will have the greatest effect, based upon assessments of risk and performance. This means planning audit and inspection work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is coordinated with the work of other regulators, and that our work helps you to improve.
- 2 KPMG's audit risk assessment process starts with the identification of the significant financial and operational risks applying at the Authority with reference to:
 - cumulative audit knowledge of the Authority;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - the Authority's strategic risk register;
 - interviews with Authority officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.

Assumptions

- 3 In setting the fee, KPMG have assumed that:
 - you will inform us of significant developments affecting our audit, including accounting, financial reporting, legality and control issues;
 - internal audit meets 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 SORP within your 2008/09 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 by the agreed audit start date;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by electors.

- 4 Where these assumptions are not met, KPMG will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.
- 5 Changes to the plan will be agreed with you. These may be required if:
 - new 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.
- 6 Below is a detailed breakdown of the audit and inspection fee for 2008/09.
- 7 The fee (plus VAT) will be charged in four equal instalments from June 2008 to March 2009.

Table 1 Detailed audit and inspection fee

Audit area	Planned fee 2008/09	Planned fee 2007/08	Page
Audit			
Financial statements	122,000	115,000	
Use of resources - current year assessment	36,500	35,000	
Use of resources 2008/09 - work completed prior to 31 March 2009	10,000	N/A	
Data quality	26,000	25,000	
Whole of government accounts	3,300	3,200	
National Fraud Initiative	2,200	2,100	
Certification of claims and returns (estimate)	45,000	60,000	
Total audit fee	245,000	240,300	
Inspection			
Relationship management	11,197	N/A	
Direction of Travel	11,197	6,625	
Corporate Assessment inspection	105,076	N/A	
Total inspection fee	127,470	6,625	
Total audit and inspection fee	372,470	246,925	

Appendix 3 – Risk assessment

The table below shows KPMG's risk assessment of the Authority's audit risks.

Significant risks identified	Issue	Action in response to residual audit risk	Link to auditors' responsibilities
<p>Financial Reporting and changes in the 2008 SORP</p>	<p>One of the major changes to the accounts introduced in 2007 was the requirement to prepare a Statement of Total Recognised Gains and Losses (STRGL). This Statement reconciles the opening and closing balance sheet positions for the financial year. Preparing the STRGL was a challenge for many authorities in 2006/07, including Telford and Wrekin, where officers are currently working on a prior period adjustment to include in the 2007/08 accounts.</p> <p>The requirement to prepare a STRGL continues in 2007/08 and future years, so the Authority will need adequate resources and quality assurance procedures to be in place in order to manage the compilation of the STRGL effectively.</p> <p>Further accounting changes have been introduced more recently, including changes to accounting for financial instruments and fixed assets which take effect in 2007/08, as reported in our 2007/08 Annual Audit and Inspection Plan. The 2008 SORP will bring in further changes for the 2008/09 financial year. Whilst it has not yet been finalised, it is expected to introduce changes including:</p> <ul style="list-style-type: none"> • new requirements on accounting for back pay arising from equal pay claims; • changes which reflect the replacement of Local Area Agreement grant with Area Based Grant; and • amended disclosure requirements for retirement benefits following the amendment of FRS17. <p>The Authority will need to review the changes once the SORP is finalised and determine what additional work will be needed to ensure that its accounts comply with the totality of SORP requirements, with a particular focus on the recent changes outlined above.</p>	<p>We will also need to assess critically how the Authority has addressed SORP changes in 2008 and 2009, and may respond to the risk through increasing the use of more senior and specialist staff.</p> <p>We will need to assess the Authority's approach to reviewing and addressing changes in accounting standards, in particular examining the improvements made in response to the difficulties experienced with the STRGL in 2007.</p>	<p>This risk is relevant to the audit of the Authority's financial statements and the Financial Reporting element of the Use of Resources Assessment.</p>

Significant risks identified	Issue	Action in response to residual audit risk	Link to auditors' responsibilities
Implementation of International Financial Reporting Standards	<p>The timetable for the implementation of International Financial Reporting Standards (IFRS) has now been announced; CIPFA has confirmed that IFRS-compliant accounts will be needed from the 2010/11 financial year.</p> <p>In practice, this means that the opening comparative balance sheet - ie the position as at 1 April 2009 - will need to be IFRS-compliant.</p> <p>With the exception of the specific areas described in IFRS1 (First-time Adoption of IFRSs), new accounting policies would need to be applied fully retrospectively. Gathering the information to make this possible will therefore be a time-consuming exercise, making early planning essential.</p>	<p>We will meet with officers to discuss their project plan for IFRS implementation. We will also discuss the areas which officers have identified as potentially challenging and, where possible, will review advance work completed on changes to the accounts and disclosures.</p>	<p>This risk is relevant to the audit of the Authority's financial statements and the Financial Reporting element of the Use of Resources Assessment.</p>
Single Status	<p>The Authority has a project plan in place to implement Single Status by the end of the 2008/09 financial year. This will be a complex process, given that the Authority will need to complete pay modelling, conclude negotiations with trades unions and update personnel and pay records prior to the implementation date</p> <p>The process of implementing Single Status has significant potential financial implications. These include the one-off costs of settling back pay claims, and also the ongoing increased payroll costs which typically arise from the revised pay structures.</p> <p>Failure to implement the Single Status agreement would expose the Authority to the risk of equal pay claims, which would in themselves have a significant effect on its financial standing.</p> <p>As such, this is a key financial risk to the Authority.</p>	<p>We will consider the progress made towards the implementation of Single Status, and how the Authority has refined its estimates of the potential cost of back pay and the ongoing effect of increased pay costs.</p>	<p>This risk is relevant to KPMG's consideration of the Authority's financial standing as part of the accounts opinion and within the context of the Use of Resources assessment.</p>

Significant risks identified	Issue	Action in response to residual audit risk	Link to auditors' responsibilities
<p>Campus Telford and Wrekin</p>	<p>Campus Telford and Wrekin is the Authority's £200 million local implementation of the government's Building Schools for the Future (BSF) programme.</p> <p>Since the time of our previous audit plan, the Authority has made progress with the programme, with its Strategy for Change receiving approval and progress being made towards finalising the Outline Business Case. Continuing robust project management arrangements will be needed to keep the programme on track and to ensure that the Authority's objectives are achieved.</p>	<p>We will consider the Authority's progress with BSF, including its arrangements in place to achieve value for money and deliver its objectives for the BSF programme. We will also discuss with officers the accounting treatment which is followed for BSF programme costs.</p>	<p>This risk is relevant to KPMG's audit of the financial statements and Value for Money Assessment.</p>

Appendix 4 – Independence and objectivity

- 1 We are not aware of any relationships that may affect the independence and objectivity of the KPMG engagement lead and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 2 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.
- 3 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 4 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 5 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 6 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the audit committee. The auditor reserves the right, however, to communicate directly with the Authority on matters which are considered to be of sufficient importance.
- 7 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

- 8 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
 - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
 - The Appointed Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
 - The Appointed Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
 - The Appointed Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Appendix 5 – Sustainability

- 1 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
 - reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate; and
 - reducing travel.

A&I Plan

June 2008



Audit and Inspection Plan

Telford and Wrekin Council

Audit 2008/09

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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Introduction

- 1 This plan sets out the audit and inspection work that we propose to undertake for the 2008/09 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2008/09;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 During 2008/09, the role of Relationship Manager will be replaced by the post of Comprehensive Area Assessment Lead (CAAL). The CAAL will provide the focal point for the Commission's work in your local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission has become the statutory gatekeeper of all inspection activity involving local authorities.
- 3 As the Audit Commission's CAAL, I will be taking responsibility for the delivery of the planned inspection work. The audit work will be undertaken by the appointed auditor, KPMG LLP, and their team is led by Mike McDonagh.
- 4 As KPMG have not yet completed their audit for 2007/08, the audit planning process for 2008/09, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 5 The Audit Commission and the Council's appointed auditor will comply with the statutory requirements governing our audit and inspection work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999 (best value inspection and audit); and
 - the Code of Audit Practice.
- 6 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the annual governance statement); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies (from April 2008) sets out the respective responsibilities of the auditor and the Authority. The Audit Commission has issued a copy of the Statement to every audited body.
- 8 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.

Fees

- 9 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2008/09. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 10 The total indicative fee for the work included in this audit and inspection plan for 2008/09 is £372,470 which compares to the planned fee of £246,925 for 2007/08. The audit element of the fee for 2008/09 remains broadly similar overall to that of 2007/08. The inspection fee for this year represents a significant increase on the fee in 2007/08. This is mainly as a result of the Corporate Assessment to be carried out during 2008.
- 11 Appendix 2 contains further details of the fee and the underlying assumptions. The risk factors which have contributed to the determination of the fee are set out in Appendix 3.
- 12 The audit and inspection fee is summarised in Table 1. As described below, this Plan includes the 2007/08 Use of Resources assessment to be completed during 2008 and also the element of the 2008/09 assessment planned to be completed before March 2009. This additional element has been separated out in the table below to ensure comparability of the fee with previous years.

Table 1 Audit and inspection fee

Audit area	Planned fee 2008/09	Planned Fee 2007/08	Page
Use of resources 2008/09 - work completed prior to 31 March 2009	£10,000	N/A	
Other audit work	£235,000	£240,300	
Total audit fee	£245,000	£240,300	
Total inspection fee	£127,470	£6,625	

- 13 The fee proposed for 2008/09 is 19 per cent below the scale fee specified by the Commission.
- 14 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.

- 15 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Authority. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.
- 16 The planned audit fee for 2008/09 varies from 2007/08 planned fee as a result of:
- cost inflation, net of efficiency savings;
 - the requirement for the 2008/09 Plan to include part of the work on the 2009 Use of Resources assessment;
 - changes to the certification requirements over the Housing and Council Tax Benefit claim which are expected to reduce the fee for this work; and
 - KPMG's revised risk assessment for the audit of the Authority's accounts, set out in Appendix 3.

Process for agreeing any changes in audit fees

- 17 As set out in paragraph 4, it is possible that the initial risk assessment will change as the year progress. Where this is the case, we will discuss this in the first instance with the Chief Executive. If required, supplements to the plan will then be issued and discussed with you to record revisions to the risk and the impact on the fee.

Auditor's report on the financial statements

- 18 KPMG are required to issue an audit report giving our:
- opinion on whether the financial statements present fairly the financial position of the Authority as at 31 March 2009; and
 - conclusion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial statements

- 19 **KPMG have undertaken an initial risk assessment of the Authority's audit risks, shown fully at Appendix 3. This will be updated following the 2007/08 audit to reflect changes in the level of risk.**
- 20 At this stage KPMG are aware of the following risks that are likely to affect the audit of the financial statements.
- Accounting standards for local authorities are specified in CIPFA's Statement of Recommended Practice (SORP). One of the changes to the SORP in 2006/07 was the new requirement for a Statement of Total Recognised Gains and Losses (STRGL) in the accounts. This proved challenging for many authorities, including Telford and Wrekin, and the Authority and the issues raised by this change are still being investigated. KPMG will review the required revisions as part of the 2007/08 audit. KPMG will need to assess critically how the Authority has addressed changes to the SORP in 2008 and 2009.
 - The timetable for the adoption of International Financial Reporting Standards (IFRS) in local government has now been determined: IFRS-compliant accounts will now be required in 2010/11. In practice, this means that the closing 2008/09 balance sheet position will need to be made IFRS-compliant. Based on the experience of private sector IFRS conversion, implementation of the new standards will require a significant level of work, so the Authority will need to formulate its approach to implementation soon. KPMG will discuss this project plan with officers and review working papers for the proposed changes as they become available.
 - The Authority is currently in the process of implementation of Single Status. KPMG will consider the impact of implementation on the financial standing of the Authority. Failure to implement a Single Status agreement would expose the Authority to risk of equal pay claims.
 - KPMG will discuss progress with Campus Telford and Wrekin, the Authority's Building Schools for the Future initiative, with officers and discuss accounting implications, such as the treatment of project costs, as they arise. Additionally, given the scale of the project, it is relevant to KPMG's Use of Resources assessment, as described in Appendix 3.

- 21 KPMG will continue to work with the Council to ensure that emerging risks are adequately addressed.

VFM conclusion

- 22 In reaching his conclusion, the appointed auditor, KPMG will review evidence that is relevant to the Authority's performance management and financial management arrangements.
- 23 The key risks highlighted from the planning are summarised in the table below with details of planned work to mitigate the risks. Full details of the risk assessment is outlined in Appendix 3. In summary the risks relevant to the VFM conclusion include the following.
- The Council's implementation of Single Status has potentially substantial financial consequences which need to be considered within service and financial planning. KPMG will need to consider implementation progress and the financial consequences in relation to the Financial Standing and Value for Money assessments.
 - KPMG will discuss the progress of Campus Telford and Wrekin, the Council's Building Schools for the Future programme, with officers and will discuss the accounting implications of the Outline Business Case and the treatment of project costs as they arise. Additionally, given the scale of the project, it is relevant to KPMG's Use of Resources assessment, as described in Appendix 3.

Use of Resources 2007/08

- 24 This audit plan covers the last year of the current regime for Use of Resources assessment as part of the CPA framework. The work required to arrive at the 2007/08 Use of Resources assessment is fully aligned to that required to arrive at the auditor's 2007/08 Value for Money conclusion.
- 25 Appendix 1 outlines the criteria and scoring.
- 26 The initial risk assessment for use of resources work is shown in Appendix 3. This will be updated through the continuous planning process as the year progresses.

Use of Resources 2008/09

- 27 2009 will be the first year of a new use of resources assessment which will form an element of the CAA framework. The Audit Commission has specified that auditors will complete a use of resources assessment for 2008/09.
- 28 There have been significant changes to the criteria for 2008/09. Appendix 1 outlines the criteria assessed as part of our use of resources work and our VFM conclusion. For each of the significant risks identified in relation to our use of resources work, we consider the arrangements put in place by the Authority to mitigate the risk, and plan our work accordingly.
- 29 This Plan and its fee contain only the element of the work which is undertaken prior to 31 March 2009; the remainder of the work will be included within the 2009/10 Annual Audit and Inspection Plan.

Mandated work

30 As part of the audit, the mandated work programme comprises:

- data quality 2007/08;
- whole of government accounts; and
- National Fraud Initiative.

Appendix 1 highlights the work to be undertaken.

CPA and inspection

- 31 From April 2009, the Audit Commission, jointly with the other public service inspectorates, will be implementing Comprehensive Area Assessment (CAA). Therefore, 2008/09 is the last year in which corporate assessments and programme service inspections will be undertaken as part of the CPA framework.
- 32 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 33 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. For CPA 2007, the Authority was categorised as four stars.
- 34 We have applied the principles set out in the CPA framework, 'CPA – The Harder Test', recognising the key strengths and areas for improvement in the Authority's performance.
- 35 Strengths in the Authority's performance include:
 - working well with key partners such as English Partnerships to deliver innovative capital projects such as the regeneration of Woodside, transformation of the town centre and the Hadley PFI project;
 - delivering high quality services to Children and Adults; and
 - the Council has strong governance and internal control arrangements.
- 36 Areas for improvement in the Authority's performance include:
 - highways maintenance and street lighting; and
 - the need to reduce absence rates at secondary schools and the number of teenage pregnancies.

- 37 On the basis of the planning process we have identified where inspection activity will be focused for 2008/09 as follows.

Table 2 Summary of inspection activity

Inspection activity	Reason/impact
Comprehensive Area Assessment Lead (CAAL) role	To act as the Commission's primary point of contact with the Authority and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of Travel (DoT) assessment	An annual assessment, carried out by the CAAL, of how well the Authority is securing continuous improvement. The DoT statement will be reported in the Annual Audit and Inspection Letter. The DoT assessment summary will be published on the Commission's website.
Corporate assessment	As part of the agreed process for CPA, we will carry out a corporate assessment in line with the processes set out in 'CPA – The Harder Test' to assess the Council's corporate abilities and achievements.

Advice and assistance

- 38 Under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 the Audit Commission has powers to provide 'advice and assistance' (A&A) to another public body where this is requested.
- 39 If you wish the Commission to provide additional services under these powers, please contact Dorothy Welsh at d-welsh@audit-commission.gov.uk or your CAAL.

The audit and inspection team

- 40 The key members of the audit and inspection team for the 2008/09 audit are shown in the table below.

Table 3 Audit and inspection team

Name	Contact details	Responsibilities
Dianne Thomas Corporate Area Assessment Lead	di-thomas@audit-commission.gov.uk 07901 513884	Dianne is the primary point of contact with the Authority for inspection work and is responsible for coordinating audit and inspection work between KPMG and inspectorates, government offices and other key stakeholders.
Mike McDonagh Partner KPMG engagement lead	michael.a.mcdonagh@kpmg.co.uk 0121 335 2440	Mike is responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and audit committee.
Andrew Cardoza KPMG Senior Manager	andrew.cardoza@kpmg.co.uk 0121 232 3879	Andrew is responsible for the management and delivery of the audit elements of this Plan.
Tim Pearce KPMG Manager	timothy.pearce@kpmg.co.uk 0121 232 3149	Tim is responsible for the on-site delivery of all the audit elements of this Plan.
Peter Evans KPMG Assistant Manager	peter.evans@kpmg.co.uk 0121 232 3879	Peter will work with Tim to plan and deliver KPMG's on-site work.

Quality of service

- 41 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 your CAAL or Appointed Auditor in the first instance. Alternatively, you may wish to contact the [name of (sub) Region] Head of Operations, [Head of Operations name] For any complaints concerning audit work, you may wish to contact KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).
- 42 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.

Planned outputs

- 43 Reports will be discussed and agreed with the appropriate officers before being issued to the Standards and Audit Committee.

Table 4 Planned outputs

Planned output	Indicative date	Responsibility
Audit and Inspection Plan	May 2008	CAA Lead & KPMG
Interim audit memorandum	May 2009	KPMG
Annual governance report (ISA260)	September 2009	KPMG
Auditor's report giving an opinion on the financial statements and value for money conclusion	September 2009	KPMG
Annual Audit Letter	TBC	KPMG
Corporate Assessment	July 2008	CAA Lead
Direction of Travel Assessment	March 2009	CAA Lead

Appendix 1 – Elements of our work

Financial statements

- 1 KPMG will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 2 KPMG are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year.
- 3 KPMG are also required to review whether the Annual Governance Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Governance Statement is misleading or inconsistent with our knowledge of the Authority.

Value for money conclusion

- 4 The Code requires your appointed auditor to issue a conclusion on whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires the auditor to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at their conclusion.
- 5 In meeting this responsibility, KPMG will review evidence that is relevant to the Authority's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators, KPMG will normally place reliance on their reported results to inform our work.
- 6 KPMG will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment 2007/08

- 7 The Use of Resources themes and KLOE are outlined below.
- 8 KPMG will arrive at a score of 1 to 4, based on underlying key lines of enquiry, for each of the following themes.

Table 1 Use of resources assessment criteria 2007/08

Theme	Description
Financial reporting	<ul style="list-style-type: none"> • Preparation of financial statements • External reporting
Financial management	<ul style="list-style-type: none"> • Medium-term financial strategy • Budget monitoring • Asset management
Financial standing	<ul style="list-style-type: none"> • Managing spending within available resources
Internal control	<ul style="list-style-type: none"> • Risk management • System of internal control • Probity and propriety
Value for money	<ul style="list-style-type: none"> • Achieving value for money • Managing and improving value for money

- 9 The details of the scores and judgements will be reported to the Council. The scores will be accompanied, where appropriate, by recommendations of what the Council needs to do to improve.
- 10 The auditor's scores are reported to the Commission and are used as the basis for its overall use of resources judgement for the purposes of the CPA.

Use of resources assessment 2008/09

- 11** The Commission has now consulted on its proposals for the 2008/09 Use of Resources assessment. It proposes that the work required to arrive at the 2008/09 use of resources assessment is fully aligned with that required to arrive at the auditor's 2008/09 value for money conclusion.
- 12** The Commission proposes that the assessment will be based upon the evidence from three themes.
 - Managing money.
 - Managing the business.
 - Managing other resources.
- 13** The Commission proposes that Data Quality will become an element of the Use of Resources framework from 2008/09.

Data quality

- 14** The Audit Commission has specified that auditors will be required to undertake audit work in relation to data quality. This is based on a three-stage approach covering:
 - Stage 1 – management arrangements;
 - Stage 2 – analytical review; and
 - Stage 3 – risk-based data quality spot checks of a sample of performance indicators.
- 15** Work will be focused on the overall arrangements for data quality, particularly on the responsibility of the Authority to manage the quality of its data including data from partners where relevant.
- 16** Our fee estimate reflects an assessment of risk in relation to the Authority's data quality arrangements and performance indicators. This risk assessment may change depending on our assessment of your overall management arrangements at Stage 1 and we will update our plan accordingly, including any impact on the fee.

Whole of government accounts

- 17** KPMG are required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.

National Fraud Initiative

- 18 The Authority participates in the National Fraud Initiative, which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated against public bodies. KPMG will review the Authority's approach to addressing data matches and periodically monitor its progress.
- 19 This work will be carried out by an individual appointed to assist in the audit of the Authority's accounts (in accordance with section 3(9) of the Audit Commission Act 1998).

Certification of grant claims and returns

- 20 KPMG will continue to certify the Authority's claims and returns on the following basis.
 - Claims below £100,000 will not be subject to certification.
 - Claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification.
 - Claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims.

Appendix 2 – Basis for fee

- 1 The Audit Commission and KPMG are committed to targeting work where it will have the greatest effect, based upon assessments of risk and performance. This means planning audit and inspection work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is coordinated with the work of other regulators, and that our work helps you to improve.
- 2 KPMG's audit risk assessment process starts with the identification of the significant financial and operational risks applying at the Authority with reference to:
 - cumulative audit knowledge of the Authority;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - the Authority's strategic risk register;
 - interviews with Authority officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.

Assumptions

- 3 In setting the fee, KPMG have assumed that:
 - you will inform us of significant developments affecting our audit, including accounting, financial reporting, legality and control issues;
 - internal audit meets 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 SORP within your 2008/09 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 by the agreed audit start date;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by electors.

- 4 Where these assumptions are not met, KPMG will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.
- 5 Changes to the plan will be agreed with you. These may be required if:
 - new 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.
- 6 Below is a detailed breakdown of the audit and inspection fee for 2008/09.
- 7 The fee (plus VAT) will be charged in four equal instalments from June 2008 to March 2009.

Table 1 Detailed audit and inspection fee

Audit area	Planned fee 2008/09	Planned fee 2007/08	Page
Audit			
Financial statements	122,000	115,000	
Use of resources - current year assessment	36,500	35,000	
Use of resources 2008/09 - work completed prior to 31 March 2009	10,000	N/A	
Data quality	26,000	25,000	
Whole of government accounts	3,300	3,200	
National Fraud Initiative	2,200	2,100	
Certification of claims and returns (estimate)	45,000	60,000	
Total audit fee	245,000	240,300	
Inspection			
Relationship management	11,197	N/A	
Direction of Travel	11,197	6,625	
Corporate Assessment inspection	105,076	N/A	
Total inspection fee	127,470	6,625	
Total audit and inspection fee	372,470	246,925	

Appendix 3 – Risk assessment

The table below shows KPMG's risk assessment of the Authority's audit risks.

Significant risks identified	Issue	Action in response to residual audit risk	Link to auditors' responsibilities
<p>Financial Reporting and changes in the 2008 SORP</p>	<p>One of the major changes to the accounts introduced in 2007 was the requirement to prepare a Statement of Total Recognised Gains and Losses (STRGL). This Statement reconciles the opening and closing balance sheet positions for the financial year. Preparing the STRGL was a challenge for many authorities in 2006/07, including Telford and Wrekin, where officers are currently working on a prior period adjustment to include in the 2007/08 accounts.</p> <p>The requirement to prepare a STRGL continues in 2007/08 and future years, so the Authority will need adequate resources and quality assurance procedures to be in place in order to manage the compilation of the STRGL effectively.</p> <p>Further accounting changes have been introduced more recently, including changes to accounting for financial instruments and fixed assets which take effect in 2007/08, as reported in our 2007/08 Annual Audit and Inspection Plan. The 2008 SORP will bring in further changes for the 2008/09 financial year. Whilst it has not yet been finalised, it is expected to introduce changes including:</p> <ul style="list-style-type: none"> • new requirements on accounting for back pay arising from equal pay claims; • changes which reflect the replacement of Local Area Agreement grant with Area Based Grant; and • amended disclosure requirements for retirement benefits following the amendment of FRS17. <p>The Authority will need to review the changes once the SORP is finalised and determine what additional work will be needed to ensure that its accounts comply with the totality of SORP requirements, with a particular focus on the recent changes outlined above.</p>	<p>We will also need to assess critically how the Authority has addressed SORP changes in 2008 and 2009, and may respond to the risk through increasing the use of more senior and specialist staff.</p> <p>We will need to assess the Authority's approach to reviewing and addressing changes in accounting standards, in particular examining the improvements made in response to the difficulties experienced with the STRGL in 2007.</p>	<p>This risk is relevant to the audit of the Authority's financial statements and the Financial Reporting element of the Use of Resources Assessment.</p>

Significant risks identified	Issue	Action in response to residual audit risk	Link to auditors' responsibilities
Implementation of International Financial Reporting Standards	<p>The timetable for the implementation of International Financial Reporting Standards (IFRS) has now been announced; CIPFA has confirmed that IFRS-compliant accounts will be needed from the 2010/11 financial year.</p> <p>In practice, this means that the opening comparative balance sheet - ie the position as at 1 April 2009 - will need to be IFRS-compliant.</p> <p>With the exception of the specific areas described in IFRS1 (First-time Adoption of IFRSs), new accounting policies would need to be applied fully retrospectively. Gathering the information to make this possible will therefore be a time-consuming exercise, making early planning essential.</p>	<p>We will meet with officers to discuss their project plan for IFRS implementation. We will also discuss the areas which officers have identified as potentially challenging and, where possible, will review advance work completed on changes to the accounts and disclosures.</p>	<p>This risk is relevant to the audit of the Authority's financial statements and the Financial Reporting element of the Use of Resources Assessment.</p>
Single Status	<p>The Authority has a project plan in place to implement Single Status by the end of the 2008/09 financial year. This will be a complex process, given that the Authority will need to complete pay modelling, conclude negotiations with trades unions and update personnel and pay records prior to the implementation date</p> <p>The process of implementing Single Status has significant potential financial implications. These include the one-off costs of settling back pay claims, and also the ongoing increased payroll costs which typically arise from the revised pay structures.</p> <p>Failure to implement the Single Status agreement would expose the Authority to the risk of equal pay claims, which would in themselves have a significant effect on its financial standing.</p> <p>As such, this is a key financial risk to the Authority.</p>	<p>We will consider the progress made towards the implementation of Single Status, and how the Authority has refined its estimates of the potential cost of back pay and the ongoing effect of increased pay costs.</p>	<p>This risk is relevant to KPMG's consideration of the Authority's financial standing as part of the accounts opinion and within the context of the Use of Resources assessment.</p>

Significant risks identified	Issue	Action in response to residual audit risk	Link to auditors' responsibilities
<p>Campus Telford and Wrekin</p>	<p>Campus Telford and Wrekin is the Authority's £200 million local implementation of the government's Building Schools for the Future (BSF) programme.</p> <p>Since the time of our previous audit plan, the Authority has made progress with the programme, with its Strategy for Change receiving approval and progress being made towards finalising the Outline Business Case. Continuing robust project management arrangements will be needed to keep the programme on track and to ensure that the Authority's objectives are achieved.</p>	<p>We will consider the Authority's progress with BSF, including its arrangements in place to achieve value for money and deliver its objectives for the BSF programme. We will also discuss with officers the accounting treatment which is followed for BSF programme costs.</p>	<p>This risk is relevant to KPMG's audit of the financial statements and Value for Money Assessment.</p>

Appendix 4 – Independence and objectivity

- 1 We are not aware of any relationships that may affect the independence and objectivity of the KPMG engagement lead and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 2 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.
- 3 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 4 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 5 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 6 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the audit committee. The auditor reserves the right, however, to communicate directly with the Authority on matters which are considered to be of sufficient importance.
- 7 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

- 8 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
 - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
 - The Appointed Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
 - The Appointed Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
 - The Appointed Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Appendix 5 – Sustainability

- 1 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
 - reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate; and
 - reducing travel.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 17th JUNE 2008

INTERNAL AUDIT ANNUAL REPORT 2007/08

REPORT OF THE CORPORATE DIRECTOR RESOURCES

1 PURPOSE

- 1.1 To present the Internal Audit Annual Report for 2007/08 to the Audit Committee.

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee note the contents of the annual report 2007/08.

3 SUMMARY

- 3.1 The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the Code), which has been deemed as proper internal control practice under the Accounts and Audit (Amendment) (England) Regulations 2006, 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 is the seventh Annual Report on Internal Audit which summarises the key areas for 2007/08 and supports the Council's 2007/08 Annual Governance Statement.

4 PREVIOUS MINUTES

- 4.1 Standards & Audit Committee 19th June 2007 (Annual Audit Report 2006/07)

5 INFORMATION – ANNUAL REPORT 2007/08

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 (Amendment) (England) Regulations 2006 to provide assurance on the systems of internal control is provided by the work of internal audit. This assurance is 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 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 (incorporating the Statement on Internal Control).
- 5.1.3 Based on the work undertaken during the year (main areas attached as **Appendix A**) and the implementation by management of the recommendations made in these areas it is pleasing to once again report that 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.

5.1.4 An area of concern that Internal Audit have reported on in the past is catering in schools. Internal Audit has been supporting Catering management over the last 2 years to implement new computer systems and controls. However some controls require further work and Internal Audit continue to provide assistance to Catering management. It continues as an area for improvement in the action plan attached to the Annual Governance Statement.

5.2 Performance against External Review

5.2.1 KPMG became the Council's new External Auditors with effect from 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 keep down the external audit fee. Internal Audit has delivered all the work for 2007/08 upon which External Audit places reliance.

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 Code. KPMG have undertaken the 2007-08 review and their report says "**We have also assessed the internal audit function against relevant standards and confirmed overall compliance.**" It goes onto say "**Standards for internal auditors in local government are set out in the Code of Practice for Internal Audit in Local Government, issued by CIPFA. We have reviewed the internal audit function's self assessment against these requirements and confirmed that it complies with the Code except in the minor respects set out in the service's action plan.**" We can report that we have already implemented some of the actions and the remaining are programmed for during the year.

5.2.3 Internal Audit was re-assessed as part of the Audit Commission's update of the CPA Use of Resources assessment of the authority in September 2007. The overall Use of Resources score was 3 but Internal Audit were assessed under the internal control sub section and helped to maintain a top score of 4 in this sub section. The Use of Resources score contributed to the Council being classed again as a 4 star authority.

5.3 Local Performance

5.3.1 Final outturn information has now been provided for the Internal Audit local performance indicators. The results with explanations are shown below.

PI Ref	Definition	Outturn 06/07	Target 07/08	Outturn 07/08	Comments/Explanation
LAUD1	% of completed work for the external auditor	100.00	100.00	100.00	Achieved

LAUD2	Percentage planned work completed	90.00	100.00	90.00	Delayed start date of Assistant Auditor to support C&YP Finance Team, removal of additional resource from budget through the savings process and various pieces of unplanned investigations, complaints and corporate work beyond the contingency allocation.
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- 5.3.2 Internal Audit completed all the work for the External Auditor and therefore achieved the target of 100%. If this work had not been completed on time and to an acceptable standard it is possible that the External Auditor would have done the work at a considerably higher cost to the Council.
- 5.3.3 The unit has also completed 90% of the other planned work. This work was identified for examination based on a risk based methodology, including the output from the Council's risk management processes. This is the same level that the team achieved in 2006/07.
- 5.3.4 90% achievement is the benchmark for good audit teams and is used as best practice by the Audit Commission. The target for completing planned work was 100% but due to the reasons shown in 5.3.1 this was not achievable. However this has not affected our ability to provide an opinion to the organisation on the levels of internal control. For 2008/09 the target has been set at 92% which is more realistic given the team's performance over the past few years and the Council's continued requirements for unplanned work beyond the allocated contingency.
- 5.3.5 During the year to improve the team's efficiency, effectiveness and productivity we continually investigate new/alternative ways of service delivery (practices, use of technology, procedures and standard documentation) based on customer feedback, sharing best practice with other local authorities and service providers.
- 5.3.6 In addition to service efficiencies we have made our contribution over the last 3 years to the Council's efficiency targets. For 2007/08 we achieved just over £39,000 savings. The table below shows the split between cashable and non cashable savings:

CASHABLE:

Description	Amount (£)
Cancellation of the broadband allowance to 3 employees involved on home working pilot	1,080
Negotiation of Equifax contract (financial references)	560
Upgrade and change to single user license IDEA (audit interrogation software)	80
Total	1,720

NON-CASHABLE:

Description	Amount (£)
Renegotiation of ICT audit contract April 2007	4,850
Undertaking additional audit work for FMSiS within existing resources	32,210

Savings from change in use of ad-hoc external audit provider.	230
Total	37,290

5.3.7 Internal Audit is a member of the CIPFA benchmarking club (membership of 165 local authorities). Results over the years have shown that the unit compares well with other unitary authorities. Comparison of 2006/07 outturn to other unitary authorities shows:

- Cost per chargeable day – performing well against the average
- Chargeable days per auditor – performing well against the average
- Available days per auditor – performing well against the average
- Days per £m – performing well against the average
- Audit cost per £m turnover - average
- Cost per auditor – cost below average so supports value for money given other results

Comparison of 2007/08 estimates shows:

- Chargeable days per auditor – performing well against the average
- Available days per auditor – performing well against the average

Using this and qualitative data from the club additional areas for improvement have been identified and are included in the 2008/09 Business Plan.

5.3.8 The Audit & Risk Manager is the Unitary and District representative on the CIPFA Audit Panel. This helps the team to be at the forefront of public sector audit giving them advanced notice of developments in Internal Audit and governance and enabling them to contribute to and influence relevant guidance.

5.4 Customer Feedback

5.4.1 Internal Audit receive 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
- d) Annual Corporate Support Services survey

5.4.2 The analysis of post audit questionnaire feedback is shown in Appendix B. The results for non schools areas (Table 2) have improved compared to 2006/07 and there have not been any suggested areas for improvement.

5.4.3 Table 3 includes feedback from the new Schools Financial Management Standard External Assessment Audits. The results for 2007/08 are reduced compared to 2006/07 but we have extended the process to primary schools this year which has been a learning curve for customers and the audit team due to the different admin/support levels within these schools. There is on-going dialogue between Internal Audit, the schools, Finance and Governor Support to ensure the process is as smooth as possible. Where appropriate individual cases have been responded to and we will continue to ensure that feedback from customers is responded to appropriately

5.4.4 In February 2008 Directors, Heads of Service and Business Managers were invited to take part in the annual corporate support services satisfaction survey. The results were published in March 2008 and the specific information for Internal Audit is included in Appendix C. Internal Audit maintained a very high performance appearing in the top 4 for overall satisfaction, improved service and value for money service. The percentage of people satisfied with our service over the last 3 years is 2005/06 - 80%, 2006/07 – 87 % and 2007/08 – 85%.

5.4.5 We have reviewed the feedback from all these sources and based on this information will further improve the service.

5.5 Conclusion for 2007/08

5.5.1 2007/08 has again been a successful year for Internal Audit – achieving all the work for the external auditor, 90% of other planned work, maintaining high customer satisfaction and contributing to maintaining our 4 star rating in CPA.

5.5.2 The statutory responsibilities of the Council's 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 2007/08. However, there are numerous major changes occurring within and outside the Council during 2008/9, for example :-

- a) A significant number of key projects and partnerships across the Council requiring increased and experienced internal audit resource;
- b) Additional requirements from the Audit Commission for data quality standards and regular monitoring of the accuracy of the data supporting key performance measures;
- c) Additional requirements of the External Auditor in respect to International Accounting Standards; and
- d) The continued roll out of the Financial Management Standards for Schools to all Primary and Special schools.

7 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of Audit team have attended equal opportunities/diversity training. If any such issues arose during an audit they would be notified to the appropriate manager.
Environmental Impact	All members of the Audit Team are environmentally aware and if any issues were identified during audits they would be notified to the appropriate manager during or immediately following the audit.
Legal Implications	Audit Services classify recommendations as either Statutory, Financial regulation, Policy/Procedure or Best Practice. This means that where service areas are not operating within statutory requirements there is an obligation for management to implement the recommendations as soon as possible. All recommendations are followed up within 6 months. Audit Services can only, within their resource constraints provide reasonable assurance (rather than "absolute

	assurance”) to the authority upon the operation of controls.
Links with Corporate Priorities	The audit plan is linked to corporate priorities through the risk management 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 (reducing risks) and therefore the delivery of services and achievement of objectives. Internal Audit staff under the supervision of the Head of Service annually review the Council’s risk management process and have concluded that it is operating effectively.
Financial Implications	Audit Services operated within budget for 2007/08 with a small underspend due to a delay in filling a vacant post. Where recommendations are made by Audit Services, if possible, cost implications are identified.
Ward Implications	Internal Audit is responsible for the internal audit of all the Council’s activities and at all Council locations. They therefore operate within all Council Wards.

8 BACKGROUND PAPERS

Annual Audit Plan 2007/08
Business Plan 2007/08 – 2009/10
CPA Use of Resources Scores 2007.
External Audit Assessment 2007/08
Corporate Support Services Survey 2008

Report by Jenny Marriott, Audit & Risk Manager 383101

WORK AREAS COVERED WHICH CONTRIBUTE TO THE ASSURANCE ON INTERNAL CONTROLS 2007/08

Adult Consumer Care

Adult & Consumer Care Finance Review
 Adult & Consumer Care - Strategic Housing Partnership
 Adoption Payments
 Adult Services - Client Record Keeping
 Appointeeships
 Business Continuity
 Direct Payments
 European Route of Industrial Heritage (Grant)
 Support to Adult & Consumer Care Management & Primary Care Trust
 Licensing
 Residency & Special Guardianship Payments
 Assistance to Adult & Consumer Care for Stage 3 Complaint
 Substance Misuse Review
 Supporting People
 Temporary Accommodation
 Trading Standards
 Uniform System

Children & Young People's Services

Abraham Darby Secondary School
 Adams Grammar School
 Aqueduct Primary School
 Brookside Amalgamation
 Building Schools for Future
 Burton Borough School
 C&YP Advice & Consultancy
 Captain Webb Primary
 Catering - Systems Development
 Catering - Trends on FSM
 Catering Budgetary Control
 Children's Grants
 Corporate Parenting & 16+ Team Review
 Donnington Wood Junior School
 Dothill Infants School
 Dothill Junior School
 Financial Management Standard
 Hadley Learning Centre
 Hadley PFI
 Integrated Children's Information System
 John Randall Primary School
 Malinslee Primary School
 Meadows Primary School
 Milbrook Primary School
 Moorfield Primary School
 Mount Gilbert School
 Music Service
 Muxton Primary School
 NEETs Project
 Newdale Primary School
 Newport Junior School
 Oakengates Children's Centre
 PCI Card Payment Standards

Priorslee Primary School
Queenswood Primary School
Randlay Primary School
Redhill Primary School
School Census
School Clusters - Advice & Consultancy
School Funds
Schools Sports Partnership
Sir Alexander Fleming Primary School
St Georges CE Primary School
St Matthews Primary School
St Peters (Bratton) Primary School
Stafford Park Young People Centre
Three Oaks Primary School
Windmill Primary
Wombridge Primary School
Woodlands Primary School
Youth Offending Service

Community Services

Cheque Security - Reprographics
Community Safety
Community Services Advice
Review of Flex System Controls
Government Procurement Cards
Ice Rink Controls
Information Governance Programme Board
Leisure Centres - Lessons Learnt Review
Libraries Controlled Self Assessment
Phoenix Leisure Centre
Advice on controls Registrars Office
Room Booking System
Spout Farm & Town Park
Stirchley Recreation Centre
Wellington Civic & Leisure Centre
Youth Services

Environment & Regeneration

Asset & Property Management
Engineering Consultancy Contract
Concessionary Travel
Donnington Rail Freight
Environment & Regeneration Advice & Consultancy
European Regional Development Fund
Land Stability - Lloyds Phase 1 Review
Leegomery Construction Design Management Compliance Checks
Management Information System Project
Local Development Framework Complaint Review
Post Contract Reviews
Transforming Telford Ltd - Non Contract (Council Monitoring)
Traffic Management Contracts
Transport Invoices Freedom Of Information
Traveller Arrangements
Waste Disposal
Woodside Regeneration Complaint

Resources

Capital Contract Monitoring
Cash Collection
Constitution Review including financial regulations for schools & procedure notes
Corporate Contracts
Corporate Governance
Council Tax & National Non-Domestic Rates
Data Quality - Human Resources Performance Indicators
Review of Election Controls
Email & Internet Filtering - review of cases
Environmental Controls - Information Communication Technology
Ethics Training
Financial Management System Project Board & Project assurance
Finance for Non-Finance Managers Training
Financial Credit Checks
Forged Cheque - review of procedures
Fraud/Compliance Tests
Health & Safety reviews
Human Resources
ICT Infrastructure Project
ICT Inventory
ICT Purchasing
ICT Security
Income Management System
Integrated Benefits System
Main Accounting
Member Induction
Money Laundering
National Fraud Initiative
Procurement Advice
Purchase Ledger
Revs & Bens Invoice Scam
Risk Management including workshops
Sales Ledger
Use Of Consultants/Project Managers
Use Of Resources

Chief Executive/Members/Policy

Comprehensive Performance Assessment & IDEA Peer Review
Local Area Agreement Grants
Local Public Service Agreement Audit Checks
Members Expenses
Partnership Contract Arrangements
Partnerships
Performance Indicators
Data Quality Workshops

POST AUDIT QUESTIONNAIRE FEEDBACK 2007/08

Table One – Analysis for School Audits (not continued in 2007/08 see below)

Question	2004/05 From Top score 5	2005/06 From Top score 5	2006/07 From Top score 5
Pre- Audit Arrangements	4.0	4.4	4.2
Audit Visit	4.6	4.7	4.5
Report	4.4	4.3	4.3
Any improvements required – Yes	33%	40%	43%
Is audit a positive support – Yes	100%	100%	100%

Table Two – Other Audits

Question	2004/05 From Top score 5	2005/06 From Top score 5	2006/07 From Top score 5	2007/08 From Top score 5
Pre- Audit Arrangements	4.7	4.55	4.4	4.8
Audit Visit	4.8	4.6	4.6	5.0
Report	4.8	4.5	4.3	4.8
Any improvements required – Yes	40%	33%	33%	0%
Is audit a positive support – Yes	100%	100%	100%	100%

Table 3 - Results from schools Financial Management Standard (New for 2006-07 onwards)

Question	2006/07 From Top score 5	2007/08 From Top score 5
Pre- Audit Arrangements	4.7	4.2
Audit Visit	5.0	4.7
Report	4.6	4.5
Any improvements required – Yes	40%	33.3%

APPENDIX C

Internal Audit – Specific Corporate Support Services Survey Results 2008

Internal Audit	2008						2006			2005			2005 to 2006	2006 to 2008			
	All respondents						Those who expressed an opinion										
	% Very satisfied	% Fairly satisfied	% Neither	% Fairly dissatisfied	% Very dissatisfied	% Don't know / Not applicable	% Satisfied	% Dissatisfied	% Net satisfaction	% Satisfied	% Dissatisfied	% Net satisfaction	% Satisfied	% Dissatisfied	% Net satisfaction	Direction of travel 2005 to 2008	%
That recommendations made are practical and help you improve your controls	25	48	8	2	0	17	88	2	86	88	1	87	80	4	76	↗ +1	↘ -1
Usefulness and timeliness of advice on controls, financial regulations, council policies and procedures in response to ad hoc requests	26	49	7	1	0	17	90	1	89	86	1	85	88	4	84	↗ +1	↗ +4
That the audit process helped to add value to your service (for services audited within last 12 months)	18	40	12	5	0	25	77	7	71								
Keeping officers informed of work in progress	25	46	8	3	0	18	87	4	83	84	4	80	75	2	73	↗ +7	↗ +3
Approachable and friendly staff	50	33	4	0	0	13	95	0	95	92	0	92				↗	+3
Professionalism of staff	55	25	6	1	0	13	92	1	91	94	0	94	92	2	90	↗ +4	↘ -3
That you know who or how to contact Internal Audit	50	22	11	5	0	12	82	6	76	89	2	87					↘ -11

FINAL AUDIT REPORTS ISSUED JANUARY – MARCH 2008

Portfolio	Audit Area	Opinion	Follow Due
Children & Young People	Donnington Junior School FMSis External assessment report	Green	July 2008
	Priorslee Primary School FMSis External assessment report	Yellow	August 2008
	St Matthews Primary School FMSis External assessment report	Green	August 2008
	Newdale Primary school FMSis External assessment report	Green	September 2008
	Aqueduct Primary school FMSis External assessment report	Green	September 2008
	Stafford Park, Revolution report 2007-08	Yellow	September 2008
Resources	General ledger	Yellow	Annual audit
	Housing Benefits	Yellow	Annual audit
	Sales Ledger	Yellow	Annual audit
	Payroll/HR	Yellow	Annual audit
	Corporate contracts*	Amber	September 2008
Adult & Consumer Care	Private Sector Housing – Use of Contractors	Yellow	September 2008
	Uniform	Amber	Ongoing
Environment & Regeneration	Asset & Property Management	Yellow	September 2008
	Traffic Management Procurement Procedures	Amber	September 2008
	Work undertaken for Transforming Telford	Various	Reported to TT Audit Committee
Community Services	Stirchley Recreation Centre	Amber	September 2008
	Reprographics – Cheque Security	Yellow	July 2008

RED – concern over audit findings and severity of recommendations

Amber – Statutory and/or financial regulation recommendations or area of high priority to the Council where the implementation of the recommendations is important.

Yellow – Many best practice recommendations that Audit Services are confident that management will implement

Green – Only a few minor recommendations

* - Although the Corporate Contracts audit report has been included within the Resources portfolio the findings are council wide (corporate) with the majority of the recommendations being for service areas across the Council.

WORK UNDERTAKEN FOR MORE THAN ONE DAY DURING THE QUARTER

PLANNED

Adult & Consumer Care - Strategic Housing Partnership	1
Adoption Payments	1
Appointeeships	13
Aqueduct Primary School	9
Asset & Property Management	8
Brookside Amalgamation	3
Building Schools for Future	2
Burton Borough School	2
Business Continuity	9
Children & Young People Advice & Consultancy	7
Captain Webb Primary	2
Catering - Systems Development	2
Community Safety	4
Corporate Contracts	6
Corporate Governance	1
Corporate Parenting Review	6
Council Tax & National Non-Domestic Rates	3
Donnington Rail Freight	4
Donnington Wood Junior School	2
External IT Audit - Contract Management	2
Financial Credit Checks	2
Financial Management Standard	13
Fraud/Compliance Tests	2
Purchasing Cards	1
Hadley PFI	1
Health & Safety	1
Human Resources	30
ICT Inventory	1
ICT Purchasing	1
Integrated Benefits System	17
Local Public Service Agreements Audit Checks	2
Land Stability - Lloyds Phase 1 Review	2
Libraries Controlled Self Assessment	14
Planning Management Information Project	1
Main Accounting	2
Members Expenses	14
National Anti-Fraud Initiative	6
Newdale Primary School	8
Oakengates Children's Centre	1
Partnership Contract Arrangements	1
Partnerships	7
Performance Indicators	2
Priorslee Primary School	1
Residency Payments	12
Risk Management audit	8
Sales Ledger	33
School Funds	1
Schools Financial Regulations & Procedures	10

APPENDIX B (continued)

Sir Alexander Fleming Primary School	4
St Matthews Primary School	6
St Peters (Bratton) Primary School	12
Stafford Park Young People Centre	8
Stirchley Recreation Centre	7
Supporting People	2
Transforming Telford - Internal Audit Contract	12
Transforming Telford - Service Level Agreement work	4
Uniform System	36
Wellington Civic & Leisure Centre	9
Wombridge Primary School	11
Woodlands Primary School	8
Youth Offending	3
UNPLANNED	
Email & internet monitoring & action	2
Cheque Security - Reprographics	1
Community Services Advice	1
Constitution Review	2
Dothill Junior School	1
Ethics Training	1
Review of Financial Management Project Board	1
Flex System review	7
Private Sector Housing Review	2
Hadley Learning Centre	5
Ice Rink Issues	1
Information Governance Programme Board	1
Money Laundering	4
Review of Possible Invoice Scam	1
Term Contracts	7
Transport Invoices Freedom of Information request	1
West Mercia Supplies Governance Review	2
Woodside Regeneration Complaint	7
OTHER	
Audit Groups & Representation	2
Audit Panel	1
Comprehensive Performance Assessment	3
Reporting To Members	7
Training - External	9
Training - Internal	18
KPMG External Audit	4
Audit Plan & Business Planning 2008/09	17

STATUS ON FINAL REPORTS ISSUED JANUARY 2007 TO DECEMBER 2007

APPENDIX C

Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.08
Children & Young People (C&YP)	Lord Silkin Secondary School	Yellow	Green	Satisfactory Follow up	Update will appear in future report to members
	The Phoenix Secondary School	Yellow	Yellow	Follow up ongoing	
Children & Young People (C&YP)	External Placements	Yellow	Green	Satisfactory Follow up	
	Oakengates Children's Centre	Amber	Green	Satisfactory Follow up	

STATUS ON FINAL REPORTS ISSUED JANUARY 2007 TO DECEMBER 2007

APPENDIX C

Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.08
Children & Young people (C&YP)	Burton Borough Community Use	Amber	Yellow	A follow up visit was made to Jan to March 2008	Opinion remains same as a number of actions are still in progress. Audit to follow up again in September 2008
	Catering Systems	Amber	Amber	Work is ongoing in this area	Update will appear in future report to members
	Sir Alex Fleming Primary School - FMSiS External Assessment	Amber	Green	Follow up visit carried out. School has now passed the Financial Management Standard.	Green report
	Redhill Primary FMSiS	Amber	Yellow	Follow up completed. Number of recs to be completed	Update will appear in future report to members
	Mount Gilbert Special School FMSiS	Yellow		Follow up in progress	Update will appear in future report to members
	John Randall Primary FMSiS	Yellow	Green	Satisfactory Follow up	
	Meadows Primary FMSiS	Amber	Green	Satisfactory follow up	
	Corporate Parenting – 16+ Client Allowances Review	Red	Amber	Follow up undertaken in quarter4 & reported to Committee on 03/04/08	Further follow up due in June 2008

STATUS ON FINAL REPORTS ISSUED JANUARY 2007 TO DECEMBER 2007

APPENDIX C

Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.08
Children & Young People (C&YP)	Moorfield Primary External FMSis Assessment	Yellow		Follow up due June 2008	Update will appear in future report to members
	St Georges primary External FMSis Assessment	Yellow		Follow up due June 2008	Update will appear in future report to members
	Three Oaks primary External FMSis Assessment	Yellow		Follow up due June 2008	Update will appear in future report to members
	Newport Junior External FMSis Assessment	Yellow		Follow up due June 2008	Update will appear in future report to members
	Muxton Primary External FMSis Assessment	Yellow		Follow up due June 2008	Update will appear in future report to members
	Windmill Primary School & Children's Centre External FMSis Assessment	Green		Follow Up due June 2008	Update will appear in future report to members
	Millbrook Primary School External FMSis Assessment	Yellow		Follow up due June 2008	Update will appear in future report to members

STATUS ON FINAL REPORTS ISSUED JANUARY 2007 TO DECEMBER 2007

APPENDIX C

Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.08
Adult & Consumer Care	Supporting People	Yellow	Yellow	Follow up to be completed as part of a further audit in 2007-08	Still a number of recommendations in progress so still a yellow grading.
	Carwood Adult Centre	Yellow	Yellow		Further follow up required in qtr 1 of 08/09
	Community Living	Yellow	Green	Follow up due 19.09.07	Complete
	Client record keeping	Yellow	Yellow	Follow up due December 2007	Still a number of recommendations in progress so still a yellow grading.
	Licensing	Amber		Follow up to be carried out early in the 2008-09 plan	Update will appear in future report to members
	Direct Payments	Yellow			Follow up ongoing
Adult & Consumer Care	Temporary Accommodation	Amber	Yellow		Still a number of recommendations in progress so still a yellow grading.
	Trading Standards	Yellow	Green		

STATUS ON FINAL REPORTS ISSUED JANUARY 2007 TO DECEMBER 2007

APPENDIX C

Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.08
Environment & Regeneration	Recycling & Refuse Contract monitoring	Yellow		Follow up due April 2008	Update will appear in future report to members
	Cash collection – Darby House	Yellow		Follow up ongoing	Update will appear in future report to members
	Capital Contract Monitoring	Yellow		Follow up due May 2008	Update will appear in future report to members
	Traveller Arrangements	Yellow		Follow up due April 2008	Update will appear in future report to members
Community Services	Spout Farm	Yellow	Green	Satisfactory Follow up	
	Oakengates Leisure Centre	Yellow	Yellow	Audit currently in progress	Update will appear in future report to members
	Information Security	Yellow			Need to wait for information security policy to be finalised before follow up
	Wellington Civic & Leisure Centre	Amber	Yellow	Follow up done March '08	Status still Yellow as a number of recommendations still in progress.
	Ice Rink	Yellow	Green	Satisfactory follow up	Green report
	Ski Slope	Yellow	Green	Satisfactory follow up	Green report
	Review of Leisureflex System used at Leisure centres (ICT Review)	Green		Follow up due June 2008	Update will appear in future report to members

STATUS ON FINAL REPORTS ISSUED JANUARY 2007 TO DECEMBER 2007

APPENDIX C

Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 31.03.08
Resources	Website review	Yellow	Yellow	Status will not change until phase 2 of website project is completed	Status still Yellow as a number of recommendations still in progress.
	Windows & Unix Server	Yellow	Yellow	Status will not change until completion of ICT Infrastructure project	Update will appear in future report to members – previous comment still applies
	ICT Trading	Yellow	Yellow	To be completed as part of full audit in 07/08	Draft report produced ready to be agreed by ICT.
	Treasury management	Green		This is an annual audit	Audit to be undertaken 2008-09
	Council tax / NNDR	Yellow		This is an annual audit	Audit to be undertaken 2008-09
Resources	Recruitment	Yellow	Yellow	Follow up completed. Status remains unchanged as number of recommendations are still in progress	Update will appear in future report to members
	Elections	Yellow	Yellow	Follow up due December 2007	Follow up in progress
	Sales Ledger	Yellow		Annual audit	
	ICT Environmental Controls	Yellow	Yellow	Follow up due November 2007	Status still Yellow as a number of recommendations still in progress.

UNIFORM SYSTEM REVIEW

1. Introduction and Scope

- 1.1 The Uniform system is used by a number of services across the Council, the most extensive and established use is within Adult Social Care, specifically by staff within Environmental Health, Trading Standards, and Housing Quality & Renewal Services. Uniform provides essential functionality for recording service activity and collecting data that is later used to inform a range of performance indicators and statutory returns.
- 1.2 An audit review was undertaken during June – September 2007, to provide an opinion on the control environment and a level of assurance for the Uniform system.

2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the process for the Uniform system were identified. These included:
- ** Comprehensive report writing procedures within Business Information & Support (BIS).
 - ** A structured upgrade process within Business & Information Support & ICT.
- 2.2 It was also pleasing to note that officers from BIS had been asked to address a national conference to discuss how the authority had implemented and managed specific modules of Uniform. It has also been identified that DEFRA have recognised the work BIS have been undertaking on Uniform modules.

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 Limited¹.
- 3.2 During this review Audit identified a number of concerns in respect to the operation and administration of the Uniform system. Since the audit the system has been upgraded and a number of weaknesses found have subsequently been resolved.
- 3.3 Out of the 204 controls reviewed during this audit, 104 (51%) were found to be satisfactory. Recommendations have been made to improve the controls found to be unsatisfactory.
- 3.4 The recommendations made to improve the controls in this area are analysed over the categories shown below:

Recommendation Category	Number	Percentage
Legal requirement	8*	10.3%
Financial Regulation	1	1.3%
Policy/Procedure	40	51.3%

¹ 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. There are a number of legal and/or financial regulation recommendations or recommendations concerning areas of high priority to the Council.

Best Practice	29	37.1%
Total	78	100%

- * It should be noted that 5 of these recommendations relate to the same issue of securing confidential information. The recommendations have been made separately as they relate to separate business units.
- 3.5 A working group has been set up, chaired by the Head of Service – Housing & Consumer Services to address this report and provide responses to the recommendations made. The working group has met twice to date and has made a promising start in addressing the issues raised

TRAFFIC MANAGEMENT REVIEW

1. Introduction and Scope

- 1.1 Due to management concerns the following work was undertaken within the Traffic Management team:
- Review of the award and on-going procurement procedures for the Councils term contract for traffic signals; and a
 - Review of the evaluation criteria for the Engineering Consultancy contract.
- 1.2 Internal Audit would like to thank the Interim Manager Network Management and Policy, the Traffic Management Team Leader and the members of his team for their help during this review.

2. Management Summary and Overall Opinion

- 2.1 The Traffic Management Team has been responsible for the implementation and management of a wide range of traffic management and capital schemes. During the past 18 months particularly, some of the schemes have generated a great deal of interest from the community, members, and the media.
- 2.2 Based on the work carried out reviewing the procurement and payment processes within the Traffic Management team the Internal Audit opinion on the level of assurance provided by controls within these processes is that they are limited. However, Internal Audit has developed a procedure specific for the Traffic Management team to follow for their procurement and payment processes which has been implemented.
- 2.3 The signals and engineering consultancy partnering contracts represent best practice procurement approaches for these services.
- 2.4 Based on the work undertaken in respect to the Engineering Consultancy contract there were some recommendations made in respect to the letting of the contract. There were, however, no specific issues in respect to the evaluation criteria.
- 2.5 In respect to the award process for the appointment of the term contractor the process was generally sound but there were some recommendations made to ensure that Contract Standing Orders, procedures and best practice are followed.

- 2.6 The implementation of the recommendations made in the report will strengthen and improve the controls and processes in this area. They are summarised below by category:

Recommendation Category	Number	Percentage
Legal requirement		
Financial Regulation	16	64%
Policy/Procedure	8	32%
Best Practice	1	4%
Total	25	100%

STIRCHLEY RECREATION CENTRE

1. Introduction and Scope

- 1.1 An audit review was undertaken on 31st October and 1st November 2007, to provide an opinion on the control environment and a level of assurance for Sturchley Recreation Centre.

2. Good Practice Areas

- 2.1 During the audit a number of good practice areas at Sturchley Recreation Centre were identified. These included:

- ⌘ Up to date health & safety risk assessments
- ⌘ The management of the imprest account
- ⌘ Documented staff meetings

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 **Limited**.
- 3.2 Out of the 68 controls reviewed during this audit, 28 (41%) were found to be satisfactory. Recommendations have been made to improve the controls found to be unsatisfactory.
- 3.3 The recommendations made to improve the controls are analysed over the categories below:

Recommendation Category	Number	Percentage
Legal requirement	5	15%
Financial Regulation	8	24%
Policy/Procedure	18	55%
Best Practice	2	6%

Total	33	100%

- 3.4 As part of the audit we have also followed up to the previous audit recommendations made in March 2004 and the table below shows the action taken since that audit. It is disappointing to note that there are a number of recommendations that have not been implemented, especially legal and financial regulations. These have been recommended again in this report

Recommendation Category	Implemented	Not Implemented	N/A superseded	Agreed future Implementation
Legal Requirement	2	1	1	-
Financial regulation	5	3	-	-
Policy/Procedure	-	-	-	-
Best Practice	3	9	1	-
Total	10	13	2	0

- 3.5 The implementation of the recommendations made in this report and those outstanding from the previous review will further strengthen the controls and processes in this area.
- 3.6 Several recommendations made are areas covered in the leisure procedure manual. It appears that this may need to be reviewed and re-distributed to all staff with appropriate training. Audit Services have also raised this as a separate issue with Leisure Management as it applies across all leisure sites.

CORPORATE CONTRACTS REVIEW

1. Introduction and Scope

- 1.1 An audit review was undertaken during August and September 2007, to provide an opinion on the control environment and a level of assurance for the Corporate Contracts system.

2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the process of contract procurement were identified. These included:

※ Excellent processes and procedures in place in both centralised and devolved procurement teams.

⌘ An excellent training programme ran by the Corporate Procurement Team.

⌘ Comprehensive and widespread advertising of current and new contracts that may benefit customers.

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 **limited**.

3.2 Out of the 159 controls reviewed during this audit, 130 (81.8%) were found to be satisfactory however due to the number of financial regulation recommendations the assurance is limited.

3.3 The systems in place within the Corporate Purchasing & Procurement Unit are operating well. The majority of recommendations in this report relate to service areas not adhering to guidance issued by Procurement. The implementation of the recommendations made in this report will further strengthen the controls and processes in place. Internal Audit will work closely with the Corporate Procurement Team to ensure that the actions identified in the report are picked up corporately and implemented

3.4 The recommendations made to improve the controls in this area are analysed by category below:

Recommendation Category	Number	Percentage
Legal requirement	-	-
Financial Regulation	17	74%
Policy/Procedure	2	9%
Best Practice	4	17%
Total	23	100%

3.5 A follow up review will be undertaken 6 months after the agreed report date. In addition Audit Services will be carrying out checks on samples of contracts on a regular basis throughout the year.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 17th June 2008

ANNUAL REPORT ON RISK MANAGEMENT 2007/08

REPORT OF THE CORPORATE DIRECTOR RESOURCES

1 PURPOSE

- 1.1 To provide the Audit Committee with an update on Risk Management activities for 2007/08.

2 RECOMMENDATIONS

- 2.1 That the Audit Committee notes the:
- a) contents of the Risk Management Annual Report 2007/08; and
 - b) the Cabinet's continued commitment to the Council's risk management processes and good governance.

3 SUMMARY

- 3.1 Good governance and the Council's Risk Management Strategy requires an annual report on Risk Management activity to be agreed by Members.
- 3.2 This is the fourth annual report to the Council and it sets out the key risk management activities for 2007/08.
- 3.3 Risk management is now well embedded within the Council's management processes and further work to support this has taken place during the year.

4 PREVIOUS MINUTES

Cabinet – 16th June 2008

Standards and Audit Committee – 19th June 2007

5 BACKGROUND AND ACHIEVEMENTS FOR 2007/08

- 5.1 Risk management continues to be a key component of good governance and is incorporated into the Council's local Code of Corporate Governance.
- 5.2 The Council has integrated risk management into service and business planning which demonstrates good management practice. The risk management function promotes the corporate risk management process and supports the whole Council in ensuring risks and opportunities are identified and managed appropriately.
- 5.3 **Key Achievements**
Strategic Level:
1. Induction training for new members was provided in May 2007 with further follow up dates arranged.

2. Strategic risks were reviewed by Corporate Directors in May 2007, September 2007, January 2008 and May 2008 and Key Risks were approved by Cabinet and reported to Standards and Audit Committee for information.
3. **For the second year running, the Council achieved a top score of 4** for the Risk Management section in the CPA Use of Resources for 2007.
4. In February 2008 a Risk Workshop was facilitated with the Agenda Group of the Local Strategic Partnership to formulate the Risk Register for the Partnership. Telford and Wrekin's methodology was used and a review process for this has been established with all Partners.
5. Once again as the Council is considered to be a leader in local government risk management, the Principal Risk Officer was invited to address the national LGC Conference in January 2008 to share the Council's risk management experiences with other local authorities and public bodies.
6. The Risk Management Strategy was reviewed and updated and agreed at Cabinet in November 2007
7. The Corporate Risk Management Group has met regularly and update reports on its activities have been reported to Standards and Audit Committee
8. Achieved top score for satisfaction in the Corporate Support Services Survey 2007/08 out of 16 support services, improving from a score of 85% to 88%. Risk management was also the top improving service and in the top 4 for value for money.

Portfolio Level:

9. All portfolios have Risk Registers which are subject to robust quarterly reviews. The results of these reviews are included in the review of the Strategic Risk Register.
10. Risk management training has been provided to senior managers, first line managers and employees at all levels.
11. Several sessions have been held with business managers and portfolio teams to increase their understanding of risk management and how to include risks in their business plans.

Business Units, Projects and Partnerships:

12. A wide variety of work has been undertaken with business units, projects and partnerships across the Authority to ensure that the management of risks and opportunities is embedded in these areas.
13. The function continued to service the SLA established with Transforming Telford to:
 - Offer risk management support and guidance
 - Review their risk management strategy
 - Establish rigorous risk management processes throughout their organisation.
 - Generate additional income for the Council

How Risk Management is making a difference:

14. A detailed risk workshop was held with the relevant stakeholders of the Small & Medium Enterprise Warehouse Project (which was part of Donnington Rail Freight Project). The results of this were presented to the Rail Freight Project Board and it was agreed that the Warehouse Project was not a viable proposition for the Council. Consequently the Project was withdrawn.

Communicating and embedding risk management:

15. A total of 200 risk workshops and risk reviews were undertaken during 2007/08.

16. The Risk Management Page on the new Intranet has been further developed and maintained throughout the year. All relevant information on risk management can be accessed on this page by officers and members.

Benchmarking:

17. The Authority continued to be a member of ALARM, the Association of Local Authority Risk Managers.

18. Process benchmarking has been undertaken with the Midlands Risk Management Forum which meets quarterly. The Council has continued to play a key part in the work of this group and the risk management strategy was updated in line with best practice.

Risk Based Approach to Internal Audit:

19. The Internal Audit Plan for 2008/09 has been developed based on the strategic risk register.

20. During 2007/08 Internal Audit and Risk Management have worked closely together with bi-monthly meetings to exchange information about controls and risks. Members of the Audit Team have also attended Risk Workshops.

6 KEY ISSUES FOR 2008/09:

- To ensure that risk management is used effectively throughout the Council, so that the Council achieves its community ambitions
- To continue to review and develop the corporate risk management strategy and risk management processes in line with good practice and good governance.
- To continue to embed and support risk management processes, enhancing the existing good management practices of the Council.
- To effectively support the Chief Executive and Corporate Directors in maintaining the Strategic Risk Register and their Portfolio Risk Registers.
- To retain a Use of Resources risk management KLoE score of 4

7 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	The identification of risks and proper management of them helps to ensure that the Council's commitments in respect to equalities are met.
Environmental Impact	The identification of risks and proper management of them in respect to environmental issues will ensure that legislative requirements and the Council's policies and ambitions in respect to the environment are met.
Legal Implications	The proper management of risks should reduce the likelihood of litigation and claims against the Council.
Risk Management	The risks attached to the Corporate Risk Management Function have been reviewed and updated in the Corporate Governance and Risk Management Business Plan for 2008/09 and these are being managed appropriately.
Links with Corporate Priorities	Managing risks as per the Council's risk management processes will help the Council to deliver effectively the Council's priorities.

Financial Implications	The management of risks in respect to claims and litigation and reviewing how risks are controlled could result in reduced financial costs to the Council. Good risk management contributes to the efficient use of resources. The Risk Management Fund is available to support initiatives across the Council which manage risks.
Ward Implications	Good management of the key strategic risks and Portfolio Risks will impact on the Council and therefore all the wards within the Borough.

8 BACKGROUND PAPERS

Risk Management Strategy 2007

Strategic Risk Register May 2007, September 2007, January 2008 and May 2008

Business Plan for Risk Management 2008/11

Report by Heather Gumsley, Principal Risk Officer 01952 383112

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 17th JUNE 2008

THE ANNUAL GOVERNANCE STATEMENT 2007/08

REPORT OF THE CORPORATE DIRECTOR RESOURCES

1 PURPOSE

- 1.1 For the Audit Committee to approve the Annual Governance Statement 2007/08 prior to the statement being signed by the Leader and Chief Executive and being presented to the Council with the 2007/08 annual accounts.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee approve the Annual Governance Statement 2007/08, attached as Appendix B, and note the information that supports the report.

3 SUMMARY

- 3.1 Under the Accounts and Audit (Amendment)(England) Regulations 2006 and the SORP 2007¹ the Council is required to produce an Annual Governance Statement that is signed by the Chief Executive and Leader of the Council. This statement must be included in the Annual Accounts.
- 3.2 This is a new requirement for English Authorities in 2007/08 but the Council has produced a combined Assurance Statement (Annual Assurance and Statement on Internal Control) since 2004/05 covering governance and internal control – which is what has now been defined in the new requirement.
- 3.3 CIPFA/SOLACE issued their revised governance framework – ‘Delivering Good Governance in Local Government’ in June 2007 which incorporated the requirement of an Annual Governance Statement. The Council updated its Local Code of Corporate Governance in May 2008 to reflect this guidance but little change was required due to the previous review in September 2006 against the ‘Good Governance Standard for Public Services’². The revised Code is attached for your information at Appendix A.
- 3.4 The Annual Governance Statement for 2007/08 is attached at Appendix B and has been developed based on the requirements of the regulations and the guidance received from CIPFA in late April 2008³. (Due to the late publication of this guidance the full scope will be included in the 2008/09 statement). The statement includes an

¹ CIPFA Code of Practice on Local Authority – The Statement of Reporting Practice

² This document was published in late 2004 by the Office of Public Management, CIPFA and the Joseph Rowntree Foundation

³ The CIPFA Finance Advisory Network – THE ANNUAL GOVERNANCE STATEMENT – Meeting the requirements of the Accounts and Audit Regulations 2003, *incorporating Accounts and Audit (Amendment)(England) Regulations 2006* – Rough Guide for Practitioners with effect from 2007/08

action plan (Annex 1) to ensure that we continue to improve our current robust governance arrangements.

- 3.5 The action plan attached to the 2006/07 statement (implemented during 2007/08) has been reviewed and updated during the year and the current position is attached as Appendix C to this report. Where appropriate outstanding actions (shaded grey in Appendix C) have been included in the action plan attached to the 2007/08 statement (Annex 1).
- 3.6 The Annual Governance Statement outlines that the Council has been adhering to its Local Code of Corporate Governance, continually reviewing and improving its procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.
- 3.7 Assurance for the annual governance statement is provided by all areas of the Council including:
- a) Chief Executive and Leader – who sign the statement;
 - b) Senior management – Directors and Heads of Service;
 - c) Chief Financial Officer;
 - d) The Monitoring Officer;
 - e) Members – Scrutiny, Standards & Audit Committee, other Regulatory Committees;
 - f) Internal Audit ;
 - g) Partners;
 - h) External Audit; and
 - i) Other external inspection agencies.

4 PREVIOUS MINUTES

- 4.1 Cabinet 18th June 2007
Standards and Audit Committee 19th June 2007

5 BACKGROUND

- 5.1 As mentioned in paragraph 3.7 above there are several areas which provide assurance for the annual governance statement.
- 5.2 Actions and operational activity are ultimately derived from the objectives of the Council. The Council's governance and risk management process should consider the risks to achieving these objectives and ensure that controls are in place to mitigate these risks. The system of internal control should help to manage and control governance and risk rather than eliminate it. The annual governance statement can only be expected to **provide reasonable and not absolute assurance** of the effectiveness of the systems of corporate governance and internal control.
- 5.3 Assurance from senior management has been evidenced during the year by a certification process undertaken half way through the year and at year end. All senior managers (Directors and Heads of Service) have signed to confirm adherence within their portfolio/service area to good corporate governance procedures and the operation of internal controls. At the year end they have signed

to re confirm this and agreement to the Annual Governance Statement, subject to the action plan included in the 2007/08 statement.

- 5.4 The Chief Financial Officer will be signing the accounts and providing assurance on the financial aspects of governance and control.
- 5.5 The Monitoring Officer has ensured throughout the year that all Council activity has been proper and legal within the requirements of his statutory governance and control responsibilities.
- 5.6 Members have provided assurance through the scrutiny process, Standards & Audit Committee and the other regulatory committees.
- 5.7 Internal audit have provided assurance by:
- a) The production of an Annual Internal Audit Report 2007/08 which contains an opinion on the systems of internal control based on the work they have undertaken;
 - b) An on-going review of corporate governance activities; and
 - c) A review of the corporate risk management arrangements.
- 5.8 The External Auditors have provided various opinions during the year within their Annual Governance Report 2006/07 (Standards & Audit Committee 11th September 2007) and their Annual Audit & Inspection Letter 2006/07 (Standards & Audit Committee 3rd April 2008). Within these they have reported that:
- Telford and Wrekin Council is an Excellent Council that is improving well.
 - The services provided to Children and Adults are strong.
 - There is strong leadership and innovation from Members and Officers to further develop service.
 - The Council has strong governance and internal control arrangements.
 - There was an unqualified opinion of the accounts and a conclusion on the vfm arrangements to say that these arrangements are adequate
 - The Best Value Performance Plan has been audited to ensure that it was prepared and published in line with legislation and guidance.
 - The assessment of data quality concluded that the Authority has good arrangements in place.
- 5.9 The External Auditor also reported the results of the Use of Resources judgement. The Use of Resources judgement includes sections on financial reporting, management and standing, internal control and value for money. The Council scored 3 or 4 (top score 4) in all eleven sub sections and maintained an overall score of 3. The Council scored the top score of 4 for 3 of the sub sections – asset management, risk management and the arrangements that promote and ensure probity and propriety. The Internal Control section retained its top score of 4. These combined and improved results indicate continued and improved sound governance arrangements and systems of internal control.
- 5.10 Other external inspectors have provided assurance and identified actions for improvement in their reports during the year.

- 5.11 The Council is awaiting the results of its Comprehensive Performance Assessment and Joint Area Review which took place in May 2008. These results may further inform the actions within the annual governance action plan.
- 5.12 A requirement of the Accounts and Audit (Amendment) (England) Regulations 2006 is for an annual review of the system of internal audit. Despite a lack of guidance the format of this was agreed with the Standards and Audit Committee and the evidence to support this was presented to members of that Committee in June 2007. The action plan was reviewed by the Committee in January 2008. There has still been no official guidance on how to undertake a review during 2007/08 and the Council's system of internal audit has not changed. The action plan has therefore been reviewed and any outstanding actions have been incorporated in the action plan in Annex 1.
- 5.13 The assurances in paragraphs 5.3 to 5.10 above provide assurance to the Leader and Chief Executive when they sign the statement.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	One of the principles in the Local Code of Corporate Governance is inclusivity.
Environmental Impact	None
Legal Implications	Accounts and Audit (Amendment) (England) Regulations 2006 and CIPFA guidance SORP 2007 and Delivering Good Governance for Local Government. Operating good corporate governance and internal control systems should demonstrate high ethical standards and minimise some forms of claims against the Council.
Links with Corporate Priorities	The Local Code of Corporate Governance should ensure improved links with the community and the delivery of appropriate corporate priorities in an open and accountable manner.
Opportunities and Risks	Reviewing the Council's corporate governance and internal control systems and identifying areas for improvement will ensure that the Council's risks have been and will be effectively managed.
Financial Implications	Good corporate governance and internal controls reduce the risk to the Council of financial loss.
Ward Implications	None.

7 BACKGROUND PAPERS

Local Code of Corporate Governance 2006 and updated May 2008

CIPFA – Delivering Good Governance in Local Government June 2007

CIPFA's Financial Advisory Network –ANNUAL GOVERNANCE STATEMENT - Meeting the Requirements of the Accounts and Audit Regulations 2003, incorporating the Accounts and Audit (Amendment) (England) Regulations 2006 – Rough Guide for Practitioners with effect from 2007/08

Annual Audit & Inspection Letter 2006/07

Annual Internal Audit Report 2007/08

Report by Jenny Marriott, Audit & Risk Manager 383101



LOCAL CODE OF GOOD GOVERNANCE

What do we mean by GOVERNANCE?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.

The Council will at all times seek to comply with the six principles of good governance for local government⁴. What this means in practice is that the Council will seek to live up to Good Governance by—

Focusing on the Council's purpose of making a positive difference for citizens and service users. For example by —

- having clear aims & objectives and communicating our intended outcomes for citizens and service users;
- providing high quality services; and
- making best use of resources to deliver excellent value for money.

Effective working relationships between Members and officers. For example by

- having clearly defined roles and responsibilities;
- showing mutual respect and behaving in a professional manner; and
- having a clear and accessible interface between the Council and the public so that each knows what to expect of the other.

High Ethical standards for Members and Officers. For example by

- promoting and practising high standards of conduct and behaviour;
- holding members and officers to account for their behaviour; and
- ensuring value, fairness and trust in service delivery across the Council and to the public.

⁴ CIPFA/SOLACE – Delivering Good Governance in Local Government – Framework June 2007. The comprehensive six principles as set out in the CIPFA/SOLACE document are available on the Council's website alongside this local code.

Effective decision making. For example by

- rigorous and transparent processes;
- high quality evidence, advice and support that informs decision making and is related to community needs and aspirations;
- having effective risk management systems; and
- using our legal powers to the full benefit of our citizens and communities.

Developing the capacity and capability of Members and employees. For example by

- making sure that Council members and employees have the right skills, knowledge, experience and resources to perform their roles effectively;
- regularly developing and evaluating the capability of those with power and influence; and
- encouraging new talent with different skills and resources to join the Council.

Engaging with local people and other stakeholders to ensure accountability. For example by

- a meaningful scrutiny function which engages with local people, stakeholders and partners;
- taking an active and planned approach to dialogue with and accountability to the public to ensure effective service delivery; and
- making best use of our workforce and being proactive in meeting our responsibilities to them.

Updated May 2008



ANNUAL GOVERNANCE STATEMENT 2007/08

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 the 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 approved and adopted a local code of corporate governance which was updated during 2006 and again in 2008 to ensure that it is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. 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 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. 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, aims 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:

- a) identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;

- b) evaluate the likelihood of those risks being realised;
- c) evaluate the impact should they be realised; and
- d) manage them efficiently, effectively and economically.

3.2 The governance framework has been in place at the Council for the year ended 31st March 2008 and up to the date of approval of the annual report and statement of accounts.

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, the Council Plan and the Best Value Performance all outline the Council's ambitions and priorities based on stakeholder feedback and these inform the business planning process with supporting plans at Portfolio, service, business and personal levels;
- The Constitution (which includes the financial regulations and contract standing orders, Information Communication & Technology information and security policies), Forward Plan and decision making processes;
- Continuous improvement through the Best Value Performance Plan and the Council's well established Performance management and data quality systems. These provides regular monitoring reports to Directors, 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;
- The Standards and 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 People Strategy (HR) supported by rigorous 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 in line with Investors in People;
- Member and Officer Code 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;
- 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 Cabinet Member for Resources is responsible for Corporate Governance and Risk Management and the key officer is the Corporate Director Resources. The corporate risk management function has integrated risk management into the service and financial planning process including the provision of appropriate awareness and training for officers and members;

- Comprehensive budget strategy and robust budget monitoring process provides sound financial management and regular reporting of financial management information;
- Internal audit review controls based on risk to provide assurance and recommendations for improvement;
- 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;
- Projects are managed within the PRINCE 2 methodology, as appropriate, which includes risk identification and management. Projects use the Corporate Risk Management methodology as appropriate for the management and reporting of their risks.

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 review agencies and inspectorates.
- 5.2 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular performance, financial and risk management information reports from senior management. Individual Cabinet members receive regular feedback from the senior officers within their portfolios on the progress of objectives and the management of risks linked to their objectives. Issues of strategic and corporate importance are referred to the Cabinet.
- 5.3 During 2007/08 the co-ordination of the Council's Scrutiny function continued to be provided through the Scrutiny Management Board. 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 from corporate community consultation, direct feedback to members from the citizens of the Community and the results of review and inspection (both external and internal).
- 5.4 For the last four years internal audit have planned their work on the outputs from the risk management and performance management processes, CPA improvement areas, 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 2007/08 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 regularly to the Standards and Audit Committee. During the year a review of these reporting arrangements was undertaken. It was agreed that for the 2008/09 municipal year that a separate Audit Committee would be set up to further improve the effectiveness of the Audit Committee.

- 5.6 The External Auditor (KPMG) during 2007 revisited the Corporate Performance Assessment (CPA) Use of Resources for the Council based on again more challenging criteria. The Council scored 3 or 4 (top score 4) in all eleven sub sections and maintained an overall score of 3. The Council scored the top score of 4 for 3 of the sub sections – asset management, risk management and the arrangements that promote and ensure probity and propriety. The Internal Control section retained its top score of 4. These combined and improved results indicate continued and improved sound governance arrangements and systems of internal control.
- 5.7 The External Auditor also reviewed the Data Quality arrangements and concluded that they were good.
- 5.8 This Use of Resources assessment and data quality review contributed to the Council being judged as 4 stars (excellent) by the Comprehensive Performance Assessment process.
- 5.9 As mentioned in paragraph 2.2, the Council has revised again the local code of Good Governance to ensure that it reflects good practice. There is now some work outstanding to raise renewed awareness of the revised code across the Council. This is included in the action plan in Annex 1.
- 5.10 In addition to reviewing the code, during the year the Council has continued to review and put into place improved policies, management processes and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating. However there are still areas where improvements can be made and actions to address. The annual review by Internal Audit of the key systems, corporate governance and risk management arrangements have reported that at the time of the reviews the internal control systems were operating subject to minor recommendations identified. Appropriate corporate actions are included in the action plan attached to this statement (Annex 1).
- 5.11 All Directors and Heads of Service have signed two assurance statements (half year and year end) confirming that governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1.
- 5.12 As the system of internal audit has not changed and we are still waiting for guidance on how to undertake a review of the effectiveness of the system of internal audit the Council has updated the review from 2007. The action plan from this review has been reviewed and updated. The outstanding improvement actions are included in the action plan to this statement. A full review will be undertaken in 2008/09 when guidance has been provided (this is currently being worked on by CIPFA).
- 5.13 In addition to the CPA assessment, the Council has again received a very positive Annual Audit & Inspection letter from the Audit Commission which included that:
- Telford and Wrekin Council is an Excellent Council that is improving well.
 - The services provided to Children and Adults are strong.
 - There is strong leadership and innovation from Members and Officers to further develop service.

- The Council has strong governance and internal control arrangements.
- There was an unqualified opinion of the accounts and a conclusion on the vfm arrangements to say that these arrangements are adequate
- The Best Value Performance Plan has been audited.
- The assessment of data quality concluded that the Authority has good arrangements in place.

5.14 We have been advised on the implications of the review of the effectiveness of the governance framework by the Cabinet, Standards & 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.

5.15 The action plan will be monitored and reviewed during the year by the Audit Committee.

Leader of the Council.....

Chief Executive.....

Date.....

ACTION PLAN FOR 2007/08 ANNUAL GOVERNANCE STATEMENT
(for implementation 2008/09)

No.	ACTION	Resp.	Date	Additional Comments
1.	Develop and implement a communication and awareness plan for the revised Code and roles and responsibilities in respect to corporate governance once agreed by Council 26 th June 2008.	Audit & Risk Manager	30/09/08	Leaflet to be developed as part of this and further enhancements to the intranet page.
2.	Corporate Business Continuity plan – a) review; and b) test.	CD ACC and Head of P&P	31/03/09	Testing of the corporate BCP has slipped due to the absence of a dedicated resource to lead this work, sickness absence of the responsible business manager and consequent delays in appointing a time limited project officer. The project officer will take up their post in Summer 08. A new British Standard has been introduced since the corporate BCP was approved in March 2007 and therefore a review and update of the plan has been commissioned through an external consultant.
3.	Revised ICT business continuity plan to be produced during 2008/09	Head of ICT	31/03/09	This is work that is continuing to completion in 2008/09.
4.	Ensure that ICT infrastructure projects supports the corporate & service continuity plans	Head of ICT	31/03/09	Implementation of the ICT infrastructure is currently being planned. This will provided improved business continuity arrangements for servers in scope. Plans will need to be developed for servers not in scope.

ANNEX 1 (continued)

No.	ACTION	Resp.	Original Date	Comments as at 31/03/08 & revised date
5.	Catering - Implement the outstanding areas from the internal audit review and on-going system/processes update.	Head of BSF, Resources & Regeneration	31/08/08	There are still some issues with the new computer system. Internal Audit is continuing to work with catering to improve the systems and controls.
6.	Develop and agree a corporate procedure for the appointment, induction and control of consultants.	Head of HR	31/07/08	Agency contract implemented but still further work required on corporate procedures.
7.	Develop a specific confidential reporting statement for contractors	Audit & Risk Manager	31/07/08	Speak Up policy updated again March 2008 therefore contractor statement delayed.
8.	Ensure robust evidence for CPA Use of Resources 2008 (2007/08)	CD Resources; Head of Finance; Head of PPP; Audit & Risk Manager	30/09/08	Action plan from 2007 feedback report being worked on along with evidence for 2008 requirements.
9.	Continue the implementation of the actions from the review of the effectiveness of the system of internal audit 2007 and undertake a full review when guidance received for 2008/09.	Audit & Risk Manager	31/10/08 31/03/09	Reviewed January 2008 and outstanding actions included in 2008/9 action plan. Guidance awaited for 2008/09 review.
10.	Review and agree revised scrutiny arrangements and provide appropriate additional training when appropriate.	Head of Audit & Democracy	31/12/08	To be presented to Council in November 2008

ANNEX 1 (continued)

No.	ACTION	Resp.	Original Date	Comments as at 31/03/08 & revised date
11.	a) Review the results of the Ethics, Standards and Conduct Survey undertaken in March 2008 and develop an action plan b) implement actions as per the action plan.	Audit & Risk Manager	31/07/08 31/03/09	This survey was undertaken in March 2008 based on an IDEA/ Audit Commission toolkit to assess levels of awareness and understanding of members and officers down to business level in these areas.
12.	Implement any governance recommendations from the 4 external inspections: a) CPA b) JAR c) Enhanced Youth Inspection d) Youth Offending Service	Chief Exec & CD C&YP	31/03/09	Final reports to be received by the Council over the next 3 – 4 months. Action plans will then be developed.

**ASSURANCE ACTION PLAN 2007/08 (from 2006/07 Assurance Statement)
Position at 31st March 2008**

No.	ACTION	Resp.	Original Date	Comments as at 31/03/08 & revised date
1.	Develop a communication plan and awareness for the revised Code and roles and responsibilities in respect to corporate governance.	Audit & Risk Manager/ Monitoring Officer	31/10/07	Communication Plan and awareness to be developed & implemented as revised code to be agreed by Council 26 th June 2008. This was delayed due to the re-prioritisation of tasks due to vacant posts.
2.	Corporate Business Continuity plan – c) review; and d) test.	CD ACC and Head of H&CS	31/12/07 31/03/08	Testing of the corporate BCP has slipped due to the absence of a dedicated resource to lead this work, sickness absence of the responsible business manager and consequent delays in appointing a time limited project officer. The project officer will take up their post in Summer 08. A new British Standard has been introduced since the corporate BCP was approved in March 2007 and therefore a review and update of the plan has been commissioned via an external consultant.
3.	Service and business level business continuity plans in place, tested and reviewed.	All HOS	31/07/07 31/03/08	Incorporated in business plans for 2008/09. Revised ICT business continuity plan to be produced for 2008/09
4.	Ensure that ICT infrastructure projects supports the corporate & service continuity plans	Head of ICT	31/03/08	Implementation of the ICT infrastructure is currently being planned. This will provided improved business continuity arrangements for servers in scope. Plans will need to be developed for servers not in scope.

No.	ACTION	Resp.	Original Date	Comments as at 31/03/08 & revised date
5.	The Information Governance Framework is being reviewed and supporting policies developed. These include Acceptable Use Policies for officers and members, Information Security Policy (together with the induction leaflet to reflect changes) and policies around roles and responsibilities in Information Management. E-Business is working closely with the Policy Unit on the production of a Data Quality Policy/Strategy which will support the delivery of the Customer Service Strategy and ensure the integrity of key performance data.	CD CS	31/07/07	Complete
6.	Catering - Implement the outstanding areas from the internal audit review and on-going system/processes update.	Head of Resources & Regeneration	31/10/07	There are still some issues with the new computer system. Concerns exist around the reconciliations between the computer systems and the accounting records. Internal Audit is continuing to work with catering to improve the systems and controls.
7.	Update induction information to ensure that it is consistent and ensure the use of the Senior Management Induction Checklist.	Head of HR	31/10/07	New intranet up and running, information being kept up to date.
8.	Develop and agree a corporate procedure for the appointment, induction and control of consultants.	Head of HR	31/10/07	Agency contract implemented but still further work required on corporate procedures.
9.	Remove the delegations in the 100g(2) to the Head HR for decisions in respect to salary reviews and changes	Monitoring Officer	Council 28/06/07	Complete

	for the Chief Executive, Directors and Heads of Service (Cabinet decision).			
No.	ACTION	Resp.	Original Date	Comments as at 31/03/08 & revised date
10.	Develop a specific confidential reporting statement for contractors	Audit & Risk Manager	30/09/07	Speak Up policy updated again March 2008 therefore contractor statement delayed to 31/07/08
11.	Implement findings of Business Transformation governance review	CD CS	30/09/07	Complete
12.	Ensure robust evidence for CPA Use of Resources 2007 (2006/07) and 2008 (2007/08)	CD Resources; head of Finance & Head of PPP	30/09/07 31/03/08	Formal feedback confirmed score of 3. Action plan from report being worked on along with evidence for 2008 requirements.
13.	Implement actions from the review of the effectiveness of the system of internal audit	Head of Audit & Scrutiny	31/12/07	Reviewed January 2008 and outstanding actions included in current action plan
14.	Address any governance issues arising from the 2007 employee survey	CD Resources	31/03/08	No specific governance issues identified that needed to be addressed
15.	Address any governance issues arising from the IIP re-accreditation	CD Resources	31/03/08	No specific governance issues identified that needed to be addressed
16.	Implement any changes arising from the CIPFA/Solace revised guidance for Local Authorities on Corporate Governance due to be published in June 2007	CD Resources	31/03/08	Updated Local Code of Good Governance agreed by Cabinet 12 th May 2008 and to be adopted by the Council on 26 th June 2008.

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 17th JUNE 2008

INTERNAL AUDIT UPDATE ON QUARTER 4 (JANUARY – MARCH 2008)

**JOINT REPORT OF THE HEAD OF AUDIT AND DEMOCRACY and AUDIT & RISK
MANAGER**

1 PURPOSE

- 1.1 To update members on the work of Internal Audit during quarter 4 – January – March 2008.

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee note the update on quarter 4 work.

3 SUMMARY

- 3.1 The Audit Committee receives a quarterly update of the work of Internal Audit. This is the update report for quarter 4 January – March 2008.

4 PREVIOUS MINUTES

- 4.1 Standards & Audit Committee 29th January 2008 (Quarter 3 Update Report).

5 INFORMATION – QUARTER 4 UPDATE (JANUARY – MARCH 2008)

- 5.1 This section of the report provides information on the work of Internal Audit during January to end of March 2008 and provides an update on the progress of previous audit reports issued (January to December 2007).
- 5.2 Internal Audit activity during this period has particularly focussed on completion of the fundamental audits, completion of the planned Primary Financial Management Standard in Schools assessments and planning for 2008/09 (Internal Audit Plan and Business Plan 2008/09).
- 5.3 There are no issues to bring to the attention of members of the Committee. The appropriate management teams have agreed action plans and have commenced implementation for the 3 amber reports summarised in Appendix D. Internal Audit are confident that the controls have and will continue to improve in these areas but will report back after follow up, if required.
- 5.4 Internal Audit reported last year that all Secondary Schools met the Financial Management Standard in Schools (a new government requirement). Primary schools have been introduced on a phased basis from April 2007. All those visited during 2007/08 have also met the standard.

5.5 Information has been attached to the report as the following appendices:

- i) Appendix A – List of final reports issued with our grading – red, amber, yellow or green and any appropriate comment on internal controls.
- ii) Appendix B – List of all work undertaken for quarter 4 of 1 day or more.
- iii) Appendix C- Previous graded reports from January to December 2007 and their current status.
- iv) Appendix D – Further information for the amber reports.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of Audit Services have attended equal opportunities/diversity training. If any such issues arose during an audit they would be notified to the appropriate manager.
Environmental Impact	Such issues would be notified to the appropriate manager during or immediately following the audit.
Legal Implications	Audit Services classify recommendations as either Statutory, Financial regulation, Policy/Procedure or Best Practice. This means that where service areas are not operating within statutory requirements there is an obligation to implement the recommendations as soon as possible. These recommendations are followed up within 6 months. Audit Services can only, within their resource constraints provide reasonable assurance (rather than “absolute assurance”) to the authority upon the operation of controls.
Links with Corporate Priorities	The audit plan is linked to corporate priorities via the risk management 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 (reducing risks) and therefore the delivery of services and achievement of objectives. In addition Internal Audit have reviewed the Council’s risk management process during the year and concluded that it is operating effectively
Financial Implications	Audit Services operated within budget 2007/08 with a small under spend due to a delay in filling a vacant post. Where recommendations are made by Audit Services, if possible, cost implications are identified.
Ward Implications	Internal Audit is responsible for the internal audit of all the Council’s activities and at all Council locations. They therefore operate within all Council Wards.

7 BACKGROUND PAPERS

Annual Audit Plan 2007/08

Report by Jenny Marriott, Audit & Risk Manager 383101

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 17th JUNE 2008

INTERNAL AUDIT ICT PLAN 2008/09

REPORT OF THE CORPORATE DIRECTOR RESOURCES

1 PURPOSE

- 1.1 To provide the detailed information on the ICT Audit Plan 2008/09 summarised in the 2008/09 Internal Audit Plan.

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee note information on the ICT Audit Plan 2008/09 attached as Annex 1.

3 SUMMARY

- 3.1 The Standards and Audit Committee approved the Internal Audit Plan 2008/09 at their meeting on 3rd April 2008. However, the detail of the ICT audit work had not been finalised due to the desire to consult with the new Head of ICT who started with the Council in March 2008. It was agreed that the detailed information would be presented to the Committee when available.

4 PREVIOUS MINUTES

- 4.1 Standards & Audit Committee 3rd April 2008.

5 INFORMATION ON THE ICT AUDIT PLAN 2008/09

- 5.1 This section of the report provides information on the ICT Audit Plan for 2008/09. As part of the assurance work for the authority a separate ICT Audit Plan is produced. This plan links with the general Internal Audit Plan 2008/09 to provide reasonable assurance to the authority on the internal control arrangements.
- 5.2 In accordance with good practice, the ICT Audit Plan is mainly linked with key ICT risks across the authority. This allows finite Audit resources to be focused on ICT areas which could potentially have the greatest impact on the authority achieving its objectives.
- 5.3 The ICT Audit Plan 08/09 includes the review of key corporate systems including the Council's Financial, Human Resources/Payroll and Revenues & Benefit systems. The Council's External Auditors (KPMG) place reliance on this internal audit IT work which contributes to minimising the External Audit fee.
- 5.4 In addition to the section 151 officer, the Heads of ICT and Customer Services & Business Transformation have had been consulted and agreed the 2008/09 ICT Audit plan.

- 5.5 The allocation of ICT audit days is split between Internal Audit and an external ICT Audit provider, Haines Watts. Haines Watts were appointed on 1 April 2007 after an extensive tender process in compliance with Standing Orders. They provide 50 days of specialist ICT audit work each year at a cost of £21,000.
- 5.6 The ICT Audit Plan 2008/09 is attached as Annex 1.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	All members of Audit Services have attended equal opportunities/diversity training. If any such issues arose during an ICT/general audit they would be notified to the appropriate manager.
Environmental Impact	Such issues would be notified to the appropriate manager during or immediately following the IT or general audit.
Legal Implications	Audit Services classify recommendations as either Statutory, Financial regulation, Policy/Procedure or Best Practice. This means that where service areas/systems are not operating within statutory requirements there is an obligation to implement the recommendations as soon as possible. These recommendations are followed up within 6 months. Audit Services can only, within their resource constraints provide reasonable assurance (rather than "absolute assurance") to the authority upon the operation of controls.
Links with Corporate Priorities	The audit plan is linked to corporate priorities via the risk management 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/systems. The reports produced assist the Council in improving systems and controls (reducing risks) and therefore the delivery of services and achievement of objectives.
Financial Implications	The £21,000 costs incurred by Internal Audit for the ICT contract and the days provided internally are all part of the 2008/09 Internal Audit budget. Therefore there are no financial implications arising from this report..
Ward Implications	Internal Audit is responsible for the internal audit of all the Council's activities/systems and at all Council locations. They therefore operate within all Council Wards.

7 BACKGROUND PAPERS

Annual ICT Audit Plan 2008/09

Report by Rob Montgomery, Group Auditor 383103

INFORMATION COMMUNICATION TECHNOLOGY (ICT) AUDIT PLAN 2008/09

AUDITABLE AREA	INTERNAL AUDIT DAYS	HAINES WATTS DAYS
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Information Systems Management		
IT Governance	6	
Legislative Compliance (Data Protection, Freedom of Information, etc)		6
Compliance with Internal Standards (ITIL – Information Technology Infrastructure Library)	5	
Service Continuity Management		6
Third Party Management		6

Information Security		
Network Security		10
Telecommunication		6
Home / Mobile Working including Data in Transit		10
Anti-Virus Protection	10	

Service Delivery		
Change Management		6

Items from 08/09 General Audit Plan		
Catering System	10	
Infrastructure Project	5	
Customer Relationship Management Project	6	
PSE (Payroll and HR system)	3	
OLAS – General Ledger	5	
OLAS – Sales Ledger	2	
OLAS – Purchase Ledger	2	
Iworld (Council Tax system)	5	

AUDITABLE AREA	INTERNAL AUDIT DAYS	HAINES WATTS DAYS
Iworld (NNDR system)	3	
Iworld (Benefits System)	3	
Flex (Leisure Income System)	10	
Care First – new modules for 08/09	10	
Follow up of Deloittes Audits in 06/07	5	
Follow up of Haines Watts Audits in 07/08	5	
ICT Back Up Arrangements	5	
ICT Procurement	10	
Contingency	15	

TOTAL NUMBER OF IT AUDIT DAYS	125	50
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