

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 16th September 2008 at 6.00pm in the Scrutiny Meeting Room, Civic Offices, Telford

PRESENT: D.Wright (Chairman), I.T.W.Fletcher (Vice-Chairman), T.J.Hope, R.K.Austin, L.Lomax and W.L.Tomlinson.

OFFICERS PRESENT: Victor Brownlees – Corporate Director: Resources, Paul Clifford – Head of Finance, Pauline Harris – Corporate Finance Manager, Bernie Morris – Finance Manager: Capital & Treasury, Jenny Marriott – Audit & Risk Manager, Andrew Cardoza and Tim Pearce – KPMG LLP (UK).

AUC-22 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 22nd July 2008 be confirmed and signed by the Chairman.

AUC-23 APOLOGIES FOR ABSENCE

None.

AUC-24 DECLARATIONS OF INTEREST

None.

AUC-25 ANNUAL GOVERNANCE REPORT 2007/08

The Chairman welcomed Andrew Cardoza and Tim Pearce (KPMG) to the meeting and invited them to present their report in connection with their audit and the Annual Governance Statement for the year ending 31st March 2008.

The Committee were informed that the purpose of the report was in order to comply with the requirements within the International Standard on Auditing (UK and Ireland) 260. As a result KPMG were required by the Code to issue an opinion on the Council's accounts. The report also concluded on the Council's use of resources, certifying whether adequate arrangements were in place for each area specified by the Audit Commission.

Members were informed that the audit had been substantially completed and once the Annual Governance Report had been reported and approved by Full Council on 25th September – an unqualified audit opinion would be issued.

The Committee were further informed that following the completion of the audit a detailed debrief session would be held with the Council in order to identify further opportunities to improve both the accounts production and audit processes. However it was noted that good working relations had been established during the audit between KPMG and Officers and that a good set of working papers had been produced and that there was always a good and timely response given upon any enquiry raised by KPMG.

Further details contained within the Executive Summary were provided to the Committee together with details of the recommendations as outlined within Appendix 4 of the report. These included:

Enhancing the accounts closedown process – where it was stated that the Council should update the closedown process to include detailed consideration of accounting changes at an early stage.

Calculating the provision for doubtful debts – where the Council should review the current methodology for providing for doubtful debts and ensure that it was applied consistently.

Capital accounting – where the Council should accrue for retentions on capital contracts once the contracted work was completed. It was also suggested that the Council should review the methodology for capitalising salary costs to ensure that only costs directly attributable to acquisition and construction of fixed assets were capitalised.

The Committee was referred to the management responses as detailed within the report together with confirmation as to the officer responsible for the action together with the due date for completion of the required action. A Member enquired as to whether an update report could be provided to the Committee in relation to progress on the required actions as detailed within the action plan, to ensure that the declared actions were undertaken and completed on time. It was confirmed that an update report would be submitted to a future Committee meeting.

RESOLVED – that the Annual Governance Report for the year ended 31st March 2008 be submitted to the meeting of Full Council to be held on 25th September 2008.

AUC-26 STATEMENT OF ACCOUNTS 2007/08

The Committee received the report of the Head of Finance in connection with the Councils Statement of Accounts for the 2007/08 Financial Year.

A member referred to the detailed action plan at page 20 of the Statement and commented that the required actions should be undertaken and completed on time.

It was noted that the Statement of Accounts would following approval be referred to the Full Council meeting that was due to be held on 25th September.

RESOLVED – that the Statement of Accounts for the years 2007/08 be submitted to the meeting of Full Council to be held on 25th September 2008.

AUC-27 DRAFT UPDATED TERMS OF REFERENCE

The report of the Corporate Director: Resources was received which sought the Audit Committees comments on the updated terms of reference for the

Audit Committee which would be considered by the Council's Constitution Committee on 29th September 2008.

Members were reminded that the Audit Committees terms of reference specified that the terms of reference should be reviewed annually. The revised Audit Committee arrangements had been effective from the 2008/09 municipal year. The Committee was further advised that it was timely to review the terms of reference to reflect best practice and because it had also been identified during business that there were some activities that had incorrectly remained within the terms of reference of the Standards Committee.

The proposed terms of reference as outlined at Appendix A within the report would be presented to the Council's Constitution Committee on 29th September 2008 and would become effective following agreement at Council on 27th November 2008.

Members were referred to the proposed revised terms of reference as included within the attached appendix to the report. It was noted that the terms of reference had been re-organised under appropriate headings to provide clarity on the specific areas included. Other revisions that were noted included that the section on Fraud had been included and deleted from the Standards Committee terms of reference and the section on complaints had also been included to reflect best practice.

Other minor changes made had been to properly reflect the CIPFA Code of Practice for Internal Audit in Local Government 2006 within the Terms of Reference.

A member enquired as to whether there were Annual Reports presented for all aspects contained within the Policy. By way of response the Committee was advised that in respect to the whistle blowing aspect that a formal report was published. However, it was pointed out that in respect of Revenues and Benefits Fraud this particular service area did produce their own annual report. However, the member did state that it was important to know the full extent of fraud across the whole Council. The Audit & Risk Manager stated that this point could be considered in the future.

RESOLVED – that the revised terms of reference be agreed as outlined within Appendix A of the report and that the revised terms of reference be submitted to the Council's Constitution Committee.

AUC-28 UPDATE OF THE CORPORATE ANTI-FRAUD AND CORRUPTION POLICY

Members received the report of the Corporate Director: Resources which sought to obtain comments from the Audit Committee on the updated Corporate Anti-Fraud and Corruption Policy prior to consideration by the Standards Committee. The Committee was informed that the policy had been updated in order to reflect good practice and to continue to maintain the high standards operating within the Council.

The Council was committed to high standards of Corporate Governance and had a set of effective procedures in place which were regularly reviewed and given a clean bill of health by the External Auditor. These procedures included that the Anti-Fraud & Corruption Policy should be subjected to continuing review in order to maintain the Council's current high standards. Members were further informed that the existing Anti-Fraud and Corruption Policy had been updated in 2006.

The proposed changes to the policy reflected new legislation, good practice and developments in this area within the public sector.

In addition, the Audit Commission's Use of Resources assessment had within the internal control section, key lines of enquiry which measured that "The Council had arrangements in place that were designed to promote and ensure probity and propriety in the conduct of its business". The Corporate Anti-Fraud and Corruption policy that was followed by all members, employees, partners, volunteers, governor and suppliers/contractors provided evidence for the Use of Resources score and supported the Council's 4 star rating.

Members were referred to the amendments made to the policy and which were shown as tracked changes in Appendix A that was attached to the report.

In particular Members were referred to paragraph 3.1.5 which reinforced Member's responsibility to co-operate with any person or party conducting a fraud and corruption investigation and other activities.

A question was raised in connection with paragraph 3.3.1 and in particular the level of assurance that could be offered to the Committee to enable them to be satisfied that the appropriate controls were in existence. By way of response the Audit & Risk Manager confirmed that these controls would be considered and checked within current Internal Audit practices.

A further question was raised in relation to paragraphs 2.3 and 2.4 – it was raised as to whether the paragraphs should be extended to include co-opted members who sat on Scrutiny Commissions as there was no direct reference. It was pointed out that 2.3 referred to elected members and it was mentioned that co-optees did not fall within this particular category. The Audit & Risk Manager stated that the paragraph should be extended and suggested that the word elected should be deleted. She further stated that she would review the document to ensure that the word "elected" was removed where appropriate. It was further suggested that a footnote be placed within the document at this point in order to provide a clear definition.

Following agreement of the revised policy the Council would re-issue the two "High Standards" Cards – one for all members and one for all employees, reflecting their specific responsibilities under the policy.

RESOLVED – that the Audit Committee notes the updated Corporate Anti-Fraud and Corruption Policy attached at Appendix A and as amended in relation to the revised definition of a "Member" and

recommends the approval of the amended Anti-Fraud and Corruption Policy by the Standards Committee.

**AUC-29 DISCUSSION RELATIONSHIP BETWEEN AUDIT
COMMITTEE AND VALUE FOR MONEY SCRUTINY GROUP**

This item had been included on the agenda by Councillor Lomax the reason for the item was to enable a discussion to be undertaken in relation to the relationship between the Audit Committee and the Value for Money Scrutiny Group. The reason for the proposed discussion was to reflect on the work undertaken by both member groups to ensure that there was no duplication of work between the two committees. It was further felt that the Chairman of the Value for Money Scrutiny Group should remain as a member of the Audit Committee.

The Corporate Director commented that there was a degree of good overlap between both member committees.

Another Member stated that he was of the view that there was a complete difference between the Audit Committee and the Value for Money Group. He commented that whilst the Audit Committee had a legal obligation to oversee the financial side of the Council i.e. the statutory responsibility to approve the Statement of Accounts the Value for Money Group could scrutinise the level(s) of funding within specific areas.

AUC-30 DATES OF FUTURE MEETINGS OF THE COMMITTEE

It was noted that the dates of future meetings were as follows Thursday 30th October 2008, Tuesday 27th January 2009 and Tuesday 31st March 2009. It was noted however that the next meeting coincided with the arrangements of the next Group Leaders meeting. It was requested as to whether it could be established as to whether the Group Leaders meeting could be varied.

The meeting ended at 7.05 pm.

Chairman:

Date:

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30th OCTOBER 2008

INTERNAL AUDIT UPDATE ON QUARTER TWO (JULY – SEPTEMBER 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 two July – September 2008.

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee note the update on quarter two 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 two July – September 2008.

4 PREVIOUS MINUTES

- 4.1 Audit Committee 22nd July 2008 (Quarter 1 2008-09 Update Report).

5 INFORMATION – QUARTER TWO UPDATE (JULY – SEPTEMBER 2008)

- 5.1 This section of the report provides information on the work of Internal Audit during July to the end of September 2008 and provides an update on the progress of previous audit reports issued (July 2007 to June 2008).
- 5.2 Internal Audit activity during this period has particularly focussed on completion of the audits set out in the Internal Audit Plan.
- 5.3 Information has been attached to the report as the following appendices:
- i) Appendix A – List of final reports issued quarter one 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 two of 1 day or more.
 - iii) Appendix C- Previous graded reports from July 2007 to June 2008 and their current status.
 - iv) Appendix D – Further information for the 2 amber reports issued this quarter (included in Appendix A).
- 5.4 Internal Audit are confident that the appropriate management teams have action plans in place to implement the recommendations made in the amber reports reported in Appendices A and B. Follow ups will take place in 6 months time.
- 5.5 From Appendix C the position on the original red/amber reports are as follows:

Area & Portfolio	Original grade	Revised grade	Current position/comments
Residency Payments – C&YP	Amber	n/a	Follow up due Dec 08. Will be reported to members in a future report.
Catering Systems – C&YP	Amber	Amber	Remains as Amber due to the system supplier PCS going into liquidation. Audit are continuing to work with Catering on the procurement of a new system.
Redhill Primary FMSIS – C&YP	Amber	Yellow	Checked at school in July 2008. Further follow up to be undertaken January 2009.
Corporate Parenting – 16+ Client Allowances Review – C&YP	Red	Yellow	Completed follow up in September 08. Significant improvements were found. Further review due March 2009.
Licensing - ACC	Amber	n/a	Follow up in progress – will be reported in January 2009 report.
Temporary Accommodation - ACC	Amber	Yellow	Still a number of recommendations in progress so still a yellow grading. Further follow up in Quarter 4.
Appointeeships - ACC	Amber	n/a	Follow up due Dec '08. Will be reported to members in a future report.
Uniform - ACC	Amber	Yellow	Audit part of a group set up to implement report so follow up ongoing.
Traffic Management Procurement Procedures - ACC	Amber	n/a	Follow in progress during September 2008 – has moved to yellow/green but still to be agreed with the Manager.
Stirchley Recreation Centre - CS	Amber	n/s	Follow up in progress – results will be reported in January 2009 report.

5.6 There are no other 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.

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	There are no financial implications arising from this report. Internal Audit is currently operating within their existing resources. 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 2008/09

Report by Jenny Marriott, Audit & Risk Manager 383101

AUDIT REPORTS ISSUED JULY TO SEPTEMBER 2008

Portfolio	Audit Area	Opinion	Follow Due
Children & Young People	FMSis External Assessment Final Audit Report - Teagues Bridge	Yellow	January 2009
	FMSis External Assessment Final Audit Report - Wrekin View	Green	January 2009
	FMSis External Assessment Final Audit Report – The Bridge school	Yellow	January 2009
	FMSis External Assessment Final Audit Report – Shortwood primary school	Green	March 2009
	FMSis External Assessment Final Audit Report – Madeley Infants School	Green	March 2009
	Hadley Learning Community-Primary Administration report	Yellow	March 2009
	FMSis External Assessment Final Audit Report – Houghton School	Amber	March 2009
	FMSis External Assessment Final Audit Report – St Peter & St Paul RC School	Yellow	February 2009
	Resources	Deloitte IT Audits Follow Up	Yellow
ICT Back Ups		Yellow	March 2009
Adult & Consumer care	Business Continuity	Amber	January 2009
Environment & Regeneration	Donnington Railfreight	Yellow	February 2009
	Concessionary Travel Tokens	Yellow	March 2009

Transforming Telford

	Compliance with Company Law	Green	Ongoing tracking
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WORK UNDERTAKEN OF MORE THAN ONE DAY – QUARTER TWO

Anti Fraud & Corruption Policy Review	2
Anti Virus Protection	6
Beyond Excellence Through People	2
Building Schools for the Future	1
C&YP Advice & Consultancy	7
C&YP Authorised Signatories	4
C&YP Liaison & Development Groups	1
Catering - Systems Development	2
Catering Budget Follow Up	5
Change for Children	7
Charlton Secondary School	1
Community Safety	2
Community Services Advice & Consultancy	1
Community Services Follow Ups	1
Contact Centre	1
Contract Audit - Lightmoor School Project	1
Corporate Governance	3
Corporate Parenting follow up	4
Council Tax & NNDR	19
Data in Transit	2
Deloitte's IT Audit Follow Ups	1
Donnington Rail Freight	6
Email & Internet Filtering	5
Equalities - review of Job descriptions	3
Ethics Survey	3
Exit Audits for Heads	2
Expotel Contract	6
Financial Credit Checks	2
Financial Management Standard	1
Fraud Response Plan	1
Fraud/Compliance Tests	2
Haughton Special School	11
Health & Safety	3
HLC Admin Procedures	3
Hollinswood Infants School	7
Horsehay Village Golf Centre	2
ICT Backups	1
Integrated Benefits System	3
IT Procurement	1
Land Stability - Lloyds phase 1 review & project assurance	8
Leisure Centre Checks	7
Licensing Follow Up	4
Local Public Service Agreement Audit Checks	1
Lord Silkin Secondary School	3

WORK UNDERTAKEN OF MORE THAN ONE DAY – QUARTER TWO

Madeley Infants School	7
National Fraud Initiative	7
Oakengates Leisure Centre	3
Partnerships	1
Payroll compliance tests	1
People Strategy	1
Performance Indicators	3
Planning Management Information Systems Project	1
Project Assurance - Town Centre	2
Queenswood Primary School	1
Recruitment & Retention	35
Review of the Mayors fund procedures	21
Risk Management audit	7
Sales Ledger	4
School Funds	3
Shortwood Primary School	7
St Peters & Pauls Catholic Primary School	1
Standards Committee	1
Stirchley Primary School	8
System Health Checks	4
Telford Ice Rink review - requested by management	11
Term Contracts	6
The Bridge Special School	1
Town Park Review	4
Transforming Telford	5
Transport Section	18
Travel Tokens	7
Treasury Management	19
Uniform follow up	1
Use of Resources	2
Waste - Project Assurance	1
William Reynolds Infants School	1
Wrekin View Primary School	1

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APPENDIX C

Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.09.08
Children & Young people (C&YP)	Donnington Junior School FMSis External assessment report	Green	Green	All recommendations actioned	
	Priorslee Primary School FMSis External assessment report	Yellow		Follow up sent August 2008	In progress. Update will appear in future report to members
	St Matthews Primary School FMSis External assessment report	Green	Green	All recommendations actioned	
	Newdale Primary school FMSis External assessment report	Green	Green	Majority of recommendations in progress	
	Aqueduct Primary school FMSis External assessment report	Green		Follow due October 2008	Update will appear in future report to members
	Captain Webb Primary School FMSis External assessment report	Yellow		Follow up due Dec 08	Update will appear in future report to members
	Wombridge Primary School FMSis External assessment report	Yellow		Follow up due Oct 08	Update will appear in future report to members
	St Lawrence Primary School FMSis External assessment report	Yellow		Follow up due Dec 08	Update will appear in future report to members
	Residency Payments	Amber		Follow up due Dec 08	Children & Young people (C&YP)

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Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.09.08
Children & Young people (C&YP)	Youth Offending Service	Yellow		Follow up due Oct 08	Children & Young people (C&YP)
	Stafford Park, Revolution report 2007-08	Yellow		Follow up sent September 2008. New centre manager appointed and some recommendations still to be implemented.	Update will appear in future report to members. Further follow up to be carried out in April 2009.
	Burton Borough Community Use	Amber	Yellow	Opinion remains same as a number of actions are still in progress. Audit to follow up again in November 2008	Update will appear in future report to members
	Catering Systems	Amber	Amber	Remains as Amber due to the system supplier PCS going into liquidation. Audit is continuing to work with Catering on the procurement of a new system.	Further updates will appear in future report to members.
	Redhill Primary FMSIS	Amber	Yellow	Checked at school in July 2008. Further follow up to be undertaken January 2009	Update will appear in future report to members
	Corporate Parenting – 16+ Client Allowances Review	Red	Yellow	Completed follow up in September 08. Significant improvements were found.	Further review now due March 2009.

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Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.09.08
Children & Young people (C&YP)	Moorfield Primary External FMSis Assessment	Yellow		Follow up in progress	Update will appear in future report to members
	St Georges primary External FMSis Assessment	Yellow		Follow up in progress	Update will appear in future report to members
	Three Oaks primary External FMSis Assessment	Yellow	Green	All recommendations actioned	
	Newport Junior External FMSis Assessment	Yellow	Yellow	At the first Follow up it was found that a number of the recommendations are still in progress so grading remains unchanged. Further follow up due December 2008	Update will appear in future report to members
	Muxton Primary External FMSis Assessment	Yellow	Green	All recommendations actioned	
	Windmill Primary School & Children's Centre External FMSis Assessment	Green	Green	All recommendations actioned	
	Millbrook Primary School External FMSis Assessment	Yellow	Green	All recommendations actioned	

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Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.09.08
Adult & Consumer Care	Supporting People	Yellow	Yellow	Follow up to be completed. Still a number of recommendations in progress so still a yellow grading	Further follow up in Quarter 4.
	Carwood Adult Centre	Yellow	Yellow		Further follow up required in qtr 4 of 08/09
	Client record keeping	Yellow	Yellow	Still a number of recommendations in progress so still a yellow grading.	Further follow up required in qtr 4 of 08/09
	Licensing	Amber		Follow up in progress	Update will appear in future report to members
	Temporary Accommodation	Amber	Yellow	Still a number of recommendations in progress so still a yellow grading.	Further follow up required in qtr 4 of 08/09
	Private Sector Housing – Use of Contractors	Yellow		Follow up due September 2008	Follow up to be completed in quarter 3 of 08/09.
	Appointeeships	Amber		Follow up due Dec 2008	Update will appear in future report to members
	Care First IT application	Yellow		Follow up due June 2009	Update will appear in future report to members
	Uniform	Amber	Yellow	Audit part of a group set up to implement report so follow up ongoing.	Update will appear in future report to members.

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Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.09.08
Environment & Regeneration	Recycling & Refuse Contract monitoring	Yellow	Green	Satisfactory follow up.	
	Cash Collection – Darby House	Yellow	Green	Satisfactory follow up	
	Capital Contract Monitoring	Yellow	Green	Satisfactory follow up	
	Asset & Property Management – part 1	Yellow	Yellow	Follow up completed – some recommendations still outstanding so grading unchanged.	Update will appear in future report to members
	Asset & Property Management – part 2	Yellow	Green		Satisfactory follow up completed
	Traffic Management Procurement Procedures	Amber		Follow in progress during September 2008 – has moved to yellow/green but still to be agreed with the Manager.	Update will appear in future report to members

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Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.09.08
Community Services	Stirchley Recreation Centre	Amber		Follow up visit Quarter 3	Update will appear in future report to members
	Newport Library	Yellow		Follow up December 2008	Update will appear in future report to members
	Donnington Library	Yellow		Follow up December 2008	Update will appear in future report to members
	Dawley Library	Yellow		Follow up December 2008	Update will appear in future report to members
	Madeley Library	Yellow		Follow up December 2008	Update will appear in future report to members
	Mobile Library	Yellow		Follow up December 2008	Update will appear in future report to members
	Hadley Learning Community Library	Yellow		Follow up December 2008	Update will appear in future report to members
	Oakengates Library	Yellow		Follow up December 2008	Update will appear in future report to members
	Wellington Library	Yellow		Follow up December 2008	Update will appear in future report to members
	Stirchley Library	Yellow		Follow up December 2008	Update will appear in future report to members
	Information Security	Yellow			Will undertake a follow up in quarter 4
	Wellington Civic & Leisure Centre	Yellow	Yellow	There are a number of recommendations still in progress and one not actioned. A follow up visit will be undertaken in quarter 4	Update will appear in future report to members
	Reprographics – Cheque Security	Yellow		Follow up due October 2008	Update will appear in future report to members

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Area	Audit	Original Opinion	Updated Opinion	Comments	Status as at 30.09.08
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	Completed as part of full audit in 07/08	Final report produced and agreed by ICT. Follow up due.
	Corporate contracts	Yellow		Follow up sent September 2008. In Progress	Update will appear in future report to members
	ICT Release Management	Yellow		Follow up due June 09	Update will appear in future report to members
	ICT Service Desk	Green		Follow up due June 09	Update will appear in future report to members
	Risk Management	Yellow		Follow up due Dec 08	Update will appear in future report to members
	ICT Environmental Controls	Yellow	Yellow	Status still Yellow as a number of recommendations still in progress.	Update will appear in future report to members

FMSiS External Assessment Final Audit Report – Houghton School

1. Introduction and Scope

- 1.1 In March 2007, the Department for Children, Schools and Families (DCSF) announced the Government's requirement that primary and special schools should meet the Financial Management Standard in Schools (FMSiS).
- 1.2 The Standard requires the Council's Chief Financial Officer (the Corporate Director of Resources), to sign an annual declaration which will indicate that Telford & Wrekin's primary schools either meet the FMSiS, or have developed an action plan to ensure that they will meet it in future.
- 1.3 As you are aware in order to meet the Financial Management Standard you were required to undergo a self evaluation process and provide evidence for an external assessment as outlined by the DCSF. You selected the Telford & Wrekin's Internal Audit Service to carry out that assessment.
- 1.4 The Internal Audit Section carried out their assessment at the school on Tuesday 24 June 2008 and Wednesday 25 June 2008.
- 1.5 We would like to say thank you to the Head teacher and School Administrator for their co-operation throughout the visit.

2 Areas of Good Practice

- 2.1 During the audit many areas of good practice were noted. These included:-
 - Receipt books are kept in each classroom and school fund money taken is recorded on the classroom sheets.
 - A training session was arranged for Governors following the completion of the competency matrix
 - T&W Finance Officer attends a lot of Governors meetings to discuss any queries and assist Governors in their role

3. Management Summary and Overall Opinion

- 3.1 The Auditors carried out a detailed examination of the self assessment form completed by the school and the evidence that was provided.
- 3.2 Due to the number of recommendations, the problem with the imprest account and the fact that there are number of recommendations not implemented from the previous report, it is our overall opinion that the school does not currently meet the essential standards set out in the FMSiS.
- 3.3 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** - 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

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and/or financial regulation recommendations or recommendations concerning areas of high priority to the Council.

3.4 As stated in 3.3 the action points identified have been categorised as shown below:-

- ** Legal Requirement - should be implemented immediately.
- ** Financial Regulation - should be implemented immediately.
- ** Policy / Procedures Requirement - should be implemented within a month of agreement to the report.
- ** DCSF Requirement – should be implemented within twenty days of agreement to the report.
- ** Best Practice - should be implemented at a mutually agreed date.

3.5 The recommendations made in this report to improve the controls in your school are analysed over the categories below:

Improvement Areas – Action Points found at time of visit	Number	Percentage %	Actioned as at 10/9/08
Legal requirement	2	8%	1
Financial Regulation	11	42%	3
Policy/Procedure	2	8%	0
DCSF Requirement	7	27%	2
Best Practice	4	15%	3
TOTAL	26	100%	35%

3.6 Audit Services will be revisiting the school in March 2009 and reassessing them against the Financial Management Standard.

Business Continuity Planning

1. Introduction and Scope

- 1.1 An audit review was undertaken in February – June 2008, to provide an opinion on the control environment and a level of assurance for Corporate Business Continuity Planning.
- 1.2 The scope of the audit was agreed by the Trading Standards & Civil Resilience Manager who we would like to thank for his help during the audit.

2. Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out it is our opinion that the level of assurance provided by controls for this audit area is **Limited** - whilst there is basically a sound system of

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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.

- 2.2 Although there has been work undertaken corporately and some across the Council in respect to business continuity, a lack of resources has affected progress. This was addressed towards the end of the review and progress is now being made.
- 2.3 It was recognised during the audit that work has taken place and continues in respect to the review and development of policies, procedures and documentation. Once these have been fully developed, implemented and awareness provided then many of the recommended actions will be achieved.
- 2.5 Out of the 25 controls reviewed during this audit, 5 (20%) were found to be satisfactory. Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.
- ⌘ Legal Requirement - should be implemented immediately.
 - ⌘ Financial Regulation - should be implemented immediately.
 - ⌘ Policy / Procedures Requirement - should be implemented within a month of agreement to the report.
 - ⌘ Best Practice, should be implemented at a mutually agreed date.
- 2.6 The recommendations made to improve the controls in your area are analysed over these categories below:

Recommendation Category	Number	Percentage
Legal requirement	-	-
Financial Regulation	-	-
Policy/Procedure	19	66%
Best Practice	10	34%
Total	29	100%

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

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30th OCTOBER 2008

HALF YEARLY PROGRESS ON 2007/08 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

REPORT OF THE CORPORATE DIRECTOR RESOURCES

1 PURPOSE

- 1.1 For the Audit Committee to note progress against the 2007/08 Annual Governance Statement Action Plan.

2 RECOMMENDATIONS

- 2.1 That the Audit Committee notes the progress against the 2007/08 Annual Governance Statement Action Plan (Appendix A).

3 SUMMARY

- 3.1 The Council has a local Code of Good Governance that was reviewed and updated in May 2008. This sets out the six principles by which the Council will lead and deliver services to the community.
- 3.2 Under statutory regulations the Council is required to produce an Annual Governance Statement which should be signed by the Chief Executive and Leader of the Council and is included in the Annual Accounts.
- 3.3 The Annual Governance Statement for 2007/08 was agreed by Cabinet and the Audit Committee in June 2008. Included as part of the statement is an action plan which identifies areas for improvement for the Council.
- 3.4 Directors and the Audit Committee are responsible for monitoring progress against this action plan.

4 PREVIOUS MINUTES

- 4.1 Cabinet 16th June 2008
Audit Committee 17th June 2008

5 BACKGROUND to the 2007/08 Annual Governance Statement Action Plan

- 5.1 The current progress and comments on the action plan is attached as Appendix A with revised implementation dates which Corporate Directors have agreed. All actions are progressing well with some already achieved but there have been some delays due to the CPA and Use of Resources inspections. There are still some concerns about the delays in testing Business Continuity Plans and the current position in respect to the Catering software interim support arrangements.
- 5.2 As the Annual Governance Statement (including the Action Plan) is reviewed by the Audit Committee prior to signing by the Leader and the Chief Executive, it is part of that Committees

role in respect to good governance to receive information on progress against the plan. Consideration of this report fulfils this role.

6 OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	Inclusivity is clearly in the Local Code of Good Governance
Environmental Impact	None
Legal Implications	The Accounts and Audit (Amendment) (England) Regulations 2006 has a key aim of strengthening governance and accountability. The half yearly review of the Annual Governance Statement Action Plan will assist the council in meeting this key aim.
Links with Corporate Priorities	The Local Code of Good Governance should ensure improved links with the community and the delivery of appropriate corporate priorities in an open and accountable manner.
Risks and Opportunities	Demonstrating and operating good corporate governance mitigates some of the risks to the Council, particularly ones that may have an impact on the Council's reputation. The opportunities and risks associated with this report have been identified and action has been put in place to ensure that they are appropriately managed.
Financial Implications	Good corporate governance and internal controls reduces the risk to the Council of financial loss.
Ward Implications	None.

7 BACKGROUND PAPERS

Local Code of Corporate Governance 2006 and updated May 2008

CIPFA¹ – 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 Governance Statement 2007/08

Report by Jenny Marriott, Audit & Risk Manager 383101

¹ CIPFA – Chartered Institute of Public Finance and Accountancy

**ACTION PLAN FOR 2007/08 ANNUAL GOVERNANCE STATEMENT
UPDATED POSITION AS AT 30th SEPTEMBER 2008**

No.	ACTION	Resp.	Original Date	Original Additional Comments	Comments and Progress as at 30 th September 2008	Revised Date
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.	Leaflets approved by Standards Committee 9 th October 2008 and to be included in November payslips. Outline of new code provided to member update session on 6 th October 2008. Officers to be briefed at November Breakfast Interactive.	30/11/08
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.	The introduction of a dedicated resource means that the Corporate Business Continuity Strategy, the Business Continuity Plan and the Service area plans for priority services will be in place before Christmas, to be approved by Directors no later than January 2009. Corporate training on the plans will be undertaken throughout January and February in preparation for exercise of plans at all levels by end March 2009.	No change 31/03/09

No.	ACTION	Resp.	Original Date	Original Additional Comments	Comments and Progress as at 30 th September 2008	Revised Date
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.	The plan is to be revised based on the new technology implemented in item 4. The plan is currently on hold.	No change 31/03/09
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.	Delays in the design of the Councils new infrastructure have been incurred and plans are being developed to progress this project by reviewing the ITT and developing a gap analysis between the ITT, BAFO and current designs. This work is scheduled for completion early in October with a view to agreeing a revised implementation plan with the supplier during October.	No change 31/03/09
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.	The company providing the new computer system has now entered administration. Interim support arrangement has been put in place to provide ongoing support to schools including contingency plans in case the system fails. For the longer term a Business Case has been prepared for the procurement of a revised system.	Interim solution in place. Longer Term new software – April 2009

No.	ACTION	Resp.	Original Date	Original Additional Comments	Comments and Progress as at 30 th September 2008	Revised Date
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.	Agency contract in place. Efficiency savings being achieved. New contract due in April 2009 – planning and preparations in place. Policy on consultants report due at Directors in November 2008.	31/12/08
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.	Letter drafted to accompany leaflet and to be sent to selection of suppliers by end October 2008	31/12/08
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.	Inspection in progress. Evidence is continued to be submitted to KPMG in response to specific requests. Should have feedback in Nov/Dec 08. A working group has been set up to consider the requirements for use of Resources 2008/09.	Achieved but 31/12/08 for feedback.
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.	Guidance still awaited but a review will be undertaken with the format agreed by the Audit Committee if further guidance is not available.	No change 31/03/09

No.	ACTION	Resp.	Original Date	Original Additional Comments	Comments and Progress as at 30 th September 2008	Revised Date
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	All political groups have been consulted on proposals and an Away Day for the Scrutiny Chairmen and Vice Chairmen with Professor Steve Leach has been held. We are still on target to take a set of possible amendments to our scrutiny arrangements to the Council Constitution Committee on 10th November and to Council on 27th November and will be looking to implement any agreed changes from 1st January 2009.	No change 31/12/08
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.	Analysis of results delayed due to CPA and Use of Resources but presented to Standards Committee 9 th October 2008. Action plan in place to achieve actions by 31//03/09	Achieved No change 31/03/09
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.	Action plans still being developed but on target for any governance issues.	No change 31/03/09

TELFORD & WREKIN AUDIT COMMITTEE
OUTLINE OF BUSINESS FOR FUTURE MEETINGS (updated October 2008)

DATE OF MEETING	ITEM	RESPONSIBLE OFFICER
22 nd July 08	1. Annual Audit & Inspection Plan 2008/09 – explanation of KPMG work 2. Interim Audit Report 2007/08 3. Internal Audit Quarter 1 Update Report Items for information: 4. Review of Key Strategic Risks – May 08 5. Summary of Corporate Risk management Group Meeting 12/06/08.	KPMG KPMG JM JM JM
15 th Sept 08	1. Annual Governance Report 2007/08 2. Annual Report and Statement of Accounts 2007/08 3. Update of Terms of Reference of the Audit Committee (for submission to CCC on 29 th September) 4. Information on Update of the Anti-Fraud and Corruption Policy (to be approved by Standards Committee 17/09) 5. Discussion about how the Audit Committee will relate to the Value for Money Scrutiny Group (invite the Chair to attend)	KPMG Paul Clifford – Head of Finance JM/VB JM JM
30 th Oct 08	1. Quarter 2 Update Report 2. Half Year Review of Good Governance Statement Action Plan 3. Review of Outline Business for Future Meetings	JM JM JM
27 th Jan 09	1. Use of Resources and Data Quality Feedback report 2008 2. Quarter 3 Update Report 3. Feedback from CIPFA Internal Audit benchmarking 2008 and comparison 2007 and comparisons of internal audit staffing resources 4. Review of the Effectiveness of the system of Internal Audit and the Audit Committee including use of co-optees For information: 5. Review of Key Strategic Risks – Sept 08 6. Update of the Risk Management Strategy 2008/09	KPMG JM JM JM JM JM

DATE OF MEETING	ITEM	RESPONSIBLE OFFICER
31 st March 09	1. Annual Audit & Inspection Letter 2007/08 2. Annual Audit & Inspection Plan 2009/10 3. Internal Audit Plan 2009/10 4. Annual Report on Speak Up Policy For information: 5. Review of Key Strategic Risks January 09	AC & KPMG AC & KPMG JM JM JM
June 2009	1. Annual Governance Statement 08/09 2. Annual Internal Audit Report 08/09 and Quarter 4 Update Report 3. Annual Risk Management Report 08/09 4. Annual Report on Complaints 08/09 and assurance on lessons learnt. 5. Annual Report on Anti-Fraud and Corruption activity 2008/09	JM JM JM RO/AA JM