

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 31st January 2012 at 6.00 pm in the Reception Suite, Civic Offices, Telford

PRESENT: Councillors R K Austin (Vice-Chair in the Chair), S Burrell, I T W Fletcher, R J Sloan, W L Tomlinson and C R Turley.

Officers: K Clarke (Head of Finance), P Harris (Finance Manager), J Marriott (Audit & Assurance Manager), B Morris (Finance Team Leader), D Sidaway (Head of Property & ICT), K King (ICT Service Delivery Manager), C Jones (Head of Family & Community Services), K Perry (Interim Head of Safeguarding) and J Clarke (Democratic Services Officer).

Also Present: M McDonagh and A. Cardoza – KPMG External Auditors.

AUC-31 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 1st November 2011 be confirmed and signed by the Chairman.

AUC-32 APOLOGIES FOR ABSENCE

Councillor D Davies

AUC-33 DECLARATIONS OF INTEREST

None

AUC-34 KPMG – THE COUNCIL'S EXTERNAL AUDITORS

a) Annual Audit Letter 2010/11

M McDonagh gave a brief summary of the Annual Audit Letter 2010/11 which was a requirement of the Audit Commission. This looked back at the year 2010/11, all of which had previously been reported to the Audit Committee. It was the opinion of the external Auditors that the Authority was giving value for money. KPMG gave an unqualified opinion on the Council's Financial Statements on 29th September 2011 which met the Audit Commission's deadline. There was a good working relationship between the external Auditors and the Council. No adjustments were required to the Annual Governance Statement. During 2009/10 there had been 4 elector questions and objections. Since writing the report the Auditors had now finalised these questions and although there were some areas the Authority could learn from, these were not significant enough to take any further action. The Audit for the years 2009/10 and 2010/11 had now been closed off and certificates issued. This had been a positive year for the Authority but there were significant challenges on the horizon due to the financial settlements.

RESOLVED – that the contents and conclusions contained within the KPMG Annual Audit Letter 2010/11 be noted.

b) Certification of Grants and Returns 2010/11

M McDonagh gave a brief summary of the Certification of Grants and Returns 2010/11. The external Auditors have to report even minor amendments required and one was reported in respect of the Housing and Council Tax benefit claim on page 4 (1) of the Report. KPMG had issued 4 unqualified certificates and 1 qualified certificate. The fees had come down significantly since 2009/10 although it was pointed out that the total fee for 2010/11 was now a revised figure of £35,250. There were no immediate concerns regarding the grants and returns but there was always room for improvement and one minor recommendation had been made.

RESOLVED – that the Certification of Grants and Returns 2010/11 be noted.

c) External Audit Plan 2011/12

M McDonagh gave a brief summary of the External Audit Plan which was an annual document that sets out the external Auditors statutory responsibilities, the Team involved in working with the Authority and the Fees. The statutory responsibilities included the financial statements and use of resources (including making sure arrangements were in place for the Authority to deliver value for money). The external Auditors had a good relationship with the Authority which enabled constructive open dialogue on challenging issues. The External Auditors would be looking forward to the 2012/13 and 2013/14 savings programmes in order to be reassured that these were being delivered. The External Auditors would use their professional scepticism to take a fresh look at the Authority and to meet regularly with the Finance and Audit teams. The current team of External Auditors from KMPG would continue to work with the Authority in order to keep consistency. At the year end the External Auditors would look at the manual adjustments. The External Auditors had not experienced any issues with Management from the Authority and this allowed them to be objective and independent.

A discussion took place regarding the Council's 20% savings. KPMG said that there would need to be a fundamental change to the way the Authority looked at value for money and savings in the future. The challenge was to prioritise appropriately using a mature approach, intelligent auditing and logic. There was no set template for Local Authorities to use as each Local Authority would be considered individually.

RESOLVED – that the External Audit Plan 2011/12 be noted.

AUC-35 UPDATE ON ICT BACK-UP AND RECOVERY

The Head of ICT and the ICT Service Delivery Manager gave a joint update on ICT Back-up and Recovery following a request at the last meeting. Following a Management restructure in January 2011 the Head of ICT had identified that the foundations and infrastructure within ICT needed to be developed further and changes made to priorities. Business Continuity Plans had been reviewed any appropriate action had or would be undertaken.

A discussion took place including:

- Insurance
- Moving of Equipment
- Mirror Imaging
- Hardware replacement
- Power failure

Members were re-assured that the appropriate safeguards had now been put in place and a further update would be given at the June 2012 meeting.

RESOLVED – that the report be noted.

AUC-36 UPDATE OF CHILDREN'S PLACEMENT COSTS

The Head of Family & Community Services and The Interim Head of Safeguarding gave a joint update on Children's Placement Costs following a request at the last meeting. There had been further progress on the key issues identified and the status had been upgraded to Yellow. The restructure was now confirmed and in place and the recruitment ongoing and the hard work would continue once the new team were in place. Once the restructure was complete a further report would be given and this would be brought to the June 2012 meeting.

RESOLVED – that the report be noted.

AUC-37 2012/13 TREASURY STRATEGY & TREASURY UPDATE REPORT

The Finance Manager gave a report on the Treasury Management activities during 2011/12. The treasury portfolio at the end of December showed an overall net indebtedness of £68m. Base rates had been at 0.5% all year and the latest information suggested that further movement would not take place until 2015. Where possible the Council would use maturing investments to reduce the level of additional borrowing. Two PWLB Loans had matured and one entered into to take advantage of the favourable interest rates. Short term borrowing had been used to fund short-term cash flow requirements. The average return on internal investments at the end of December was 3.3% compared to the benchmark figure of 0.45% for the period. The funds had now been received back from Dexia Bank as was recommended at a previous Audit Committee. The Treasury Strategy was currently in draft form and subject to change due to finalisation of the budget. The final Strategy would be taken to Cabinet on 23rd February and then on to Council on the 1st March. The revised strategy had adopted the new Ethical Investment Framework which meant that the Council would not knowingly directly invest in organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups. The Council would also take full responsibility for proper management of risk and safeguarding the investments by ensuring that organisations were credit assessed.

The Head of Finance asked whether members wished to see a final version of the report with the updated final figures prior to its despatch for Cabinet but Members did not consider this necessary.

A discussion took place including:

- Capital receipts
- Prudential Indicators
- Gearing
- Reduction in Investments

RESOLVED – that the Treasury Management activities for the 2011/12 be noted and that the proposed Draft Management Strategy for 2012/13 be noted and that the Cabinet recommend its approval by the Council.

AUC-38 REVIEW AND UPDATE TO THE SPEAK UP POLICY

The Audit & Assurance Manager gave an update on the Speak up Policy. The changes to the Policy reflect best practice from other local authorities, Public Concern at Work and the Council's revised senior management arrangements. The Policy was now a more structured and user-friendly document. The aims of the Policy were to encourage people to raise issues within the organisation rather than going externally, for example to the Shropshire Star. The Policy would be promoted both internally and externally and an item would be put onto the Council's intranet after approval by the Council.

A delegation to the Monitoring Officer was included in the report to make any changes required from further guidance on the members Code of Conduct arising from the Localism Act.

RESOLVED –

- TO RECOMMEND TO COUNCIL that the Speak up Policy be approved incorporating the changes outlined in paragraph 5.4 of the report;**
- that delegated authority be given to the Monitoring Officer as set out in paragraph 5.6 of the report;**

AUC-39 INFORMATION GOVERNANCE UPDATE REPORT 1ST APRIL – 31ST DECEMBER 2011

The Head of Governance gave an update on the Council's Information Governance activities during the period 1st April to 31st December 2011. The Audit & Assurance Team had carried out a programme of work, including the training of officers, to address the important issue of data breaches. There had been an average of 60-70 Fol requests per month during the period. A Publication Scheme has been put in place in order to make as much information as possible freely available and to increase the efficiency of the council by reducing the number of individual Fol requests that need to be managed. An updated Contract Register was now published online. Big Brother Watch issued a report in November 2011 and although

the headlines started negatively actually the public were in the end re-assured that this level of reporting showed that the Council were actively managing its information. The current work programme involved a review of the Corporate Information Security Policy (CISP) and the online training programme which had proved very useful and was being rolled out across the Council. The Safeguarding Review was still ongoing. New Information Security advice had been produced for Members which was hoped would be more user friendly and contained guidance and tips.

A discussion took place including:

- Encryption of Laptops and USB Memory Sticks
- FOI requests
- Leaving process for Officers and the protection of data

It was agreed that the Annual Report for 11/12 would include the final 3 month update following the 9 month update and would be brought to the June meeting. Further reporting was agreed as a 5 month update to the September Meeting and the remaining 7 month update as part of the 12/13 Annual report to the June 2013 meeting. Any appropriate information would be reported back to the Committee in between.

RESOLVED – that the report be noted.

AUC-40 INTERNAL AUDIT QUARTER 3 2011/12 UPDATE REPORT

The Audit and Assurance Manager presented the quarterly update report for Quarter 3 from October to December 2011. The focus during this period had been on fundamental audits and included general ledger, purchase ledger, sales ledger and benefits. A total of 13 final reports had been issued during this time. There had been 4 Amber Reports on Car Parking, Children's Placement Costs, ICT and Abacus but two of these – Children's Placement's and ICT had moved to yellow and the Committee had received updates already at the meeting. The Car Parking and Abacus areas would be brought back to a future meeting of the Committee.

RESOLVED – that the report be noted.

AUC-41 REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2011/12 AND SKILLS AUDIT

The Audit and Assurance Manager presented a report regarding a survey to measure the effectiveness of the Audit Committee. This was an annual survey and was based on surveys taken in previous years. Members were asked to consider if a non-elected member or co-optee was required to add additional expertise and resources to improve effectiveness. A review of skills was also to be undertaken in order to develop a Training Programme for Members. The results of the Surveys would be reported back to the March meeting.

A discussion took place and it was suggested that the survey could be used as a basis to assess other Committees within the Council as a good practice exercise.

Concern was expressed that the Survey should be taken to identify any gaps or expertise needed and then take the decision to see if a non-elected member or co-optee was required. It was agreed that this question would be deleted from the survey before it was circulated.

RESOLVED –

- a) **that the Survey, Appendix A to the Report, would be circulated as outlined in paragraph 5.2 subject to the question regarding the co-optees being deleted;**
- b) **that the Committee would complete the skills survey, Appendix B to the Report;**
- c) **that the results of the effectiveness survey and skills audit be presented to the March meeting.**

The meeting ended at 7.56 p.m.

Chairman:

Date:

Internal Audit Strategy 2012/13

The Audit & Assurance Team supports the whole Council as it becomes a Co-operative Council delivering services to the community to improve their health and wellbeing. The team supports the whole Council to deliver economic, efficient and effective services¹ and achieve the Council's priorities and objectives.

a) Internal Audit objectives and outcomes

Service Objectives

- 1) To review the governance, risk management and internal control arrangements of the Council to provide a level of assurance and an opinion on internal controls to our customers.
- 2) To provide a respected, cost effective and quality internal audit service including the provision of advice and guidance to assist our customers to meet their objectives and improve their services, including the rationalisation of controls, where appropriate.
- 3) To work with the external auditor and other review bodies to provide the most effective internal audit service.
- 4) To value and continuously develop our team.

Outcomes

- 1) To undertake the statutory Section 151 audit for the Chief Financial Officer (CFO), in line with the Accounts and Audit (England) Regulations 2011.
- 2) To deliver the audit plan for the Council taking into account the Accounts and Audit (England) Regulations 2011, the management of risk's, senior management consultations, comments from the Audit Committee and any requirements of the External Auditor. The plan will be reviewed regularly and amended, if required to reflect any significant changes.
- 3) To operate as an independent appraisal function reviewing the governance, risk management and internal control arrangements of the organisation and management as a contribution to establish relevant controls and the proper, economic, efficient and effective use of resources within the Council.
- 4) To ensure that Council Members and employees are aware of the Constitution and particularly understand Financial Regulations and their associated procedures and any revisions to these.
- 5) To provide clear and concise internal audit reports to support management in implementing recommendations and improving services.
- 6) To provide responsive, challenging and informative advice and support on internal controls to management.
- 7) To report to the Audit Committee as defined in their terms of reference.
- 8) To assist in the development of appropriate Corporate Governance and internal control procedures and then to monitor their operation.
- 9) To prepare for annual assessments of the Internal Audit function by the External Auditor.
- 10) To ensure that an appropriate ICT Audit service is being provided to the authority and to regularly review the arrangements.
- 11) To investigate all employee cases of suspected financial irregularity, fraud or corruption, except Benefit fraud investigations, in accordance with agreed procedures.

¹ By providing advice and guidance on controls and the management of risks during service delivery and by supporting service reviews, restructures and reducing bureaucracy

b) How the Audit & Assurance Manager will form and evidence her opinion on the control environment to support the annual Governance Statement (incorporating the Statement on Internal Control)

The Audit & Assurance Manager prepares an annual risk based audit plan. Internal Audit planning is directly linked to the Council's objectives and priorities and the risk's associated with achieving them. Internal Audit uses these as the starting point for the audit planning process and to identify the key areas for audit attention. This base is then informed and influenced by previous Internal Audit work, external networking intelligence, discussions with the CFO and consultations the Council's service area management teams and the Senior Management Team.

The audit plan outlines the work assignments to be carried out and the resources required. The plan is flexible in order to reflect the changing needs and priorities of the organisation. Work is carried out by the audit team in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006 and other professional requirements² to deliver the outcomes detailed in section (a) above. Each internal audit report provides an opinion on the area reviewed.

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

The Audit & Assurance Manager has regular meetings with the CFO and quarterly meetings with the Managing Director. Senior Audit staff meet with Assistant Directors and their management teams as required to identify any local and national issues and risks, changes in the service area, and any new areas that require input from Internal Audit. All scopes for internal audit work are agreed with the appropriate Service Delivery Manager(s) and Assistant Directors.

Pre audit work is undertaken to identify any significant changes in the area to be audited i.e. changes to the control environment including changes in legislation, restructuring, service reviews, implementation of new computer systems, changes to policy and procedures and changes in staff. These will then be reviewed based on risk as part of the scope for the audit.

Employees within Internal Audit have access to the CIPFA Audit Panel, West Midlands Internal Audit Group (including Fraud, Contract and Education sub-groups), other CPD and networking events through CIPFA and the IIA to identify and understand national issues affecting the delivery of internal audit services.

d) How the service will be provided (including resources and skills)

Following a restructure during 2010 implemented from 1st October 2010 Internal Audit has a resource of 4.3 full time equivalents (fte) plus the Audit & Assurance Manager to deliver the 2012/13 plan. The staff are all employed by the Council and are qualified to various levels with wide public authority and private sector experience. There is a specialist ICT Audit contract for 2012/13 to deliver 58 audit days provided by Deloitte (reduced from 2010/11 level of 70 days and 2011/12 level of 64 days). The current IT Audit contract was entered into for 3 years (2010/11 – 2012/13) and will therefore be reviewed during 2012/13 and alternative methods for service provision will be investigated.

When there is staff turnover or a shortfall in resources then either the plan is adjusted and reduced assurance provided or if the budget can support it a business case is completed to employ specialist Audit staff.

² Institute of Internal Auditors

No.	Area - Services	Days
1	Catering - assurance on cashless system and free school meals secondary	10
2	Review of allowances (HR)	10
3	Recruitment (including recruitment of Social Workers, Senior Social Workers and Social Work team Leaders (reference use of agency staff to cover crb checks and fraud checks)	15
4	Wellington offices and leisure - review of combined facilities on one site	8
5	Community Social Work & links to safeguarding	10
6	Children's Assessment Framework team around the Child	10
7	Governance structures around teenage pregnancy	5
8	Pupil tracking	5
9	Homelessness Thresholds and statutory duties for 16 - 18 year olds	8
10	Children's placements (Brokerage officers and appropriate comms between placements and safeguarding)	10
11	Family Connect - revised help desk arrangements for children	8
12	Property & Design Help Desk	10
13	Economic development - area to be agreed AD	10
14	Section 106 agreements	10
15	Pre-school and after school clubs	10
16	Schools - list to be agreed on a risk basis	125
17	Licensing (specific area(s) to be agreed)	10
18	Environmental Health - area(s) to be agreed by SDM & AD	15
19	Trading Standards - area(s) to be agreed by SDM & AD	15
20	Car parking	10
21	Arthog	7
22	Abraham Darby Leisure Centre	9
23	Insurance	8
24	Performance management & VFM	30
25	Continuing health care and joint funded care	10
26	Supported lodgings	5
27	Service User Journey - adult services	12
28	Self directed support & resource allocation system (including personal budgets)	10
29	Review of Foster carers recruitment campaign	3
30	Review of accommodation move - Safeguarding services from the Mount to Darby House	5
31	Children in transition (including 16 & 17 year olds in Safeguarding)	12
32	Co-operative Council work programme and commissions	5
No.	Area - Project Assurance	Days
33	BSF	6
34	Town Centre and Box Road	6
35	Waste procurement	4
36	Revised health agenda and public health transfer	8

37	Single status		4
38	Accommodation/new ways of working		3
39	CRM/ERDMS		3
40	Welfare reforms and new Council tax benefit system		5
No.	Area - Procurement		Days
40	Voluntary sector contracts/agreements		4
41	Bank contract review		4
42	Term contracts/service contracts		10
43	Contract changes and SO waivers		5
44	Commissioning - adults & children's (areas to be agreed but to include 16+ work from quarter 4 11/12)		15
45	Replacement Jacobs/consulting contract		2
46	PFI facilities management contract review		2
47	Procurement (areas to be agreed in liaison with Strategic Procurement team)		10
No.	Area - Fundamental Areas (for s151 assurance and the external auditor)		Days
47	P2P (Purchase ledger) including product codes and mis codings		30
48	Sales ledger		22
49	Council tax		20
50	NNDR		20
51	Benefits		45
52	Main accounting (including capital & assets) and savings		40
53	Cash collection		20
54	Treasury Management		15
55	Payroll/HR		30
56	Corporate Governance (including risk management)		25
No.	Area - ICT Applications (internal resource)		Days
57	GIS		4
58	CRM and ERDMS - systems and processes (IG will look at data security & integrity)		6
59	Care First		6
60	HRS - PSE		4
61	Electronic Client Record		5
62	Environmental reviews on physical IT security		5
63	Impluse - children's admissions system		5
No.	Area - Other		Days
64	Advice and guidance		41
65	Follow ups		25
66	Proactive fraud work and NFI		40
67	Contingency		103

	Total		1032
	External IT audit contract		58
	Internet and Intranet		
	Telecommunications		
	Back up and DR (including Data Centre)		
	IT Service Delivery (Strategy, Service Desk, Capacity, SLM)		
	Remote working and off site security		
	Network follow up		
	Total resources available and allocated		1090

1 PURPOSE

- 1.1 To seek the approval of Members of the Audit Committee to the Internal Audit Plan and Strategy for 2012/13 and for them to note the contents of the Information Governance Work programme 2012/13

2 RECOMMENDATIONS

- 2.1 That Members of the Audit Committee:

- a) approve the Internal Audit Plan and Strategy for 2012/13 attached as Appendices A and B;
and
b) note the Information Governance work programme attached as Appendix C.

3 SUMMARY

- 3.1 The terms of reference of the Audit Committee include:
“The approval (but not direction) of and monitoring of progress against, the Internal Audit Strategy and Plan This report presents the Internal Audit Plan and Strategy for 2012/13 for approval.
- 3.2 The Chief Financial Officer (CFO) has responsibilities under s 151 of the Local Government Act 1972 and the Accounts and Audit (England) Regulations 2011 as follows:

Internal audit

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

- 3.3 Under the same regulations Internal Audit provide part of the assurance on the Council’s internal controls reported within the Annual Governance Statement which accompanies the accounts. The CFO is therefore responsible for ensuring that the internal audit plans coverage is appropriate and sufficient to meet all these obligations.
- 3.4 The Internal Audit Strategy informs the Internal Audit Service Plan and outlines how the Internal Audit Service will be provided in order to meet legal requirements and the Council’s priorities.
- 3.5 The terms of reference of the Audit Committee also include Governance responsibilities including:
Consider the effectiveness of the control environment including reviewing the Council’s Code of Corporate Governance and other corporate governance arrangements to ensure compliance with best practice.
- 3.6 Information Governance is part of the Council’s corporate governance arrangements. To assist the Committee in ensuring that Information Governance arrangements are meeting best practice they have to date received an annual report for 2010/11 and an update of 2011/12 progress. This report includes the Information Governance 2012/13 work programme for noting by the

Committee. Progress against this programme will be reported to the Committee as agreed at the last meeting (September – after 5 months and at the end of the year – remaining 7 months). This will contribute to the assurance received by the Committee on the information governance arrangements in place.

4 PREVIOUS MINUTES

Audit Committee 22nd March 2011 (2011/12 plan and Strategy)

Audit Committee 20th September 2011 (Information Governance Annual Report 2011/12)

Audit Committee 29th January 2012 (Information Governance update report April – December 2011)

5 INFORMATION

- 5.1 Internal Audit has a statutory obligation under legislation outlined in paragraph 3.2 above and also strives to provide a quality and up to date service for the Council. To do this it follows the CIPFA¹ Code of Practice on Internal Audit in Local Government (2006).
- 5.2 Internal Audit work, in addition to obtaining assurance on controls for the Council, aims to challenge where controls are not required or make suggestions for adjustments to existing controls to make processes more efficient so that managers and their teams can achieve their objectives and contribute to the achievement of the Council's priorities. This is part of the Council's corporate governance framework and the effective management of risks.
- 5.3 Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance² to managers, Members and the Council as a whole on the internal control arrangements, an annual programme of work (annual Audit Plan) is developed.
- 5.4 In accordance with good practice, Internal Audit planning should be directly linked to the Council's objectives and priorities and the risk's associated with achieving these. Internal Audit uses these as the starting point for the audit planning process and to identify the key areas for audit attention. This base is then informed and influenced by previous Internal Audit work, external networking intelligence, discussions with the CFO and consultations with the Council's service area management teams and the Senior Management Team.
- 5.5 The draft plan attached as Appendix A has been drawn up based on the internal audit resources available for 2012/13, the factors in paragraph 5.4 above and detailed discussions with the CFO.
- 5.6 The planned resources for 2011/12 were 1129 days plus 64 days external specialist ICT audit work. For 2012/13 the planned resources are 1032 days plus 58 days external specialist ICT audit work. This is an 8.5% reduction in resources from 2011/12 and is due to some work being transferred into the Information Governance work programme and a reduced contribution from the Information Governance team into the Internal Plan (due to their increased responsibilities in respect to the full administration of information rights legislation requests).
- 5.7 A draft plan was developed based on the process set out in paragraph 5.4 and has been subjected to review by the CFO. The resultant plan provides reduced but reasonable assurance on the areas outlined. It also includes all the work identified by the external auditor that can be undertaken by Internal Audit to meet their requirements. If this was not included then the external audit fee would increase significantly (by over £150,000).
- 5.8 Due to the nature of the plan and its link to risks, during delivery there will be regular dialogue with the CFO, SMT and managers to ensure that the appropriate risks and controls are being reviewed, maximising the use of resources.

¹ Chartered Institute of Public Finance and Accountancy

² Internal audit can only provide reasonable and not absolute assurance due to undertaking the work at a moment in time and with limited resources.

- 5.9 Based on good practice the plan includes just under a 10% contingency to meet any unexpected work requirements, any changes identified from paragraph 5.8 or changes to resources during the year. Any significant changes will be agreed with the CFO and SMT and reported to this Committee.
- 5.10 The external auditor undertakes their own planning process and presents their plan to the Audit Committee. Internal Audit and Senior Management liaise with them to ensure that duplication is avoided, that the key risks are reviewed and that the external audit fee is minimised.
- 5.11 Members should note that specialist ICT audit work at the Council is provided by an external contractor. The Council retendered this service in November 2009 and Deloitte & Touche Public Sector Internal Audit Limited commenced work on 1st April 2010 for 3 years. Due to the saving requirements the original 70 day contract has been renegotiated to 64 days 2011/12 and 58 days 2012/13.
- 5.12 Due to the current uncertain climate³ the Internal Audit Strategy 2012/13 covers 1 year only. This is similar to the approach taken in 2011/12. The strategy has been reviewed and updated with minimal changes made. The revised strategy is attached as Appendix B.
- 5.13 Information Governance became part of the Audit & Assurance Service area in 2010 and the arrangements for reporting to the Committee have been developing since then. A 2010/11 Annual Report was presented in September 2011 and a progress report in January 2012. The 2011/12 Annual Report will be presented to the June 2012 Audit Committee. To ensure members of the Committee are aware of the work of the Information Governance team (that assists them in the governance assurances they receive from across the Council) the work programme for 2012/13 is presented for noting. Progress against this programme will be reported to the September 2012 meeting.

6 OTHER CONSIDERATIONS

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

³ The pressures on local government finance, internal reorganisations/service reviews and the potential changes to the external audit regime.

Risks	<p>the outcomes of the Council's risk management, performance management and other assurances processes. In addition 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. The Audit Plan will be flexible in order to reflect the changing risks and priorities of the Council and will have an ongoing dialogue with stakeholders.</p> <p>The Information Governance work programme assists the Council to identify the information risks and opportunities and makes recommendations to ensure risks are being appropriately managed by service areas.</p>
Ward Implications	Internal audit and Information Governance work covers all wards within the Borough.

7 BACKGROUND PAPERS

Internal Audit Plan 2011/12

Internal Audit Strategy 2011/12

CIPFA Code of Practice on Internal Audit in Local Government in UK (2006)

CIPFA Audit Manual (December 2004).

Networking and benchmarking information.

Information Commissioner's Office guidance

Report by Jenny Marriott Audit & Assurance Manager 383101

Information Governance Work Programme 2012/13

No	Task	Completion date & comments
1	Administer FOI/EIR/DPA requests, appeals, complaints and associated correspondence from the ICO	Ongoing
2	Deliver IG training and awareness programme and ensure the content of the induction programme is appropriate. Annual refresher training	Ongoing January – March 2013
3	Keep the IG and security framework up to date including the Corporate Information Security Policy and associated procedures. Disseminate changes across the Council	Ongoing
4	Complete Corporate Retention & Disposal Schedule	July 2012
5	Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made.	Ongoing
6	Support service areas during and after service reviews/restructures to address any information security risks that arise	Ongoing
7	Support information sharing and the production of information sharing agreements	Ongoing
8	Monitor the publication scheme and ensure service areas are keeping it up to date	Ongoing
9	Review and update intranet and internet pages for FOI and DPA	September 2012
10	Complete N3 connection assessment for central government	September 2012
11	Support service areas in the completion of Privacy Impact Assessments for new systems/applications and those for priority existing applications	Ongoing
12	Rationalise IG file structure	May 2012
13	Report to the Audit Committee on progress against the work programme and any issues arising	June 2012 September 2012 June 2013

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 27th MARCH 2012

RESULTS OF THE SURVEYS ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE AND THE SKILLS OF AUDIT COMMITTEE MEMBERS

REPORT OF THE AUDIT & ASSURANCE MANAGER

1 PURPOSE

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

2 RECOMMENDATIONS

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

3 SUMMARY

- 3.1 Good governance in local government has supported the introduction of Audit Committees. Surveys on the effectiveness of the activities of the Audit Committee have taken place in 2008, 2009 and 2010. No survey was undertaken in 2011 due to the impending Unitary elections and potential changes to the Audit Committee membership.
- 3.2 A new Audit Committee of seven members was agreed at Annual Council in May 2011 and members have received training throughout the year to support their roles and responsibilities but a skills audit has been undertaken to ascertain any future training needs and to agree a training plan if required.

4 PREVIOUS MINUTES

- 4.1 Standards and Audit Committee 3rd April 2008
Audit Committee 27th January 2009
Audit Committee 31st March 2009
Audit Committee 30th March 2010

5 BACKGROUND

Effectiveness of the Audit Committee Survey

- 5.1 The 2012 survey included the same questions as 2008, 2009 and 2010. Out of the 17 surveys sent out 6 were returned providing a response rate of 35% which is a reduction compared to previous years (2010 - 57% response rate and 2009 - 81% response rate in 2009). The response rate for members was 33% (50% - 2010 and 78% - 2009). For officers the response rate was 36% (80% - 2010 and 100% - 2009) but more forms were sent out to any officer who had attended a meeting. Many of these officers responded saying they did not have enough knowledge to contribute to the survey. There was no response received from the External Auditor due to his concern over a possible conflict of interest.

- 5.2 The results have been analysed and the table in Appendix A shows the questions and the average scores for 2008, 2009, 2010 and 2012. The survey scores were graded:
 1 = hardly ever/poor
 2 = occasionally/inadequate
 3 = most of the time/satisfactory
 4 = all of the time/good

Out of the 22 questions, all except 2 had an average score of 3 or more which is slightly down from 2010. Members should note that the results show that overall the Audit Committee is at least “most of the time/satisfactory” and is performing “all the time/good” in two areas.

- 5.3 As there is comparative information available, Appendix A also shows the percentage increase or decrease from 2010 to 2012. For 2012 there has been a decrease of more than 5% for 6 questions, minor decreases for 3 questions, no change for 2 questions and for the 11 other questions there were increases with 7 showing an improvement of more than 5%.
- 5.4 There was one question that continued to show a decrease when compared to 2009 and 2010 – question 14 – “*The Committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings*”. This was down by a further 1.3%.
- 5.5 Information is shown below for the areas that have decreased by more than 5% from 2010 to 2012. Scores for 2008 and 2009 are shown for information.

Question	Av. Score Jan 08	Av. Score Feb 09	Av. Score Feb 10	Av. Score Feb 12
3. The Committee is clear about its role in relation to governance and risk management	3.63	3.58	3.69	3.5
7. All Committee members attend and actively contribute at meetings	2.63	2.77	3.38	2.7
8. All Committee members have sufficient time and commitment to fulfil their responsibilities	2.75	2.85	3.31	2.8
11. All Committee members have a good understanding of the different risks inherent in the Authority’s business activities	2.75	3.08	3.38	3.2
17. Committee meetings encourage a high quality of debate with robust and probing discussions	2.89	3.15	3.75	3.3
20. The Committee has open channels of communication with officers and other members to keep it aware of topical/ regulatory issues.	2.89	3.15	3.75	3.3

- 5.6 For question 3 the 2012 scores are below those of 2008, 2009 and 2010 (highlighted above). For questions 7 and 8 the 2012 scores are below those of 2009 and 2010 (highlighted above). For question 3 members need to consider what action needs to be taken to address this score. For questions 7 and 8 it is suggested that if it is an issue for members then they perhaps maybe need to talk to their Group Leader.
- 5.7 For questions 11, 17 and 20 the 2012 scores are below those of 2010 but above those for 2008 and 2009. These results could reflect the new make up of the Audit Committee as

some are new members to the Audit Committee. However again members may wish to suggest any action required to address this.

Skills Audit Survey

- 5.8 The skills survey was undertaken to help assess the training needs of committee members. 50% of members returned their forms and the results are attached at Appendix B. 5 out of the 13 questions were answered as competent with the remaining 8 being assessed by one member as developing (not always the same member). However no additional training has been requested by the members who completed the survey. Members may want to identify and discuss any future training/awareness requirements at the meeting and how they maybe addressed.
- 5.9 It is suggested that members of the committee keep their training requirements under review during the next 12 months and raise any concerns with the Chairman or Audit & Assurance Manager.

6 OTHER CONSIDERATIONS

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

7 BACKGROUND PAPERS

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

Report by Jenny Marriott, Audit & Risk Manager 383101

ANALYSIS OF RESULTS SHOWING AVERAGE SCORE FOR EACH QUESTION

PROCESSES

No.	Question	Average Score Jan 08	Average Score Feb 09	Average Score Feb 10	Average Score Feb 12	Change 10 - 12	%age change 10 -12
1	The Committee members have an appropriate mix of skills and experience.	3.00	3.31	3.25	3.5	+0.25	+7.7%
2	There are clear, up to date terms of reference for the audit activities of the Committee	3.67	3.92	3.38	3.8	+0.42	+12.4%
3	The Committee is clear about its role in relation to governance and risk management	3.63	3.58	3.69	3.5	-0.19	-5.1%
4	The number and length of meetings and access to resources is sufficient to allow the audit activities of the Committee to be fully discharged	3.11	3.54	3.63	3.8	+0.17	+4.7%
5	Committee papers are concise, relevant and timely.	3.5	3.62	3.38	3.7	+0.32	+9.5%
6	Committee meetings receiving relevant reports are held sufficiently far in advance of Council meetings to permit resolution of the issues raised	3.25	3.31	3.5	3.5	No change	-
7	All Committee members attend and actively contribute at meetings	2.63	2.77	3.38	2.7	-0.68	-20.1%
8	All Committee members have sufficient time and commitment to fulfil their responsibilities	2.75	2.85	3.31	2.8	-0.51	-15.4%
9	Committee members have access to on-going development activities to update their skills and knowledge	3.22	3.38	3.25	3.6	+0.35	+10.8%
10	The Committee is informed of the Anti-Fraud and Speak Up procedures in place within the Authority	3.67	3.62	3.86	4	+0.14	+3.6%

ACTIVITIES

No.	Question	Average Score Jan 08	Average Score Feb 09	Average Score Feb 10	Average Score Feb 12	Change 10 to 12	%age change 10 – 12
11	All Committee members have a good understanding of the different risks inherent in the Authority's business activities	2.75	3.08	3.38	3.2	-0.18	-5.3%
12	The Committee focuses on the right questions and is effective in avoiding minutia	2.78	3.08	3.00	3.5	+0.50	+16.7%
13	The Committee actively engages with the external auditors regarding the scope of their work and audit findings	3.33	3.31	3.13	3.8	+0.67	+21.4%
14	The Committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings	3.33	3.77	3.75	3.7	-0.05	-1.3%
15	The Committee has a good understanding of the key financial issues and key accounting policies.	2.63	2.92	3.25	3.3	+0.05	+1.5%
16	The Committee understands the interaction between the various sources of assurance available to it	3.25	3.15	3.25	3.2	-0.05	-1.5%
17	Committee meetings encourage a high quality of debate with robust and probing discussions	2.89	3.15	3.75	3.3	-0.45	-12.0%
18	The Chair promotes effective and efficient meetings, with an appropriate level of involvement outside the formal meetings	3.33	3.38	3.38	3.7	+0.32	+9.5%
19	Committee members have a frank and open relationship with senior officers.	3.44	3.62	4	4	No change	-
20	The Committee has open channels of communication with officers and other members to keep it aware of topical/ regulatory issues	3.11	3.69	3.75	3.5	-0.25	-6.7%

21	There is an appropriate balance between the monitoring role and the Committee acting as an “influencer for good”	3.13	3.38	3.14	3.2	+0.06	+1.9%
22	The Committee is effective in achieving its terms of reference for the audit activities and adding value to the corporate governance of the Authority.	3.00	3.23	3.43	3.3	-0.13	-3.8%

Skills Audit February 2012 Results

No.	Skill	Competent	Developing	Not yet developed
1.	Do you consider that you have sufficient understanding of the Council's priorities and significant issues it faces to undertake your Audit Committee responsibilities?	2	1	
2.	Do you consider that you have sufficient understanding of the Council's structure including key relationships and major partners to undertake your Audit Committee responsibilities?	2	1	
3.	Do you consider that you have sufficient knowledge and understanding of the general legislation, rules, regulatory and compliance frameworks governing the Council so that you can undertake your Audit Committee role?	2	1	
4.	Do you have an understanding of the democratic, accountability and decision making processes of the Council?	3		
5.	Do you have sufficient understanding of the External Audit and Inspection requirements on the Council so that you can undertake your Audit Committee responsibilities?	2	1	
6.	Do you have sufficient understanding of the Council's governance arrangements including the Code of Good Governance so that you can undertake your Audit Committee responsibilities?	2	1	
7.	Do you have sufficient understanding of the Council's financial accounting and reporting arrangements to enable you to undertake your Audit Committee responsibilities?	3		
8.	Do you have sufficient understanding of the Council's Treasury Management strategy and reporting arrangements to enable you to undertake your Audit Committee responsibilities?	2	1	
9.	Do you have sufficient understanding of the Council's risk management strategy, methodology and reporting arrangements to undertake your Audit Committee responsibilities?	2	1	

No.	Skill	Competent	Developing	Not yet developed
10.	Do you have sufficient knowledge and understand the Council's Internal Audit arrangements and internal control assurance so that you can undertake your Audit Committee responsibilities?	3		
11.	Do you have sufficient knowledge of the Council's Anti-Fraud and Corruption Strategy and counter fraud arrangements to enable you to undertake your Audit Committee responsibilities?	3		
12.	Do you have sufficient understanding of the Council's Compliments, Complaints and Comments procedures and reporting arrangements to enable you to undertake your Audit Committee responsibilities?	3		
13.	Do you have any recent and relevant financial experience that enables you to have effective engagement with financial accounts reporting and your responsibilities on the Audit Committee?	2	1	