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Co-operative Council

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Addenbrooke House Ironmasters Way Telford TF3 4NT

AUDIT COMMITTEE

| | | | |
|-------|--|------|---------|
| Date | Thursday, 26 May 2022 | Time | 6.00 pm |
| Venue | Addenbrooke House, Ironmasters Way, Telford, TF3 4NT | | |

Enquiries Regarding this Agenda

| | | |
|---------------------|--------------------------|--------------|
| Democratic Services | Jayne Clarke | 01952 383205 |
| Media Enquiries | Corporate Communications | 01952 382406 |

| | |
|------------------------------|--|
| Committee Membership: | Councillors N A M England (Chair), V J Holt, J E Lavery, A Lawrence, C F Smith (Vice-Chair), W L Tomlinson and B Wennington, |
|------------------------------|--|

AGENDA

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| 2. Declarations of Interest | |
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AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 25 January 2022 at 6.00 pm in Telford Room, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT

Present: Councillors N A M England (Chair), V J Holt, J E Lavery and C F Smith (Vice-Chair)

In Attendance: R Attwell (Democracy Officer (Democracy)), J Clarke (Senior Democracy Officer (Democracy)), K Clarke (CFO and Director: Finance & Human Resources), T Drummond (Principle Auditor), P Harris (Finance Manager - Corporate & Capital Finance), A Lowe (Associate Director: Policy & Governance), R Montgomery (Audit & Governance Team Leader) and E Rushton (Group Accountant)

Apologies: Councillors W L Tomlinson

AU18 Declarations of Interest

None.

AU19 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 21st July 2021 were approved and signed by the Chair

AU20 Treasury Management - update from Link (Treasury Management Advisors)

The Chair introduced Carl Gurnell from Link-group, who joined the Committee via a remote link. Link-group are the Council's newly appointed Treasury Management advisors who will be working with the Council giving advice around investment, loans, debt management and management of treasury resources.

AU21 Draft Treasury Management Strategy 2022/2023 and update 2021/2022

The Finance Manager, updated the committee on the Treasury Management activities which had taken place during 2021/22 to date and the Treasury Strategy which was recommended for adoption for 2022/23. The strategy in 2021/22 had been to limit investments in third parties which would limit the Council's exposure to counterparty risk and to continue to take advantage of lower interest rates for borrowing which had generated a surplus within treasury management returns of more than £26m since 2015/16 and had reduced the impact of government cuts. The Council's budget for 2022/23 included an allowance to lock in all anticipated financing requirements at fixed interest rates that were higher than the current PWLB rates, but in line with Link's forecast, in order to ensure a robust Treasury Management strategy. In respect of external financing requirements, the Council was

complying with all prudential indicators and the Council continued to ensure the strategy was set within the parameters of the CIPFA code of practice.

A revised Code had been published by CIPFA in December 2021 with immediate effect, although councils may defer introducing the requirements until 2023/24 as part of a soft launch, and guidance was currently awaited. The Group Accountant noted that the Treasury Management Activities for 2021/22 which were set out in the report, together with the Treasury Policy Statement. Cabinet and Full Council approval would be sought for the full Strategy 2022/2023 and in relation to borrowing and prudential indicators.

In relation to Treasury Management for the financial year 2021/2022, up to December 2021, the treasury portfolio position for 31 March 2021 up to December 2021 showed overall indebtedness of £226.2m. Base rates continued to increase from 0.01% up to 0.25% and it was anticipated they would continue to increase in 2022/23. No rescheduling of debt had taken place during 2021/22 and a mix of temporary and long term borrowing has previously been approved and would involve short term investments in the Money Market Fund, Lloyds Banking Group and the Debt Management Office. During 2021/22 there had been one lease drawdown.

Members had attended a training session prior to the Audit Committee and that Treasury Strategy guidance and the accounting standards and framework had been covered during this session and it referred to the new CIPFA Code and the Treasury Management Public Services Code with guidance notes being expected in January.

Borrowing strategy remained consistent and had took advantage of low interest rates on short term borrowing and locking in long term borrowing after consultation with external advisors and was a continuation of the strategy from 2021/22 and included emphasis on the security of principal.

Upon being put to the vote, it was:

RESOLVED: - That

- a) **The Treasury Management activities for the first half of the year be noted;**
- b) **The Treasury Management Policy Statement be noted; and**
- c) **By way of vote, that Cabinet and Full Council approve the Treasury Strategy, including the Annual Investment Strategy for 2022/23 together with the associated Treasury Prudential Indicators, sources of borrowing and the Minimum Revenue Provision Statement, which will apply from 2021/22 onwards.**

AU22 Internal Audit Activity Report and Update to Internal Audit Charter 2022/2023

The Principal Auditor presented the Internal Audit report which gave an update on the progress made against the 2021/22 Internal Audit and an update on the Internal Audit Charter. It provided information on audit reports issued during this period with 12 audit

reports being issues. One report moving from limited to good for were now reasonable and the remaining seven had good assurance.

Amendments had been made to the f audit plan due to resource challenges and as a result 7 audits (54 days) were deferred until 2022/23. Unplanned work included an audit of the Council's processes for the recording of registers of interests for officers which was given a reasonable grading. Work also continued on commercial contracts with Academies and Town Councils with an additional Multi-Academy Trust signing up to the internal audit/scrutiny function. Internal Audit maintained a Quality Assurance and Improvement Programme which complied with the Public Sector Internal Audit Standards (PSIAS) alongside the normal quality review process.

In May 2021 requested that the Terms of Reference be reviewed to identify any additional responsibilities that could be included. Internal Audit undertook a benchmarking exercise with other Local Authority Audit Committees and for current good practice. It was identified that CIPFA had suggested that Audit Committees should have more oversight of climate change measures in order to effectively manage any associated risks

The Audit and Governance Lead Manager presented the Internal Audit Charter which defined the Internal Audit function, authority and responsibility in line with the Public Sector Internal Audit Standards (PSIAS) and would be reviewed annually. The Audit and Governance Team had access to all Council buildings and documents that they may need to see for audit purposes. The Audit & Governance Lead Manager had unfettered access to the Chief Executive, Chief Financial Officer, the Chair of Audit Committee and senior managers within the Council and he held a number of responsibilities towards risks and controls. It was asked that Members approve the Internal Audit Charter and the Terms of Reference.

Upon being put to the vote it was, unanimously:

RESOLVED – that:

- a) **The information contained within the report in respect of Internal Audit Planned Work undertaken between 1 September 2021 – 31 December 2021 and unplanned work to date be noted; and**
- b) **The revised Internal Audit Charter be approved.**

AU23 Updated position of the AGS Action Plan 2020/2021

The Audit and Governance Lead Manager provided the Committee with an update on the AGS Action plan for the 2020/2021 year. He briefly explained that there were a number of factors required to ensure a high standard of governance and this had improved in those areas it was required. The report showed the position of the action agreed and there was nothing that needed to be brought to the attention of the Committee as the report was for noting only

The report was noted.

AU24 PSIAS - External Assessment Procurement

The Audit & Governance Lead Manager presented the report on the External Assessment in respect of the Public Sector Internal Audit Standards (PSIAS). External Audit standards required that the Internal Audit function was externally assessed every five years. A previous assessment took place in January 2017 with a further assessment required to take place during 2022. The officers asked the Committee for approval in order that an assessment could take place. The standards required the Chief Internal Auditor to discuss the external assessment and qualification of external assessor with the Committee. Different methods could be used to secure an external assessment through a peer review, full procurement, hybrid models or being part external with these independent teams of assessors passing on their own report to audit on an annual basis.

The Audit and Governance Lead Manager had considered a number of options with regard to the requirements of the external assessment and these were set out in the report and he suggested that the third option, based around the idea of a hybrid model, being the best option to fulfil the external assessment and be more cost effective to fulfil the Council's objectives.

During the debate some Members felt confident that the hybrid model was preferable as they have both the Internal Assessment and the external independence which way better for the Authority as a safeguard.

Upon being put to the vote it was, unanimously:

RESOLVED - that the procurement route for an external assessment of Internal Audit against the PSIAS with final details to be agreed by the Audit & Governance Lead Manager in consultation with the Chair of Audit Committee and CFO be agreed.

AU25 Effectiveness of the Audit Committee survey results

The Audit and Governance Lead Manager presented the results of the survey on the effectiveness of the Audit Committee which had been undertaken as part of the good governance practice and in order to identify any training requirements of the Committee. The scheduling of the survey had been delayed due to the covid-19 pandemic. The report highlighted the areas for improvement although overall the survey results on the whole provided positive assurance of the effectiveness of the Audit Committee. Upon being put to the vote it was, unanimously:

RESOLVED – that the results of the effectiveness survey be noted.

The meeting ended at Time Not Specified

Chairman:

Date: Date Not Specified

1 SUMMARY OF MAIN PROPOSALS

1.1 For the Audit Committee to note and recommend to Council the Audit Committee's terms of reference to be adopted by the Council in May 2022.

2 RECOMMENDATION

2.1 That members of the Audit Committee note and recommend the terms of reference attached as Appendix 1 to be adopted by the Council at their May 2022 meeting

3 SUMMARY IMPACT ASSESSMENT

| | | |
|---|---|---|
| COMMUNITY IMPACT | Do these proposals contribute to specific Priority Plan objective(s)? | |
| | Yes | <i>The Audit Committee is part of the Council's Governance Framework encompassing the whole Council and therefore all of the Council's priorities.</i> |
| | Will the proposals impact on specific groups of people? | |
| | No | |
| TARGET COMPLETION/DELIVERY DATE | <i>Approval by Council at their May 2022 meeting.</i> | |
| FINANCIAL/VALUE FOR MONEY IMPACT | No | <i>Good governance processes support value for money in ensuring economy, efficient and effectiveness in the Council's decision making and processes. AEM 28.04.22</i> |
| LEGAL ISSUES | Yes | <i>The requirement for Terms of Reference for Council Committees is set out within the Council's Constitution. The Constitution also requires terms of reference to be reviewed on an annual basis. RP 04/05/22</i> |
| OTHER IMPACTS, RISKS & OPPORTUNITIES | Yes | <i>The Audit Committee provides assurance on good governance and that there is the proper identification and management of risks and robust control arrangements.</i> |
| IMPACT ON SPECIFIC WARDS | Yes | <i>Borough-wide impact</i> |

4 INFORMATION

4.1 There is a requirement in the Constitution for all Committees to annually review their terms of reference at their first meeting following Annual Council.

4.2 The Audit Committee terms of reference reflect the requirements of the Council under the Local Audit & Accountability Act 2014 in respect to the appointment of external auditors.

4.3 At the January 2022 Audit Committee, a report was presented to members detailing a comparison of its current terms of reference against the latest good practice and other local authority audit

committee terms of reference. It was agreed at this meeting that there would be 4 additions to the terms of reference for the Council's Audit Committee, these include:

- An increased overview of the Council's risk management framework
- Assurance on the Council's partnership arrangements
- Maintaining an overview of Local Government Ombudsman (LGO) investigations including the review of the LGO Annual Letter
- Assurance on the governance of the Council's climate change measures

5 IMPACT ASSESSMENT – ADDITIONAL INFORMATION

N/A

6 PREVIOUS MINUTES

- 6.1 Audit Committees – 1st meeting after the commencement of the municipal year

7 BACKGROUND PAPERS

Constitution
The Accounts & Audit Regulations 2015
Local Audit & Accountability Act 2014

Report by Rob Montgomery – Audit & Governance 383103

Audit Committee Terms of Reference

The Committee has the responsibility on behalf of the Council for the overseeing of the Council's audit, governance (including risk management) and financial processes.

Delegated matters (i.e. Matters which can be decided (resolved))

- 1 The approval (but not direction) of, and monitoring of progress against, the internal audit Charter and plan
- 2 Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary
- 3 To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee – governance (including information governance), internal audit, risk management, statement of accounts and external audit.
- 4 The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.
- 5 External Auditors:
 - a) Recommend the appointment of the External Auditors to the Council
 - b) Review and agree the External Auditors annual plan, including the annual audit fee
 - c) Receive regular update reports on progress and other reports of external auditor.
 - d) Meet privately with the external auditor as required.
 - e) Ensure that there are effective relationships between external and internal audit so that the value of the combined internal and external audit process is maximised
- 6 Consider the effectiveness of the Council's governance processes and their compliance with legislation and best practice including:
 - a) The Council's Code of Corporate Governance
 - b) The Council's Information Security Framework
 - c) The Council's Risk Management Framework
 - d) Receipt of the Caldicott Guardian's Annual report
 - e) Oversight of commercial projects
 - f) The management of opportunities and risks
 - g) Other corporate governance arrangements
- 7 Be responsible for the review and approval of the authority's Annual Governance Statement ensuring that it properly reflects the governance, control and risk environment and any actions required to improve it. Following approval, it should accompany the Accounts.
- 8 To review and monitor the Council's Treasury Management arrangements including treasury policies, procedures and the management of the associated risks and make recommendations to the Cabinet as appropriate.
- 9 Review and approve the Statement of Accounts, external auditor's opinion and reports on them to members and monitor management action in response to the issues raised by external audit.
- 10 To approve the Anti-Fraud and Corruption Policy and to recommend its adoption by the Council, and to monitor its operation. The policy will be reviewed at least once every two years.
- 11 To approve the Speak Up Policy ('whistle blowing') and to recommend its adoption by the Council, and to monitor its operation. This policy will be reviewed at least once every two years.

- 12 Recognising that Complaints/Compliments are a Cabinet function, the Committee should review the Annual Complaints Report and seek assurances that the Council is improving in response to complaints raised. This should include maintaining an overview of the Local Government Ombudsman (LGO) investigations including the review of the LGO Annual Letter.
- 13 The Audit Committee will seek assurance from officers in respect to the governance arrangements for partnership working.
- 14 The Audit Committee will seek assurance from officers in respect to the governance arrangements of the Council's climate change measures.
- 15 The meetings will follow the principles of scrutiny, i.e. no party whip will be applied and a constructive, evidence based approach will be used.
- 16 To ensure that adequate training is received by the members of the committee on the areas covered by these terms of reference.
- 17 To ensure that any sensitive or confidential information obtained as a result of membership of the Committee is treated as confidential.
- 18 Annually review their effectiveness and their terms of reference.

Informing the audit risk assessment for Telford & Wrekin Council 2021/22

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Agenda Item 6

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Telford & Wrekin Council's external auditors and Telford & Wrekin Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Telford & Wrekin Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

| Question | Management response |
|--|--|
| <p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p> | <p>Key events or issues that may have a significant impact on the financial statements for 2021/22:</p> <p>(i) The ongoing impact of Covid-19 – there is an impact on the outturn position including continued pressures and lost income. As in 2020/21, the Council has received specific grant funding relating to the pandemic which will be included in the financial statements as appropriate (following the Agent-Principal guidance). Impact on estimation uncertainty (including PPE and Pension Fund valuations) may have a higher degree of uncertainty due to the ongoing impact of Covid-19.</p> <p>(ii) Valuation of fixed assets –we are now working on a 3 year revaluation cycle for Property, Plant and Equipment with the aim of revaluing 70% of the Opening Net Book Value of assets each year. As in 2020/21, indexation will be used to evidence that the risk of misstatement is not material. The valuation date for 2021/22 is 31 December 2021.</p> <p>(iii) Any unforeseen legal rulings which have a financial impact on local authorities</p> <p>(iv) Adults & Children’s Social Care - the overall outturn position will be impacted by any additional pressures in Adults and Children’s Services in the financial year.</p> <p>(v) The Ukraine Invasion – the Council will respond to the humanitarian crisis and will receive Government grant funding to provide support to refugees. Any funding received will be accounted for as appropriate. This will continue into 2022/23.</p> |
| <p>2. Have you considered the appropriateness of the accounting policies adopted by Telford & Wrekin Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p> | <p>Yes, we consider the accounting policies appropriate.</p> <p>No changes are planned for 2021/22.</p> |

General Enquiries of Management

| Question | Management response |
|---|---|
| 3. Is there any use of financial instruments, including derivatives? If so, please explain | Financial instruments are carried in the balance sheet – Note 21 to the 2020/21 Statement of Accounts lists the various categories, which are expected to continue to apply in 2021/22. |
| 4. Are you aware of any significant transaction outside the normal course of business? If so, what are they? | No |
| 5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they? | Not currently. |
| 6. Are you aware of any guarantee contracts? If so, please provide further details | No |

General Enquiries of Management

| Question | Management response |
|---|--|
| <p>7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details</p> | <p>Nothing Material.</p> |
| <p>8. Other than in house solicitors, can you provide details of those solicitors utilised by Telford & Wrekin Council during the year. Please indicate where they are working open litigation or contingencies from prior years?</p> | <p>The Council instructs a number of external solicitors on a wide range of different matters. Most of these are for discrete pieces of work which do not involve litigation against or for the Council. See below for more information on these:-</p> <p>Browne Jacobson – property, commercial and contract matters. Ongoing basis. Ward Hadaway – school academies work. Sharpe Pritchard – ongoing contracts work in relation to key high-value contracts. Freeths – property and commercial work – ongoing. Weightmans – childcare out of hours service and Adult Social Care. Gowling WLG – single status – ongoing. Anthony Collins – commercial work – ongoing Womble Bond Dickinson – commercial work ongoing.</p> <p>NB. Despite what has been said at the outset, Weightmans are our out of hours childcare advice providers and, if circumstances dictate, will bring emergency proceedings in Court to protect a child pending the return of in-house solicitors on the next working day. This may include litigation on the part of the Council but, typically, in relation to interim proceedings such as an EPO.</p> |

General Enquiries of Management

| Question | Management response |
|--|--|
| | <p>Those matters where solicitors have been instructed in litigation are as follows:-</p> <p>BLM – instructed by our insurers in relation to claims made against the authority and for which insurance cover is provided. Primarily personal injury claims.</p> <p>Weightmans – instructed by our insurers in relation to claims made against the authority and for which insurance cover is provided. Primarily personal injury claims.</p> |
| <p>9. Have any of the Telford & Wrekin Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p> | <p>There have been no items of fraud, non-compliance with laws and regulations or uncorrected misstatements that would affect the financial statements.</p> <p>There has been a small number of fraud cases identified but these are not material in relation to the Council's financial statements.</p> |
| <p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p> | <p>Financial Advice obtained during 2021/22:</p> <p>Arlingclose Ltd/Link Treasury Services Limited</p> <p>Mercers (pension actuary – year end IAS 19 figures provided)</p> |
| <p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p> | <p>Yes, provision for expected credit loss (bad debts) have been included in the accounts as appropriate. The Council has a some soft loans which detailed in a separate note to the accounts. Credits losses on investments are also assessed in line with IFRS 9 guidance.</p> |

General Enquiries of Management

| Question | Management response |
|--|---|
| 11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details | Yes, provision for expected credit loss (bad debts) have been included in the accounts as appropriate. The Council has a some soft loans which detailed in a separate note to the accounts. Credits losses on investments are also assessed in line with IFRS 9 guidance. |

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Telford & Wrekin Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Telford & Wrekin Council's management.

Fraud risk assessment

| Question | Management response |
|--|--|
| <p>1. Has Telford & Wrekin Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p> | <p>The risk of material misstatement in the financial statements due to fraud is low because:</p> <ul style="list-style-type: none"> • Arrangements are in place to prevent and detect fraud which includes the work undertaken by Internal Audit, The Investigation Team, Revenues and Benefits Teams. • The Internal Audit plan covers the key systems which feed into the Statement of Accounts and audits are undertaken on a risk-based approach. • The Chief Executive, Executive Directors, Directors and Service Delivery Managers complete and sign assurance statements on an annual basis confirming that the governance framework has been operating effectively within their areas of responsibility. • There is an Anti-Fraud and Corruption Policy in place which is monitored and reviewed. Periodic reports are provided to Senior Management Team and cascaded to teams. Reports are also presented to the Audit Committee • The Council has an up to date Fraud Response Plan • The Council has an up to date Whistleblowing Policy |
| <p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p> | <p>The Investigation Team have a fraud risk register highlighting services most at risk, this has recently been updated. The Council has identified that Social Care is a key area most at risk to fraud. However, in terms of volume, risks are more prevalent in Revenues and Benefits.</p> |

Fraud risk assessment

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| Question | Management response |
|--|---|
| <p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Telford & Wrekin Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p> | <p>The Council receives allegations of fraud through various reporting channels. These reports can be for any service area within the council. A higher portion of these allegations relate to the Revenues service. Staff are encouraged to refer matters of fraud through these channels.</p> <p>Within these allegations or separately through the whistleblowing channels Telford & Wrekin Council can very occasionally receive allegations relating to members of staff committing acts of fraud. This can be in their capacity as an external customer or in the role as an employee. Since April 2021 there have been one investigation related to the staff member in the role within the council and not as an external customer. The financial sum of this fraud is less than £5K.</p> <p>Where appropriate any allegations of fraud are investigated and feedback is provided to the relevant service area. The Council will also send out internal communications in certain circumstances to remind employees of the need to be vigilant to the risks of fraud.</p> |
| <p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p> | <p>Risk/fraud matters are communicated in a number of ways including:</p> <ul style="list-style-type: none"> • Risk register reported to the Senior Management Team and Audit Committee • Barriers to achieving objectives are identified in the service planning process • Fraud alerts are sent to key stakeholders on certain topics • Fraud newsletter sent out to staff • Fraud content on the Council's intranet • Periodic meeting takes place between Chief Executive, Monitoring Officer, S151 Officer and Chief Internal Auditor which include discussing fraud/risk. |

Fraud risk assessment

| Question | Management response |
|---|--|
| <p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Telford & Wrekin Council where fraud is more likely to occur?</p> | <p>The risk of fraud at Telford and Wrekin Council is in line with the recognised fraud risks nationally. Revenues is the area that is most consistently affected by fraud. This is understandable as it is an area with a high number of transactions. Fraud can occur within liability issues, NNDR, CTR and SPD.</p> <p>The Government's COVID Business support grant scheme has opened up a new fraud opportunity. This is understandable because councils have been expected to pay out large sums of money in a short period of time with comparatively little verification/national guidance in place. However the Investigation Team have worked closely with Revenues to minimise and/or investigate fraudulent claims.</p> <p>Direct Payments within Adult Social Care is an emerging area of fraud and cases of suspected fraud are identified within this area and referred to the Investigation Team.</p> <p>There is a national concern about the growing of the risk of fraud within the procurement cycle. However locally this has not been an issue. In addition, the growing threat that organised crime poses to the Council, again recognised as a national issue, needs monitoring.</p> <p>There are no locations within Telford & Wrekin where fraud is more likely to occur.</p> |
| <p>6. What processes do Telford & Wrekin Council have in place to identify and respond to risks of fraud?</p> | <p>Processes in place to identify and respond to fraud:</p> <ul style="list-style-type: none"> •Internal Audit work plan. •Internal Audit along with the Investigations Team undertake proactive fraud work based on a fraud risk register. •Fraud and corruption activities are undertaken by Trading Standards. •Anti-Fraud & Corruption Policy. |

Fraud risk assessment

| Question | Management response |
|---|--|
| | <ul style="list-style-type: none"> Whistleblowing and fraud reporting procedures are in place which allow staff and members of the public to report concerns relating to fraud to the Investigation Team via a variety of channels. New online reporting mechanism Documented Fraud Response Plan <p>Frauds highlighted either from the National Anti Fraud Network (NAFN) or the West Midlands Fraud Group are communicated to appropriate stakeholders as soon as they are received</p> |
| <p>7. How do you assess the overall control environment for Telford & Wrekin Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p> | <p>Assurance is provided to the Audit Committee through:</p> <ul style="list-style-type: none"> Quarterly internal audit reports are presented to the Committee providing an update on the work of internal audit with particular focus on Amber and Red reports. Executive Directors/Directors/Service Delivery Managers attend committee, on request, to provide additional information where requested. Audit reports to the Senior Management Team regularly on the status of limited and poor assurance audit reports Each Executive Director/Director receives a copy of final audit reports in their area and also receive a summary of all audits quarterly. External Audit provide an Annual Audit Letter to the Committee highlighting any areas of concern and recommendations following the annual audit of accounts. |

Fraud risk assessment

| Question | Management response |
|--|---|
| 7. Cont- | <ul style="list-style-type: none"> •An Anti-Fraud Report is presented at the end of each financial year. •The Strategic Risk Register is presented to Audit Committee. •Finance & Legal comments in all reports; business case approval for major investments . <p>Management is not aware of any areas where there is potential for override of control or inappropriate influence over the financial reporting process.</p> <p>Reconciliations are undertaken regularly and there is appropriate separation of duties in place with review/challenge by Senior Finance Officers.</p> |
| 8. Are there any areas where there is potential for misreporting? If so, please provide details | No particular areas have been identified to date |
| <p>9. How does Telford & Wrekin Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p> | <ul style="list-style-type: none"> • Training –Fraud module included for all new starters. • Core Behaviours for all employees. • Induction of new employees. • Whistleblowing Policy. • Publicity on fraud matters that have been taken to court. • Anti-Fraud & Corruption Policy. • Money Laundering Policy • Codes of Conduct <p>The Whistleblowing Policy encourages staff to report any concerns regarding fraud and irregularity through a variety of channels. An additional reporting channel is now available via the Councils website.</p> |

Fraud risk assessment

| Question | Management response |
|---|--|
| | <p>The Council's Core Behaviours encourage staff to report any fraudulent/otherwise unacceptable behaviour.</p> <p>The authority receives allegations, most notably relating to Revenues related fraud by the general public, although referrals can be received relating to any service area within the Council.</p> <p>There have been some additional fraud allegations due to COVID primarily around business grants. The Investigation Team have worked closely with Revenues to look at these instances.</p> |
| <p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p> | <p>As previously mentioned the Revenues Service is the area with the highest number of cases of fraud due to the large volume of transactions and high values. The Investigation Team undertake considerable work in this area. There are strong reporting channels where staff and members of the public report their concerns.</p> <p>The Revenues Service undertake a number of matching exercises to identify risks in this area and they also take part in the National Fraud Initiative. Regular reviews of discounts and exceptions is another tool used to help reduce the risk of fraud.</p> <p>Direct Payment and Social Care is a growing area of fraud. Significant work has been undertaken by the Investigation Team to increase awareness of fraud in this area and encourage staff to report their concerns.</p> <p>The Investigation Team continue to promote the risk of fraud across the Council.</p> |

Fraud risk assessment

| Question | Management response |
|---|---|
| <p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p> | <p>We are not aware of any related party relationships or transactions that could give rise to fraud. Related party transactions have to be disclosed by elected Members and senior officers. All members and officers have to disclose relevant interests in the register of interests.</p> <p>Payments made to companies where a Member has an interest are reported to Audit Committee and included in final accounts.</p> |
| <p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p> | <p>The Audit Committee's terms of reference include a number of measures concerning internal control and fraud matters. In the main these include:</p> <ul style="list-style-type: none"> •Receiving regular updates on the work of internal audit which would include fraud risks •Receiving an annual report on anti-fraud and corruption •Approving the Councils Anti-Fraud & Corruption Policy and the Whistleblowing Policy |
| <p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p> | <p>In 2021/22 the Council has not received any whistleblowing referrals.</p> |

Fraud risk assessment

| Question | Management response |
|---|--|
| 14. Have any reports been made under the Bribery Act? If so, please provide details | No specific Bribery Act referrals have been made since April 2020. |

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Telford & Wrekin Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make enquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

| Question | Management response |
|---|---|
| <p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Telford & Wrekin Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p> | <p>Annually the Council produces an Annual Governance Statement giving information on governance assurance activity and overall audit opinion.</p> <p>The Council has a Monitoring Officer and Section 151 Officer who provide assurance both supported by adequately staffed and trained teams of professional officers.</p> <p>Council/Cabinet reports include a Legal Comment which is completed and signed off by a senior officer in Legal Services.</p> <p>The work of Internal Audit provides assurance to management in this area and grades individual recommendations where there is a legal/regulatory compliance issue.</p> <p>Although there are changes to the regulatory environment in which the Council operates, it is not anticipated that these changes will have a significant impact upon the Council's financial statements.</p> |
| <p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p> | <p>As above. The Monitoring Officer ensures lawfulness and fairness of decision making. The Monitoring Officer will report to Full Council if he considers that any proposal, decision or omission would give rise to unlawfulness. Other Statutory Officers of the authority also provide assurance in relation to their specific function.</p> <p>As stated previously the Audit Committee receives reports from both Internal and External Audit which include assurance opinions and where concerns have been highlighted.</p> |

Impact of laws and regulations

| Question | Management response |
|---|---|
| 3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details | <p>There have been no instances of non-compliance or suspected non-compliance with an ongoing impact on the 21/22 financial statements,</p> <p>The position will be reviewed again as part of the annual accounts process.</p> |
| 4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details | <p>It is considered that anything in excess of £50,000 would be reportable. Claims received by the Council are dealt with by its insurers. However, the financial liability associated with these claims is limited to the Council's insurance excess. In the current insurance year, that excess is £50,000 per claim. For claims relating to previous years, the excess is £20,000. Claims in relation to CSE cases have an excess of £100,000.</p> |
| 5. What arrangements does Telford & Wrekin Council have in place to identify, evaluate and account for litigation or claims? | <p>Legal and Insurance work together to identify and evaluate any potential litigation or claims against the Council.</p> <p>The Councils insurance claims handlers also identify and evaluate if there is any liability in respect to claims made.</p> <p>Potential liabilities are included in the Statement of Accounts.</p> |
| 6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details | <p>none</p> |

Related Parties

Matters in relation to Related Parties

Telford & Wrekin Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Telford & Wrekin Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

| Question | Management response |
|--|---|
| <p>1. Have there been any changes in the related parties including those disclosed in Telford & Wrekin Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Telford & Wrekin Council • whether Telford & Wrekin Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions | <p>Related party information will be collected as part of the year end processes and is not available yet for 2021/22.</p> |
| <p>2. What controls does Telford & Wrekin Council have in place to identify, account for and disclose related party transactions and relationships?</p> | <p>Register of Interests for Members and Officers</p> <p>Completion of annual declaration by Senior Officers and Members requested as part of Statement of Accounts process.</p> <p>Governance Statement.</p> <p>Declarations of interest made at Members meetings – recorded in minutes</p> <p>Related party relationships for Members reported to Audit Committee</p> |
| <p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p> | <p>See responses to Q2 above. Also, the normal approval process will apply; with Chief Executive, Executive Director and Director approval sought in line with the financial regulations.</p> |

Related Parties

| Question | Management response |
|---|--|
| 4. What controls are in place to authorise and approve significant transactions outside of the normal course of business? | There are no significant transactions outside the normal course of business, therefore not applicable. |

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

| Question | Management response |
|---|---|
| <p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Telford & Wrekin Council will no longer continue?</p> | <p>The Council has a Medium Term Financial Strategy in place which provides the funding required to meet agreed Council priorities, including the delivery of statutory services. As part of the MTFS process each year, estimates of funding streams are updated, together with service requirements and pressures, which includes statutory services. The resulting MTFS is therefore robust.</p> <p>Corporate monitoring of key targets is regularly undertaken and reported to Senior Management Team, which includes statutory services.</p> <p>Within Services, regular monitoring of business plan targets is undertaken, which includes statutory services.</p> |
| <p>2. Are management aware of any factors which may mean for Telford & Wrekin Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p> | <p>Statutory services will continue to be delivered. As mentioned above, funding streams are considered as part of the overall MTFS.</p> |
| <p>3. With regard to the statutory services currently provided by Telford & Wrekin Council, does Telford & Wrekin Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Telford & Wrekin Council to cease to exist?</p> | <p>The Council expects to continue to deliver statutory services currently provided for the foreseeable future.</p> |

Going Concern

| Question | Management response |
|---|--|
| <p>4. Are management satisfied that the financial reporting framework permits Telford & Wrekin Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p> | <p>Yes. The Council demonstrates strong financial management through its financial monitoring reports and prior year financial statements. Further, it has a robust and resilient MTFs and a well-established and robust governance framework.</p> <p>The Code states that as authorities cannot be created or dissolved without statutory prescription, the financial statements must be prepared on a going concern basis.</p> <p>There is no planned legislation to dissolve Telford & Wrekin Council</p> |

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

| Question | Management response |
|--|---|
| 1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures? | <p>Significant Estimates : PPE, Pension Fund valuations; expected credit losses; fair value of Financial Instruments; Single Status</p> <p>No changes in the methodology anticipated; but estimates may have a higher degree of uncertainty due to the ongoing impact of Covid. Management will consider advice from professional advisors (Mercers, Surveyors, Treasury Advisors).</p> |
| 2. How does the Council's risk management process identify and address risks relating to accounting estimates? | Disclosure notes are included in the accounts in line with the Code of Practice. |
| 3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates? | In conjunction with specialists e.g. Senior Valuation Officers in the Council, Mercers Pension Actuaries, Treasury Advisors. Also consideration of the economic climate and with reference to appropriate Codes, such as CIPFA guidance and the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors. |
| 4. How do management review the outcomes of previous accounting estimates? | Ongoing financial monitoring and review of annual reports and discussion/updates from Specialists. |
| 5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these? | No, the valuation date for Other Land & Buildings and Investment properties remains as 31 December therefore the potential for material misstatement to 31 March is significantly reduced. |

Accounting Estimates - General Enquiries of Management

| Question | Management response |
|--|---|
| 6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates? | <p>Professional expertise is used to provide estimates where Finance staff have insufficient expertise and knowledge:</p> <p>Land & Buildings/Investment Property Valuations – Internal Professional Valuers;</p> <p>Pension Liability – Mercers Actuaries</p> <p>Treasury – Link Treasury Services Ltd Treasury Advisors; PWLB year end valuations</p> |
| 7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts? | Professional advisors engaged; engagement letters/IAS 19 Accounting disclosures request; Code of Practice. |
| 8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts? | As above, reviewed annually in line with requirements. |
| <p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. | Disclosure notes in the Statement of Accounts; key areas covered as part of annual SOA Member training session provided to Audit Committee members. |

Accounting Estimates - General Enquiries of Management

| Question | Management response |
|---|---|
| 10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they? | No |
| 11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable? | Management are satisfied because .. updated information has been received from specialist as mentioned above, together with compliance with the accounting code of practice and using the best information available. |
| 12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ? | The accounting policies and notes included in the Statement of Accounts provide information. External Audit provide assurance. |

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Appendix A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|-------------------------------|---|-------------------------------------|---|---|---|
| Land and buildings valuations | <p>All valuations involving an inspection are carried out every 3 years on a rolling programme for operational properties, where at least 70% of the value of all properties will be completed on an annual basis. Assets to be revalued in year are completed at 31 December 2021.</p> <p>An impairment and valuation review is carried out as a desk value for properties not valued in year.</p> <p>Assets are depreciated on a straight line basis.</p> | Internal Valuer used | Use Estates & Investments Service (RICS Registered Valuers) for the property element of PPE valuations. | Valuations are based on recommendations by CIPFA and made in line with RICS guidance. Assumptions are set out in the valuer's report including comments on market uncertainty and alternative valuation methods that may return a different result. | No |

Appendix A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|--------------------------------|--|---|---|---|---|
| Investment property valuations | Investment properties are valued annually at Fair Value. An impairment and valuation review is carried out as a desk value for properties not valued in year. All assets are valued at 31 December 2021 | Internal Valuer used | Use Estates & Investments Service (RICS Registered Valuers) for the property element of Investment Property valuations. | Valuations are based on recommendations by CIPFA and made in line with RICS guidance. Assumptions are set out in the valuer's report including comments on market uncertainty and alternative valuation methods that may return a different result. | No |
| Depreciation | Depreciation is provided for all fixed assets with a finite useful life on a straight-line basis. | Consistent application of depreciation method across all assets. Checks are carried out by finance team. | Useful lives are confirmed through Estates & Investments where appropriate. | The asset is not depreciated until it is available for use and each significant part of PPE is depreciated separately. Asset lives are determined at acquisition/revaluation. Depreciation is calculated on a straight line basis. The asset lives are recorded in the asset register. | No |

Appendix A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|--|---|--|--|---|---|
| Valuation of defined benefit net pension fund liabilities Page 45 | The Council is an admitted body to the Shropshire County Local Government Pension Scheme. The administering authority (Shropshire Council) engage the Actuary who provides the estimate of the pension liability. | Payroll data is provided to the Actuary. Management reconcile this estimate of contributions to the actuals paid out in the year. Additional information will be submitted to the Actuary should the need arise e.g. McCloud judgements etc. | Consulting actuary | As disclosed in the actuary's report. Complex judgements including the discount rate used, rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. | No. |
| Single Status Provision – Schools and non-Schools | The amount in the accounts was originally based on 4% of the relevant pay bill, which was the best and only information available. A review was undertaken in 2019/20 and the total provision was reduced by £3m, following consideration of the current context. | Payroll data historically used | Internal service area – Single Status | The review undertaken in 19/20 considered the nature of service delivery (grounds, refuse and cleansing all provided by external contractors), and the restructuring programme which has taken place over the past 10+ years which reduces the potential future risk. There has been no change in past 2 years. | No |

Appendix A Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in year? |
|--|---|--|--|--|---|
| Impairment of bad debt – Collection fund debtors | Age debt / recovery stage analysis | Review of Collection rates | No | Although Collection Fund debtors are outside of the scope of IFRS9, the method used to establish debtors is broadly in line with that of Expected Credit Losses. | No |
| Fair Value of Loans | The Council values financial instruments at amortised cost. (The fair value of financial instruments are disclosed in the notes to the accounts). | Take advice from finance professionals | External Treasury advisors & PWLB | Take advice from finance professionals and external Treasury advisors. | No |



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Our ref: TW/UAE1

Pauline Harris
Addenbrooke House
Ironmasters Way
Telford
TF3 4NT

Dear Pauline,

Borough of Telford & Wrekin Council Financial Statements for the year ended 31 March 2022

As part of our audit of Borough of Telford & Wrekin Council's financial statements for the year ended 31 March 2022, we need to update our understanding of your accounting estimates, including all the key accounting estimates that will be included in Borough of Telford & Wrekin Council's financial statements this year. We do this to maintain our understanding of Borough of Telford & Wrekin Council and to comply with International Auditing Standards (ISAs (UK)).

International Auditing Standards place obligations on auditors to document their understanding of the entity and its environment, including the entity's internal control, in identifying and assessing the risks of material misstatement in the financial statements. [ISA \(UK\) 540 \(Revised\) Auditing Accounting Estimates and Related Disclosures](#) requires auditors to understand a number of matters related to your key accounting estimates (as set out in section 13 of the standard).

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the accompanying schedules. A separate schedule is included for each key accounting estimate that we have identified. If you are aware of any other material accounting estimates that will be included in your financial statements could you please add and complete an additional schedule for that estimate.

I would be grateful for your responses, if possible, by the 31 March 2022 to help inform our risk assessment and planning of our 2021/22 audit of the Council's financial statements.

Please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

David Rowley
For Grant Thornton UK LLP

Valuation of PPE – Land and Buildings

| Question | Management response |
|---|--|
| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | The COVID-19 pandemic and measures to tackle the pandemic continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly - and for the avoidance of doubt, the valuation as at December 2021 is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. |
| 2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change? | Valuations completed as per the Code and RICS Guidance. No |
| 3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change? | Valuations complete as per Code and RICS guidance i.e. all asset groups valued in same year No |
| 4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change? | The Asset Register is provided to valuers. A review of the asset groups was conducted with the valuers and cycle based on no. of assets and value of assets were agreed. No |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | Professional valuers from with the Council are engaged to complete the valuations required. The valuers are Registered Valuers and Members of the RICS. |
| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | Professional valuers/professional code (RICS)/CIPFA |
| 7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | Instructions are provided to the valuer so that expectations/requirements are known in advance. |
| 8. Were any changes made to the key control activities this year? If so please provide details. | No |
| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | Indices are applied to asset values for those assets not revalued in year to ensure the financial statements are not materially misstated. Management relies on professional opinion of valuer employed. |

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| 10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements? | Sensitivity disclosures included in the SOA note. |
|---|---|

Depreciation and Estimates Useful Lives estimates

| Question | Management response |
|---|--|
| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | A review has been conducted during 2021/22 to ensure that all assets have a EUL and that depreciation is being calculated. EUL's are in line with valuers assumptions. |
| 2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change? | As per the code. |
| 3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change? | As per the Code |
| 4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change? | Source data is from the asset register and valuers estimates. |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | Professional valuers |
| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | Asset lives are determined at acquisition/revaluation. Depreciation is calculated on a straight line basis. The asset lives are recorded in the asset register. |
| 7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | Yes. |
| 8. Were any changes made to the key control activities this year? If so please provide details. | Yes. Assets have been reviewed to ensure a EUL have been attributed. |
| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | The asset lives are recorded in the asset register. |

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| 10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements? | Included in disclosure note to the SoA. |
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Impairment of Receivables – Collection Fund

| Question | Management response |
|---|---|
| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | There is a process in place to calculate Collection Fund bad debts which is based on the best data available. |
| 2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change? | Age related debt profile / arrears analysis used as a recognised accounting practice. No |
| 3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change? | In line with accounting practice. No |
| 4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change? | Council Tax and NDR Collection fund data No |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | No |
| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | In year monitoring |
| 7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | Yes |
| 8. Were any changes made to the key control activities this year? If so please provide details. | No |
| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | Percentage of bad debt reviewed in light of collection data. |

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| 10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements? | Included in SoA Note |
|---|----------------------|

Valuation of the Defined Net Pension Fund Liability

| Question | Management response |
|---|---|
| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | Disclosure notes contained within the Financial Statements will be informed by information from the Actuary to be received. |
| 2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change? | Management engage the Pension Fund Actuary No. |
| 3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change? | The actuary determines the assumptions which are reviewed by Management. No. |
| 4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change? | Payroll Information requested by actuary in the final quarter of the year No. |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | Yes, the actuary |
| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | Payroll data is provided to the Actuary. Management reconcile this estimate of contributions to the actuals paid out in the year. Additional information will be submitted to the Actuary should the need arise e.g. McCloud judgements etc. |
| 7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | Yes; The Council is an admitted body to the Shropshire County Local Government Pension Scheme. The administering authority (Shropshire Council) engage the Actuary who provides the estimate of the pension liability. |
| 8. Were any changes made to the key control activities this year? If so please provide details. | No |

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| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | Disclosure notes contained within the Financial Statements. Fund performance which feeds into the overall pension liability calculation is based on 12 months (10 actual / 2 estimate). |
| 10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements? | Disclosure notes contained within the Financial Statements. |

Valuation of Investment Property

| Question | Management response |
|---|--|
| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | The COVID-19 pandemic and measures to tackle the pandemic continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly - and for the avoidance of doubt, the valuation as at December 2021 is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. |
| 2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change? | Valuations completed as per the Code and RICS Guidance. No |
| 3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change? | Valuations complete as per Code and RICS guidance i.e. all asset groups valued in same year No |
| 4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change? | The Asset Register is provided to valuers. All assets in this Fixed Asset category are revalued every year. No |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | Professional valuers from with the Council are engaged to complete the valuations required. The valuers are Registered Valuers and Members of the RICS. |
| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | Professional valuers/professional code (RICS)/CIPFA |
| 7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | Instructions are provided to the valuer so that expectations/requirements are known in advance. |
| 8. Were any changes made to the key control activities this year? If so please provide details. | No |
| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | Management relies on professional opinion of valuer employed. |

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| <p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p> | <p>Sensitivity disclosures included in the SOA note.</p> |
|--|--|

Fair Value of Loans estimate

| Question | Management response |
|---|--|
| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | Yes, disclosure notes contained within the Financial Statements. |
| 2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change? | Engage external advisors No. |
| 3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change? | Take advice from Finance Professionals No. |
| 4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change? | In conjunction with Treasury advisors / Treasury Portfolio No. |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | Treasury Management advisor. |
| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | Ensure nominal/principle value of loans matches with Balance Sheet information Review of Accounting Standards |
| 7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | Yes |
| 8. Were any changes made to the key control activities this year? If so please provide details. | No |
| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | Disclosure notes contained within the Financial Statements. |
| 10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements? | Disclosure notes contained within the Financial Statements. |

Single Status Provision – Schools and non-Schools

| Question | Management response |
|---|---|
| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | No |
| 2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change? | The amount in the accounts was originally based on 4% of the relevant pay bill, which was the best and only information available on the average cost of settlements at that time. A review was undertaken in 2019/20 and the total provision was reduced by £3m, following consideration of the current context. The assumed cost will have been reduced by action taken during the restructures carried out over the last 10 years and the creation of local job evaluation scheme. No |
| 3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change? | As above; no comparator or more up to date information available. The review undertaken in 19/20 considered the nature of service delivery (grounds, refuse and cleansing all provided by external contractors and no bonus schemes in place which was a major cause of inequality in some other councils), and the restructuring programme which has taken place over the past 10+ years which reduces the potential future risk. No |
| 4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change? | As Above No |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | Updates from the Single Status team on progress towards implementation – implementation has been delayed due to staff being redeployed to respond to the Covid pandemic. |
| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | Regular updates received on progress in implementing Single Status. Monitor any equal pay claims received (none to date) |
| 7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | Yes; the Council continues to work towards the implementation of Single Status. Only once work progresses will further information be available which will enable the estimate to be firmed-up. |
| 8. Were any changes made to the key control activities this year? If so please provide details. | No |

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| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | See Q7 above. Further, the single status settlement will be a negotiation in the context of the funds set aside |
| 10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements? | As above, the single status settlement will be a negotiation in the context of the funds set aside and the wider financial context facing the Council at the time of implementation. |

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1 SUMMARY OF MAIN PROPOSALS

1.1 For the Audit Committee to review and approve the 2021/22 Annual Governance Statement to accompany the annual accounts and the Local Code of Good Governance.

2 RECOMMENDATION

- 2.1 That members of the Audit Committee approve the Annual Governance Statement 2021/22, attached as Appendix 1 (including Annex 1), and note the information in the report
- 2.2 That members of the Audit Committee approve the Local Code of Good Governance (Appendix 2)

3 SUMMARY IMPACT ASSESSMENT

| | | |
|---|--|--|
| COMMUNITY IMPACT | Do these proposals contribute to specific Priority Plan objective(s)? | |
| | Yes | <i>The Governance Framework encompasses the whole Council and therefore all of the Council's priorities.</i> |
| | Will the proposals impact on specific groups of people? | |
| | No | |
| TARGET COMPLETION/ DELIVERY DATE | <i>Annual Governance Statement signed and ready to accompany the 2020/21 accounts.</i> | |
| FINANCIAL/VALUE FOR MONEY IMPACT | No | <p>The governance framework includes several financial elements, including the Council's financial regulations, the Medium Term Financial Strategy and the Treasury Management Strategy. These provide the financial parameters, systems, processes and guidelines within which the Council must operate and, as such, assist in the delivery of good governance. Strong financial management also supports the delivery of value for money in ensuring economy, efficiency and effectiveness in the Council's decision making and processes.</p> <p>The Council's external auditors give an opinion on the financial statements of the authority and a value for money conclusion in their opinion on the accounts and in their Annual Audit Findings Report each year which provides further assurance.</p> <p>KC 13/04/22</p> |
| LEGAL ISSUES | Yes | <p><i>The Council is required to comply with the requirements of the Audit and Accounts Regulations 2015. Regulation 6 of these Regulations sets out that the authority must undertake a review of the effectiveness of its internal control systems on an annual basis and prepare an annual governance statement. The annual governance statement must be approved in advance of the annual statement of account.</i></p> <p>AL – 13/04/2022</p> |

| | | |
|---|-----|---|
| OTHER IMPACTS, RISKS & OPPORTUNITIES | Yes | <i>Good governance supports the identification and management of risks and robust control arrangements.</i> |
| IMPACT ON SPECIFIC WARDS | Yes | <i>Borough-wide impact</i> |

4 INFORMATION

- 4.1 Under the Accounts and Audit Regulations 2015 the Council is required to produce an Annual Governance Statement and it is best practice that the statement is signed by the Leader and Chief Executive of the Council. This statement should accompany the Annual Accounts.
- 4.2 The Annual Governance Statement for 2021/22 is attached at Appendix 1 and has been developed based on the requirements of the regulations and CIPFA/Solace guidance¹. The statement includes an action plan (Annex 1) to ensure that we continue to improve our existing governance arrangements.
- 4.3 The action plan attached to the 2020/21 statement (implemented during 2021/22) has been reviewed and updated to reflect current progress. Any actions still on progress from the 20/21 plan have been incorporated into the 2021/22 action plan, see Annex 1 to this report.
- 4.4 The Annual Governance Statement and the Local Code of Good Governance outlines that the Council has a robust governance framework in place but that it is continually reviewing procedures to maintain and demonstrate good corporate governance. It is supported by risk management and sound systems of internal control which are paramount in these continuing times of financial constraint. The Council can be assured that during 2021/22, including during organisational and personnel changes, that the existing or revised governance arrangements have continued to support proper governance. Where required changes to procedures have been agreed by SMT and changes to the Constitution have been agreed by the Council, through the Council's Constitution Committee.
- 4.5 Assurance for the Annual Governance Statement is provided by all areas of the Council and externally by the following:
- a) Leader and Chief Executive – who sign the statement to acknowledge their responsibilities;
 - b) Senior management – Chief Executive, Executive Directors, Directors;
 - c) Chief Financial Officer;
 - d) The Monitoring Officer;
 - e) Members – Scrutiny arrangements, Standards Committee, Audit Committee and other Regulatory Committees;
 - f) Internal Audit;
 - g) Partners;
 - h) External Audit; and
 - i) Other external inspection agencies.
- 4.6 The 2021/22 Annual Governance Statement sets out adherence to the Council's governance arrangements that operated during the period – 1st April 2021 to 31st March 2022 and measures the effectiveness of them.
- 4.7 The Council's current Local Code of Good Governance was previously approved by the Audit Committee to reflect the CIPFA/SOLACE framework including revised principles and guidance but further application and good practice has been received during the year and the local code has

¹ Delivering Good Governance in Local Government: Framework (2016 Edition)

therefore been updated further. The Code continues to reflect the Council's culture and values. See Appendix 2 for a copy of the local code.

5 IMPACT ASSESSMENT – ADDITIONAL INFORMATION

N/A

6 PREVIOUS MINUTES

Cabinet – June 2021
Audit Committee - July 2021

7 BACKGROUND PAPERS

CIPFA/SOLACE – Delivering Good Governance in Local Government: Framework (2016 Edition)
Annual Audit 2020/21

Report by Rob Montgomery, Audit & Governance Lead Manager 383103



Annual Governance Statement

2021/22

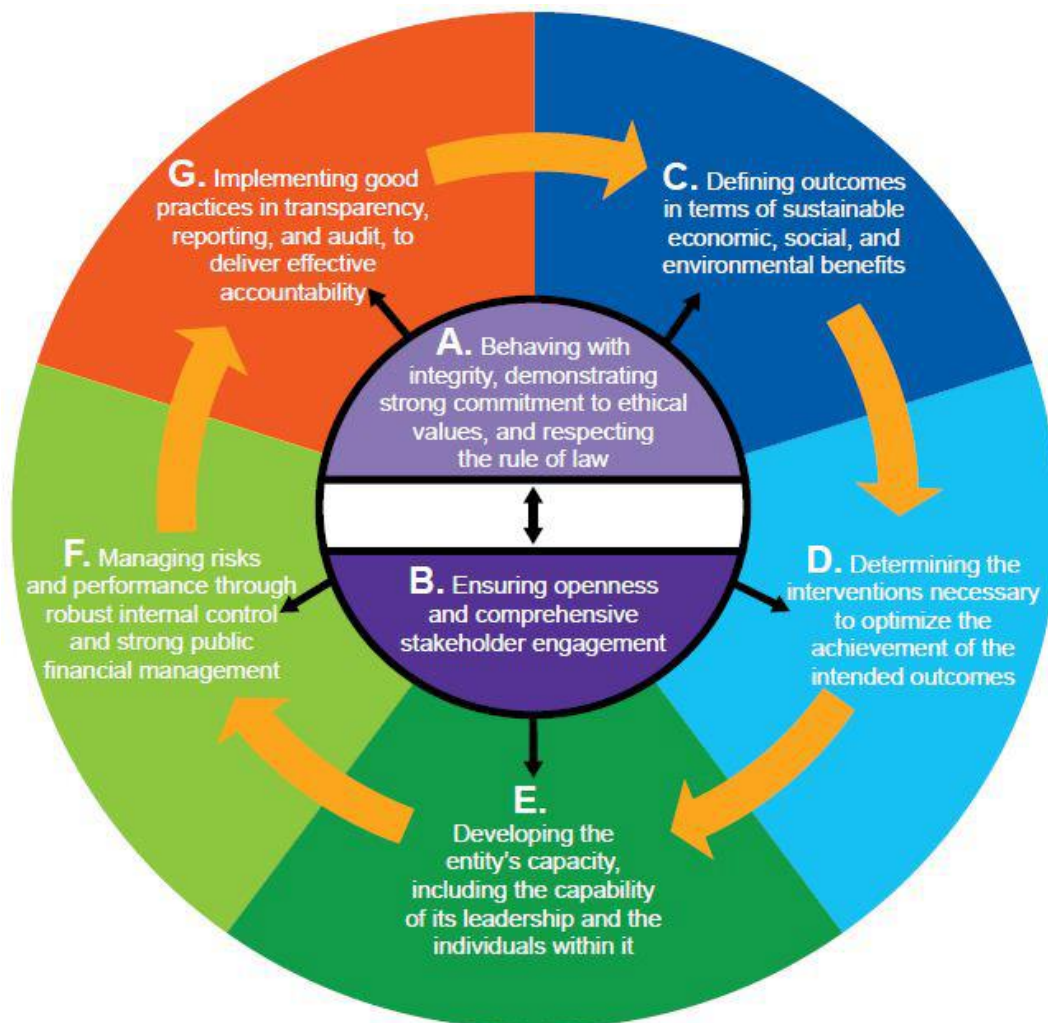


1. Introduction

1.1 Under the Accounts and Audit Regulations 2015 the Council is required to produce an Annual Governance Statement to accompany the Statement of Accounts which is approved by the Audit Committee.

The Annual Governance Statement outlines that the Council has been adhering to the Local Code of Corporate Governance, continually reviewing policies and procedures to maintain and demonstrate good corporate governance and that it has in place robust systems of internal control.

The Council has adopted the Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government.



CIPFA's Principles of Good Governance

2. Standards of Governance

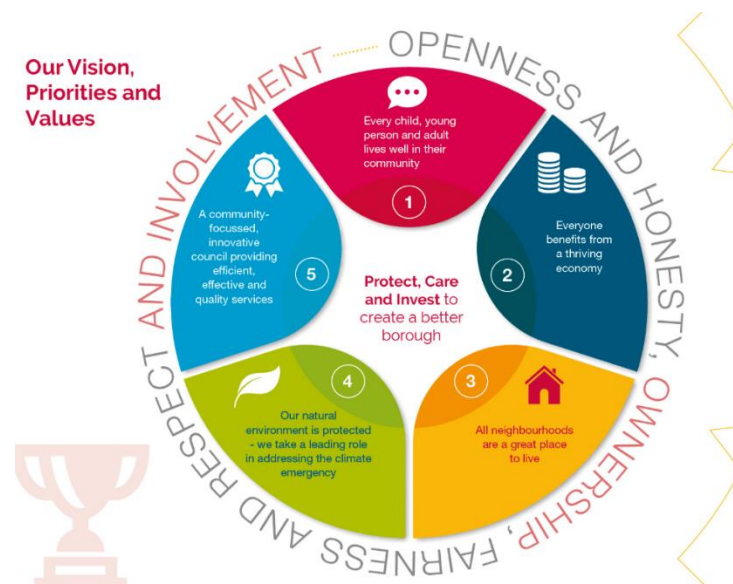
2.1 The Council expects all of its members, officers, partners and contractors to adhere to the highest standards of public service with particular reference to the employee and Members' Code of Conduct, Constitution, Corporate Vision, Priorities and Vision as well as applicable statutory requirements.

3. Scope of Responsibility

- 3.1 Telford & Wrekin Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Council needs to demonstrate that public money is safeguarded and properly accounted for and used economically, efficiently and effectively to secure continuous improvement.
- 3.2 To meet this responsibility, the Council puts in place proper governance arrangements for overseeing what it does including putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulations and ensuring the effective exercise of its functions. These arrangements are intended to make sure that the Council does the right things, in the right way, for the right people, in a timely, open and accountable manner. The Council takes into consideration all systems, processes, policies, cultures and values that direct and control the way in which we work and through which we account, engage and lead our communities.

4. The Governance Framework

- 4.1 The governance framework allows the Council to monitor how they are achieving their strategic aims and ambitions and how this contributes to the delivery of its vision, priorities and values:



- 4.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve priorities and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to appropriately identify, quantify and manage the risks to the achievement of the Council's priorities, objectives and policies.

5. Review of Effectiveness

- 5.1 Telford & Wrekin Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements including the system of internal control. The review of the effectiveness is informed by:-



5.2 The Council has faced continued challenges during 2021/22 particularly in respect to the ongoing effects of the COVID-19 pandemic.

The pandemic has meant changes to working practices which have required a greater degree of flexibility and risk based decision making at lower levels in the authority. However changes have been made within the boundaries of good governance.

The Council continues to deliver services to its community using new and developing practices. Underpinning this is support/instruction from central government and continued risk management from the corporate Gold Group.

5.3 The Council recognises the ongoing importance of information governance and formalised its Information Governance Framework. The main focus of the Information Governance Team in 2021/22 has been to:

- Ensure the Council’s continued compliance with the requirements of the General Data Protection Regulations (GDPR) / Data Protection Act 2018
- Updating relevant policies and procedures
- Support on the prevention and investigation of data breaches
- Provide advice and guidance in relation to new/revised way of working adopted by Council services

The Information Governance Team has continued to report to the Audit Committee and Senior Management Team during the year including information on responses to information rights requests and data security breaches. During 2021/22 no enforcement action has been taken by the Information Commissioner’s Office (ICO) against the Council in respect to data breaches.

- 5.4 The Chief Executive, Executive Directors, Directors and Service Delivery Managers have signed annual assurance certificates confirming that the governance framework has been operating within their areas of responsibility, subject to the actions outlined in Annex 1. Additional assurance has been requested for 2021/22 from the Senior Management Team and Service Delivery Managers in respect to controls/risk management measures that have been in place during the year. Internal Audit plan to undertake sample testing of completed certificates to provide additional assurance that adequate controls/risk management measures have been operating in 2021/22.
- 5.5 The Accounts and Audit Regulations 2015 require a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit, management, other internal assurance services and the External Auditors' review. The Internal Audit Annual Report 2021/2022 will set out the Internal Audit opinion.
- 5.6 The Council has been advised on the implications of the review of the effectiveness of the governance framework by Cabinet, Standards Committee, Audit Committee, Scrutiny, Senior Managers, Internal Audit and external review. The Chief Internal Auditor concludes that the review of the governance arrangements provides a reasonable level of assurance that these arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Internal Audit Work

One of Internal Audits key objectives, as detailed in the Internal Audit Charter is *'To review the effectiveness of the governance, risk management and control processes of the Council to aid improvement, provide a level of assurance and an opinion on them to the Council.'*

The work of Internal Audit is based on risk and the scope of each audit assignment, as a minimum, includes assessment of the governance, risk management and control arrangements put in place by management.

Despite some resource challenges, Internal Audit work have completed 51% of the revised risk based Annual Internal Audit Plan.

Internal Audit have ensured the Chair/Audit Committee and Senior Management Team have been kept informed of audit resource/work throughout the year.

Other Sources of Assurance

As stated above, reliance has been placed on other sources of assurance in 2021/22 with respect to the Chief Internal Auditors opinion. Other sources of assurance have been obtained from in year activity but also by reflecting on past opinions and the basis of these.

2021/22 has seen the Council consistently recognised as a well performing Council by a number of external bodies. Below is a summary of the recognition received.

The Local Government Association (LGA) peer review panel were very impressed with the Council and how it is run. They reported:

"The council can be very proud of what it is achieving, with it clearly being very ambitious, top-performing in key areas and striving constantly to deliver for local people."

"Telford & Wrekin fights for Telford and Wrekin' is a strong theme that came across during the course of our work, particularly from partner organisations."

The Council was named Cooperative Council of the Year in July 2021 by the LGA.

In September 2021, the Council were named Council of the Year by the Association for Public Service Excellence (APSE).

The Council's Executive Director for Children's Services was named Corporate Director of the Year at the MJ awards. This followed the Council's children services outstanding inspection by Ofsted in 2020.

The Council's Adult Social Care team were rated 'excellent' during a peer review by the Association of Directors of Adult Social Services (ADASS). ADASS stated *"Telford has exceptional adult social care operational delivery and partnerships relationships and is in a strong position to position itself as the leader of the population health, economic restoration and maximising the digital inclusion offer at the local place"*.

In addition, assurance has been provided by the following:

- Telford & Wrekin Council has a sound track record in respect to how it is run. This is important to note and is reflected in the 2021/22 audit opinion given. General risk management identifies 'likelihood' as a key determinant of the level of risk associated with an action/entity. Given that the Councils track record demonstrates strong governance arrangements and sound financial management, the likelihood of this changing considerably in the space of 12 months is relatively low.
- The Councils External Auditors have met with the Section 151 officer and Chief Internal Auditor throughout 2021/22 and have also attended Audit Committee meetings. During this time the External Auditor has not expressed any specific concern on the governance and/or financial arrangements operating within the Council.
- Other examples of assurance obtained in year include:
 - Shortlisted for Council and Senior Leadership Team of the Year by the Municipal Journal
 - Regular internal quality monitoring activity across many services
 - Family safeguarding peer review
 - Regular benchmarking undertaken in Adult Social Care
 - ADASS Peer review of Adult Social Care commissioning
 - Legal Services Lexcel accreditation
 - Completion of statutory returns, VAT returns, and grant claims, etc.
 - Regular IT penetration testing and security auditing
 - External scrutiny, reviews and inspections from the Home Office
 - Highways contract audit
 - Environmental Scrutiny Committee work on flood risk management
 - Completion of performance development discussions with staff
 - Regular performance, contract and financial monitoring
 - CQC inspection in My Options

Assurance obtained by reflecting on the past 3 years includes:

- The Chief Internal Auditors opinion has been that there a reasonable level of assurance that the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

- The External Auditor has stated that:

- Final accounts have been produced on time and in line with best practice
- An unqualified opinion has been given in the financial statements
- Financial statements comply with statutory requirements
- Financial statements give a true and fair view of the Council's financial position
- Proper arrangements are in place for securing economy, efficiency and effectiveness in its use of resources

In the Chief Internal Auditor's opinion the above assurance activity reflects that sound governance arrangements are in place as a number of the points above would not have been possible without adequate governance foundations being in place and embedded.

There has been no significant instances of fraud, poor risk management, poor financial management, etc. that would lead the Chief Internal Auditor to believe poor governance practices have been in place.

However, as part of the AGS certification process, there have been areas identified that do require development. Attached as Annex 1 is an agreed action plan to address these areas for development and ensure continuous improvement.

- 5.7 Issues from the previous action plan (2020/21) that have been addressed or mainstreamed have been deleted and those that continue to be addressed are included in 2021/22 action plan.
- 5.8 The Senior Management Team has monitored implementation of the 2020/21 actions and reported back to the Audit Committee in January 2022.
- 5.9 Detailed below is a statement explaining how the Council has complied with the Code of Corporate Governance and meets the requirements of the Accounts and Audit Regulations 2015 and CIPFA Code on the Principles of Good Governance.

5.10 Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law.

- 5.10.1 Members and officers, in the main, recognise the importance of compliance with the Constitution, specifically Financial and Contract Rules; Procurement Regulations, Scheme of Delegation, Codes of Conduct and Gifts & Hospitality Policy. However, some improvements are needed in this area and recommendations have been included in the 2021/22 AGS action plan.
- 5.10.2 There is ongoing training, both classroom based and via the on-line learning platform (OLLIE) for Codes of Conduct, Equality Awareness, Leadership & Governance and Contract Procedure Rules/Procurement.
- 5.10.3 The Council has an Anti-Fraud & Corruption Policy, supported by the Whistleblowing (Speak Up) Policy, encouraging internal referrals. The Council has a zero tolerance policy in relation to fraud and corruption and it is service management's responsibility to ensure there are adequate controls in their areas to ensure the opportunities for fraud are minimised. It is everyone's responsibility to report suspicions and the Whistleblowing (Speak Up) Policy supports this internally. Internal Audit along with the Investigations Team undertakes proactive fraud work based on a fraud risk register and/or other intelligence. Other specific anti-fraud and corruption activities are undertaken by Trading Standards. An annual report on anti-fraud and corruption activities and an update to the Anti-Fraud &

Corruption Policy and Whistleblowing (Speak Up) Policy is presented to the Audit Committee.

- 5.10.4 Officers comply with their professional organisations' codes of conduct when delivering services.
- 5.10.5 All Internal Audit reviews consist of an ethics questionnaire that is sent to a sample of staff in specific teams to demonstrate their understanding of key corporate policies.

Ethics questionnaire findings have been shared when discussing individual audits with relevant Service Delivery Managers and Directors and taken to SMT as part of reporting corporate recommendations. Summary findings from the ethics work have been included in the 2021/22 AGS action plan.

- 5.10.6 There are both internal and external reviews in social care to monitor compliance with the law, e.g. the Care Act, Deprivation of Liberties, Safeguarding and the Mental Health Act.
- 5.10.7 Human Resource and recruitment policies and processes ensure the Council is fully compliant with employment law. Annual audits are undertaken in these areas and ongoing checks take place to ensure compliance with IR35 legislation.
- 5.10.8 Senior officers meet regularly and work closely with Members to ensure that they understand and can undertake their respective roles effectively and legally.
- 5.10.9 The Cabinet monitors the effectiveness of the governance framework through the consideration of regular service and financial management information reports from senior management. Individual Cabinet Members receive regular feedback from senior officers in respect to their areas of responsibility on the progress of priorities and objectives. Issues of strategic and corporate importance are referred to Cabinet.
- 5.10.10 Statutory responsibilities across the Council are discharged openly and proactively, examples include having key statutory officers in place, i.e. Head of Paid Service, Data Protection Officer, Section 151 Officer, Monitoring Officer, Director of Children Services, Director of Adult Social Services, Director of Public Health and Scrutiny Officer.

5.11 Ensuring openness and comprehensive stakeholder engagement

- 5.11.1 The Executive Director for Housing, Communities & Customer Services is leading on the development of a new 10 year vision for the Borough that is being developed with key strategic partners. Development work is progressing including resident and partner engagement. The vision will be presented to Cabinet in the summer of 2022 for approval.
- 5.11.2 The Council actively contributes to, and collaborates with, partners to promote good governance and achieve the delivery of outcomes through increased joint working. The Council is a member of a number of sub regional partnerships and groups. Many of our services are delivered in partnership with other organisations such as West Mercia Energy, Town and Parish Councils, voluntary groups, etc. Internal Audit reviewed the arrangements for 'Together 4 Children' which is a partnership arrangement with three other local authorities.
- 5.11.3 Regular meetings take place between Children Safeguarding and key partner agencies such as the police, Telford & Wrekin CCG, Education and Health.
- 5.11.4 All Council services feed into transparent reporting processes through council committee meetings and this is further supported by the transparency agenda.

- 5.11.5 Annually the public is consulted on the budget for the forthcoming year.
- 5.11.6 There is regular engagement between Public Health, Telford & Wrekin Clinical Commissioning Group (CCG) and Social Care for the future provision of services.
- 5.11.7 The Scrutiny provision has looked at the development of policy, the decision-making process and areas of concern. The subject areas for review will be informed by community engagement, direct feedback to members from within the community, the results of review and inspection (both external and internal) and areas of policy being developed by the Council.

5.12 Defining outcomes in terms of sustainable economic, social and environmental benefits.

- 5.12.1 The Council Plan was refreshed in the autumn 2020. The plan identifies 5 priorities to deliver the Council's organisational vision to 'Protect, Care and Invest to Create a Better Borough'. The Council continues to develop commercial projects to generate income to invest in front line services to mitigate the impact of Government cuts and uncertainty over Government funding.
- 5.12.2 Digital transformation and changes in the way we work are intrinsic to the Council's service delivery model.
- 5.12.3 The Telford & Wrekin Local Plan sets out the Council's vision and strategy for the physical planning of the borough up to 2031. A planned review of the Local Plan has been paused as the Government announced changes to planning legislation. It is envisaged that the Council will publish an updated Local Development Scheme in the spring/summer of 2022.
- 5.12.4 All service areas have their own service plans which details how they intend to deliver their service for the coming year and the risks they face. These plans encompass identifying barriers to service objectives being met.
- 5.12.5 The Council has a commercial strategy / investment strategy that demonstrates clear visions, objectives and outcomes. This includes financial, economic, social and environmental issues.
- 5.12.6 The Council's economic growth strategy supports and drives increased economic productivity.
- 5.12.7 The financial strategy sets out the short and long-term implications for service delivery across the Council. The Service & Financial Planning reports include various papers to Cabinet regarding the budget and sets out short/ medium and long-term implications, including the capital strategy and saving strategy.
- 5.12.8 Adult Social Services, in respect of financial management and the implementation of the cost improvement plan, have continued to provide updates during the year to SMT and Members.
- 5.12.9 All Council reports to Members show relevant financial implications and risk.
- 5.12.10 Implementation of the ICT Strategy has continued, including infrastructure upgrades, the ongoing roll-out of Office 365/applications and further security improvements particularly in response to spam, phishing/ whaling and ransomware threats.

5.13 Determining the interventions necessary to optimise the achievement of the intended outcome.

- 5.13.1 The 2021/22 Service & Financial Strategy including the Treasury Management Plan are aligned to the refreshed Council Plan – setting out how our financial resources will deliver the Council vision and priorities.
- 5.13.2 Budget plans are produced for all service areas for planning purposes. Budget consultation is undertaken annually with Council Members and members of the public.

5.14 Developing the Council's capacity, including the capability of its leadership and the individuals within it.

- 5.14.1 The Workforce Strategy was approved in 2021 and is available to all employees on our intranet. The strategy has 5 priorities which were informed by the results of the employee survey and consists of the following priorities:
- Our workforce will have the skills and abilities to deliver our priorities and will have the opportunity to further develop
 - Our managers will be leaders and will empower staff to deliver our priorities
 - Our organisation will be more diverse and inclusive offering a voice and fair treatment for all
 - Our workplace will be healthy and we will support our employees wellbeing
 - Our employment package will be attractive that offers (and will offer) fair terms and conditions
- 5.14.2 Officers understand their respective roles and these are set out in job descriptions. The Constitution, Scheme of Delegation and Contract Procedure Rules clearly shows roles and responsibilities, specifically with regard to delegation and authorisation.
- 5.14.3 There are various training methods available to staff such as mentoring, Ollie (On-line learning platform) and virtual face to face. A new leadership and management programme launched in January 2022 for the SMT cohort. The SDM cohort will launch in May 2022 and in the autumn for Team Leaders. Work is also underway to work with Directors to look at opportunities for apprenticeships in their areas to meet service needs, this includes upskill as well as new recruits. Work to review and refresh induction is underway and will be completed in spring 2022.
- 5.14.4 Other support includes CPD sessions, team meetings and ongoing 1:2:1s, however results of the ethics questionnaires have demonstrated that a small number of staff still do not have regular 1:2:1 supervision meetings.
- 5.14.5 Members receive an induction session and annual training with regard to the Treasury Management Strategy and other training relevant to their position. All Members and staff have had the opportunity to undertake training on General Data Protection Regulations (GDPR) / Data Protection Act (DPA) 2018 legislation. There is also online training available to all staff on GDPR/DPA 18 Requirements.
- 5.14.6 The action plan at Appendix A of this statement detail issues highlighted from the results of the annual governance certification process

5.15 The Council continues to manage risks and performance through robust internal control and strong public financial management.

- 5.15.1 Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. Our approach to managing risk is explained in our Risk Management Strategy. The Strategic Risk Register is reviewed by SMT and considered by Audit Committee annually.
- 5.15.2 The Internal Audit plan is informed by the Council's service and financial planning processes, strategic risk register, external inspection reports, external networking intelligence, comments from Senior Management and their opinion of the current state of the governance risk and internal control arrangements.
- 5.15.3 During 2021/22 the Internal Audit team achieved 51% of their revised planned work and this has been used, in part, with the relevant output from unplanned work to help form their opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control framework.

All recommendations made in audit reports show a risk category which is used to inform the overall grading of the report.

- 5.15.4 The Chief Internal Auditor has undertaken checks on the work of Internal Audit as part of the Quality Assurance Improvement Program. A small number of minor issues have been identified through these checks and have been fed back to the Internal Audit Team to assist in their continuous improvement.
- 5.15.5 Internal Audit report to the Audit Committee 4 times a year. The Audit Committee has asked for additional information during the year to provide assurance on the management of risks and implementation of recommendations. The Audit Committee have also approved the Internal Audit Charter for 2021/22.
- 5.15.6 Large projects include the maintenance of a project risk register; this is an ongoing working document that is amended throughout the project. Where personal data is processed, projects also include the completion of Data Protection Impact Assessments.
- 5.15.7 The Council has adopted the CIPFA code of practice for managing the risk of fraud and corruption and this has been reflected in our updated Anti-Fraud & Corruption Policy and Whistleblowing (Speak Up) Policy.
- 5.15.8 Services report regularly to Council committees such as Audit Committee, Planning, Licensing, Cabinet etc. These reports detail any impact assessment, including risk and opportunity. Financial decisions are reported to Cabinet, full Council and Audit Committee, who often challenge to ensure appropriate financial management and to demonstrate transparency.
- 5.15.9 Financial Regulations set out our financial management framework for ensuring we make the best use of the money we have available. Financial roles and responsibilities are clearly shown in the Financial Regulations and it provides a framework for financial decision-making. The regulations have been checked against the post-Brexit legislative framework and a further full review is expected in 2022/23.
- 5.15.10 The Treasury Management Strategy and regular updates on treasury matters are provided to Audit Committee. This information clearly show investments, loans, and the financial position of the Council. The Council appointed new Treasury Management advisors in 2021/22. The new advisors are Link Treasury Services.

- 5.15.11 The Council's financial strategy identifies the short term budget plan and long term aspirational plan linked to the corporate plan to be a self-sustaining council.
- 5.15.12 A review against the new CIPFA FM Code has been undertaken which was considered by the Council's senior management team. Following this, a small number of changes are being implemented to further strengthen the Council's financial management arrangements including making more use of scenario planning.
- 5.15.13 The Council's External Auditors have not completed their report for 2021/22. However the S151 Officer and Audit & Governance Lead Manager (Chief Internal Auditor) have met with External Auditors periodically throughout 2021/22 and the External Auditors have commented that they do not expect to report any problems with the final accounts. Therefore the expectation is that the External Auditors opinion will mirror the opinion for 2020/21 which stated:

“Value for Money conclusion - Based on the work we performed to address the significant risk we identified, we are satisfied that the Council has proper arrangements for securing economy, efficiency, and effectiveness in its use of resources”

An unqualified audit opinion was, once again, received by the Council in respect of 2020/21.

- 5.15.14 The Council has continued to make savings in the light of ongoing financial pressures. £133.7m of ongoing savings had been delivered by the end of 2021/22 with a further £9.9m to be delivered by the end of 2023/24. Forecasts of the level of savings that will be required from April 2023 onwards are very difficult to make in the absence of any Government funding settlement information beyond the March 2023 being available and potential significant changes that may be made to the local government finance system. However, it is likely that the Council will continue to face a very challenging financial outlook for the foreseeable future.

5.16 Implement good practices in transparency, reporting and audit to deliver effective accountability

- 5.16.1 As a public body we endeavour to be open and transparent in our activities and reporting. Council and committee agendas, reports and minutes are published on our corporate website to demonstrate decisions made. The Council undertake public consultation on areas such as the budget. We publish expenditure over £100 on our website, as part of the transparency agenda.
- 5.16.2 The Audit Committee has responsibility for internal and external audit matters, the Council's arrangements for corporate governance and risk management.
- 5.16.3 The Audit Committee terms of reference also incorporate the review and monitoring of the Council's Treasury Management arrangements. Members of the Committee are kept up to date through awareness training on factors that influence/affect delivery of the strategy and during the year were provided with an update on these matters by Link Treasury Services, the Council's Treasury Management advisors.
- 5.16.4 There are various committees, all with their own terms of reference and areas of responsibility, i.e. Licensing Committee, Planning Committee, and there are elected members who are responsible for service areas within the Council.
- 5.16.5 Arrangements are in place to ensure Internal Audit fully complies with the Public Sector Internal Audit Standards (PSIAS). A self-assessment of the Internal Audit function against the requirements of the PSIAS was undertaken in 2021/22. The results demonstrated that

Internal Audit were compliant with the PSIAS and this was reported to the Audit Committee. An external assessment of PSIAS compliance has been arranged (as required by law) and will take place in 2022/23.

- 5.16.6 The Internal Audit plan is developed using a risk-based approach taking into consideration the Strategic Risk Register, Service Plans and other audit intelligence. Audit recommendations made are communicated to relevant Service Delivery Managers and relevant Senior Management representatives for consideration and implementation of recommendations. Internal Audit will share best practice in the duty of their work. The Audit plan is reviewed regularly to ensure it is still relevant and any changes made are reported to the Audit Committee.
- 5.16.7 The Council's Communication Team works with Officers and Members to ensure key messages are easy to understand and in accessible formats to meet the diverse needs of our borough.
- 5.16.8 The Council's performance management framework is monitored by the Senior Management Team and has procedures in place that drive continuous improvement in performance. More robust reporting has taken place during 2021/22.
- 5.16.9 The Council has identified lessons learnt from corporate complaints and complaints made to the Local Government Ombudsman and implemented measures accordingly.

| | Signed | Dated |
|---|--------|-------|
| David Sidaway Chief Executive | | |
| Cllr Shaun Davies Leader of the Council | | |
| Cllr Nathan England Chair of Audit Committee | | |
| | | |

AGS ACTION PLAN FOR 2021/22 FOR IMPLEMENTATION DURING 2022/23

| No | Findings | Actions | Lead Officers | Additional comments |
|----|--|---|---|---------------------|
| 1. | <p>Ongoing savings proposals and continued strategic management of organisational changes to continue particularly in light of COVID19.</p> <p><i>Ongoing from 20/21 AGS</i></p> | <p>Continued management/reduced budgets, revised structures and commercial/ business approach which links to the continued development and implementation of revised governance framework.</p> <p>Financial impact of COVID19 under ongoing review.</p> <p>Further consultations on future savings where necessary.</p> | <ul style="list-style-type: none"> • Chief Executive • SMT | |
| 2. | <p>All internal audits consist of an ethics questionnaire that is sent to a sample of staff in the team/areas being audited to demonstrate their understanding of corporate policies and whether staff feel supported.</p> <p>In a small number of responses returned it was noted that:</p> <ul style="list-style-type: none"> • <u>Some</u> staff felt that training and awareness could be developed further • <u>Some</u> staff do not have regular 1:2:1 supervision or team briefs | <p>The induction process has already been updated and improved and further development is being carried out as part of an ongoing review of our employee offer.</p> <p>Further guidance for managers in respect to completion of regular 121's, supervision and team briefs.</p> <p>Development of service strategies underpinned by team plans which link to the Councils priorities. This link to the APPD process creating the organisational golden thread</p> <p>Roll out of a new, bespoke management and leadership programme commenced in January</p> | <ul style="list-style-type: none"> • SMT/SDM • Policy & Development Manager | |

| No | Findings | Actions | Lead Officers | Additional comments |
|----|---|---|--|---------------------|
| | <p>These findings have been shared when discussing individual audit reports with relevant SDM's and Directors and taken to SMT as part of reporting corporate recommendations.</p> <p><i>Ongoing from 20/21 AGS</i></p> | <p>2022 and forms part of an 18 month programme to contribute to the development of our employees.</p> | | |
| 3. | <p>A small number of responses from Internal Audit ethics questionnaires sent out indicated that those staff questioned could have a greater awareness of some corporate policies.</p> <p><i>Ongoing from 20/21 AGS</i></p> | <p>Governance reminders sent to staff.</p> <p>Training and further publicity given on fraud/whistleblowing with new methods of reporting made available.</p> <p>Reminders on relevant policies applicable to the work undertaken by those being audited, and applicable to the wider workforce will be recirculated; for example, the Employee Code of Conduct, the Whistleblowing Policy, the Business Activity & Private Work Policy and the Corporate Information Security Policy.</p> | <ul style="list-style-type: none"> • SMT/SDM • Policy & Development Manager • Audit & Governance Lead Manager | |
| 4. | <p>The results of the annual governance certification process highlighted that in some service areas there were reductions in appropriate skilled staff numbers. Difficulties in recruiting have resulted in single points of failure or the use of agency staff.</p> | <p>Number of initiatives in place including service and workforce planning, apprenticeship scheme, Kickstart programme, etc.</p> <p>New bespoke management and leadership programme commenced in January 2022.</p> | <ul style="list-style-type: none"> • Chief Executive • Director of Finance & Human Resources • Policy & Development Manager | |

| No | Findings | Actions | Lead Officers | Additional comments |
|----|--|---|--|---------------------|
| | <p>Service Delivery Managers are aware of these issues and where possible are putting measures in place to try and mitigate this.</p> <p><i>Ongoing from 20/21 AGS</i></p> | <p>Additional recruiting measures being used via social media platforms.</p> | | |
| 5. | <p>The results of the annual governance certification process has highlighted that service areas have experienced data breaches and potential near misses in respect to personal data.</p> <p>Where data breaches have been experienced, these have been reported to the Information Governance Team and managers have changed processes and procedures, where possible, based on lessons learned to prevent similar breaches occurring.</p> <p>It should be noted that the Information Commissioners Office has not taken any action against the Council during this time.</p> <p><i>Ongoing from 20/21 AGS</i></p> | <p>Information Governance to:</p> <ul style="list-style-type: none"> • To ensure lessons are learnt after each breach and suggested improvements communicated corporately where applicable. • Audit & Governance to review current training materials. • The Information Security Breach Procedure has been updated and is available on the Council's intranet. This has been publicised to all staff. • Breaches are reported to the individual Director as and when they occur • Corporate Information Security Policy recirculated to relevant staff members • Breaches are reported to Senior Management Team meetings on a regular basis | <ul style="list-style-type: none"> • SIRO/SMT • SDM's • Audit & Governance Lead Manager | |

| No | Findings | Actions | Lead Officers | Additional comments |
|----|---|--|--|---------------------|
| 6 | <p>A small number of managers reported delays in destruction of documents in line with retention policies throughout the year due to limited access to the secure storage areas as a result of COVID.</p> <p>These access issues have subsequently eased.</p> | <ul style="list-style-type: none"> • Reminder to be sent to staff in relation to access to all Council buildings including. • Reminder to be sent on the use of the Council's document storage unit. • Reminder to be sent to staff on the importance of complying with the Corporate Information Retention Schedule. | <ul style="list-style-type: none"> • SDM's • Audit & Governance Lead Manager • biT Service Delivery Manager | |
| 7 | <p>A small number of managers confirmed that their service's internal intranet content required updating.</p> | <p>Reminder to be sent to SDM's on keeping intranet content up to date.</p> | <p>SDM's</p> | |

Delivering Good Governance in Telford & Wrekin Council Local Code of Good Governance 2022/23

Definition:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

In order for the Members and Employees² of Telford & Wrekin to deliver good governance whilst working to achieve the Council's objectives they must **act in the public interest at all times.**

Public Interest Principles

- Acting in the public interest requires a commitment to and effective arrangements for:

- A. Behaving with integrity, demonstrating strong commitment to ethical values (including the Council's values³), and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement (including with individual citizens, service users and institutional stakeholders)

- Achieving good governance also requires a commitment to and effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining and planning the actions necessary to optimise the achievement of the intended outcomes
- E. Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Member and officers.
- F. Managing risks, performance and data through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and assurance (including audit) to deliver effective accountability.

Annex 1 of this document details the framework in place to deliver good governance.

Monitoring and Review

This Local Code of Good Governance is subject to regular review including assessing the effectiveness of the processes contained within the Code.

The results of this review are reported as part of the Council's Annual Governance Statement.

The table below explains how the Council meets the core principles, systems, policies and procedures it has in place to support this.

² Employees include partners, joint arrangements and volunteers.

³ Fairness & Respect – Ownership - Openness & Honesty - Involvement

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

- Member and Officer Codes of Conduct underpin the standards of behaviour expected by members and officers
- Designated statutory officers in place – Head of Paid Service (Chief Executive), Chief Financial Officer (Finance & Human Resources Director), Monitoring Officer (Policy & Governance Director), Director of Children’s Services (Children’s Safeguarding & Family Support Director), Director of Adult Services (Adult Social Care Director) and Director of Public Health (Health, Well-Being & Commissioning Director)
- The Constitution (which includes the scheme of delegations, financial regulations and contract standing orders), Forward Plan and decision making processes
- A Legal Services team to ensure that the Council operates within existing legislation and is aware of and acts upon proposed changes to legislation
- The Standards Committee, Audit Committee, scrutiny function and other regulatory committees
- Anti-Fraud and Corruption, Speak Up and Prosecution policies support the Council’s governance processes and anti-fraud and corruption culture
- The democratic decision making and accountability processes contained within the Constitution
- The development of internal controls and checks within new systems and when existing systems are reviewed
- The Council’s financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)
- Clear governance arrangements to manage the Council’s change programmes and restructuring occurring across the Council and key capital projects
- The Adults and Children’s Safeguarding Boards and their associated accountability with an independent Chair

Core Principle B: Ensuring openness and comprehensive stakeholder engagement (including with individual citizens, service users and institutional stakeholders)

- Adoption of an Information Rights Policy that details how information requests will be handled
- Adoption of a Data Protection Policy and Privacy Notice which details how the Council processes personal data
- The Council’s Information Governance arrangements include a Caldicott Guardian and an Information Governance Framework sponsored by a designated Senior Information Risk Owner (SIRO), data and information security and sharing policies and procedures. There is also a comprehensive training and awareness programme
- The Executive Director – Housing, Communities & Customer Services is leading the development of a new vision document for the borough
- Standard format for all agenda, reports and minutes for Council/committee meetings that are posted on to the Council’s website.
- The Council’s Medium Term Plan which outlines the Council’s ambitions and priorities based on stakeholder feedback and these inform the service and financial planning process and personal targets
- Council Vision, Priorities and values
- Council website provides help to residents to understand the Council’s vision, priorities and values and to access services
- Local consultation has taken place using specific consultation and engagement activity for services and service areas
- Customer satisfaction survey undertaken
- The Council’s communication, consultation and engagement strategies ensure that the local community knows what the Council is doing, receives feedback from them including the identification of their needs for incorporation into the Council’s vision, priorities and values

Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

- Comprehensive budget strategy and management of the associated risks of reduced resources provides robust financial management and regular reporting to members;
- A process for the completion and approval of business cases for use of the Capacity fund, Invest to Save fund and use of consultants
- The Performance management framework and data quality systems. These provide reports to SMT and Cabinet
- Projects are managed, as appropriate, within the principles of good practice. This includes risk identification and management
- The Council has an Environmental Policy highlighting its commitment to sustainable environment. It also has a Sustainable Procurement Policy
- A Social Value Policy Charter is in place that is designed to assist commissioners and procurers to maximise opportunities to improve the social, economic and environment condition of our local area through effective commissioning and procurement.

Core Principle D: Determining and planning the actions necessary to optimise the achievement of the intended outcomes

- A standardised format of decision making reports is used to ensure that all relevant information is considered. Options are clearly defined and analysed to ensure decisions are based on the best possible information.
- The Commissioning Strategy is applied to ensure clear alignment to need
- There is a clear reporting mechanism for performance information which is presented alongside the financial information for the corresponding period.
- The Council's performance framework links directly to the Council's outcomes. Performance is reported regularly to members.
- The annual budget is prepared in line with agreed priorities. The Council publishes its Financial Strategy annually to set an indicative three year financial plan to fit the longer term strategic vision as well as a detailed one year budget. This is intended to include realistic estimates of revenue and capital expenditure.
- Resources to assist commissioners and procurers to demonstrate the range and amount of social value generated or the financial value to society as a result of the social value they generate.

Core Principle E: Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Member and officers

- The Council's Human Resources function and workforce /organisational development procedures⁴ are supported by clear recruitment processes. These are followed up by on-line induction training (which includes information on the constitution, key policies, procedures, laws and regulations appropriate to the post and experience of the post holder) and on-going training and development;
- A Member development programme to ensure members are properly equipped and have the capacity to fulfil their roles;

⁴ Further development work has continued on these to reflect Organisational Development, the Councils priority of Business Supporting, Business Winning Council and increased Commercial activities.

- Governance awareness and training for members within their member development programme and for officers through induction, Ollie and Staff news (updates/reminders on any revised governance arrangements, including information governance).
- Management development programme
- Use of Learning Pool as an online learning and training tool that allows courses to be tailored to Council and individual needs
- A Scheme of Delegation that is reviewed annually in light of legal and organisational changes.
- A Constitution that sets out financial management arrangements through the Financial Regulations and Contract Procedure Rules.
- Members are updated on legal and policy changes etc. as required.
- Induction programmes for all members and employees.
- Essential learning for employees is identified and made available
- Staff are annually appraised which includes the identification of training and development needs and drawing up of training action plans to address these
- Apprenticeship Programme in place offering training, skills and experience in Local government.
- Health and Safety policies designed to protect and enhance the welfare of staff are actively promoted and monitored.
- A coaching and mentoring scheme is in place to build a pool of people who are skilled in facilitating personal development tools and to develop internal coaching capacity. This network provides group and individual personal development and coaching support to help people
- Corporate wide employee survey
- Cabinet Member for Finance & Governance is the lead members responsible for Corporate Governance including Risk Management. The key officer for Corporate Governance including risk management is the Chief Executive. The service and financial planning process incorporates risk management and strategic risks are reviewed by SMT and agreed by the Cabinet

Core Principle F: Managing risks, performance and data through robust internal control and strong public financial management

- Risk management arrangements that are embedded across all service areas as part of the service planning process and help inform decision making.
- The Senior Management Team, regularly reviews the strategic risk register, and seeks assurances that it is kept up to date and actions to mitigate risks are implemented.
- Operational risks are reviewed by risk owners on a periodic basis.
- Council strategic risks have been identified and a member of the Senior Management Team assigned as the risk owner for each risk.
- The Council has scrutiny committees which operate under clear terms of reference and rules of procedures laid down in the Constitution. Scrutiny Committee chairs and members have clearly laid down accountabilities in the Constitution. Members may not participate in the scrutiny of decisions they were involved in.
- There is a standardised format for all committee reports which includes background to the report, any recommendations that decisions need to be made upon together with reasons behind those recommendations.
- Reports and minutes and decisions under member consideration are published on the website and are available in hard copy in a variety of formats on request.
- Contract Procedure Rules and Financial Regulations set out the Council's arrangements and ensure that processes continue to operate consistently.
- Internal audit operates to the Public Sector Internal Audit Standards and on a risk basis reviews the Council's systems and processes set out to achieve the Council's priorities in order to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

- The Council has processes and documents to support governance and reporting arrangements for partnerships; issues, risk management framework, internal control environment, financial reporting and Treasury Management.
- The Council's Treasury Management Strategy and arrangements conform to CIPFA and External Audit guidance and is monitored by the Audit Committee
- An annual report is produced by Internal Audit which provides an opinion on the Council's control environment, and a self-assessment of its arrangements against the public sector internal audit standards.
- Anti-Fraud and Corruption Policy which is subject to regular review and is approved by the Audit Committee.
- Annual fraud reports are provided to the Audit Committee detailing anti-fraud activity in the year.
- An Annual Governance Statement (AGS) that is subject to review by the Audit Committee.
- Training is provided to Audit Committee members on areas relevant to their role.
- There are frameworks in place in relation to child and adult safeguarding.
- The Council has an Information Governance team committed to ensuring the principles of Data Protection, Freedom of Information and Transparency are followed.
- Information governance and security awareness including individual responsibilities and good practice is raised and embedded with officers and elected members through information governance training.
- The Council's Information Governance Strategy provides guidance on the arrangements that must be in place to ensure personal data is kept protected and secure.
- Effective information sharing is undertaken in accordance with the Data Protection Act and the Council's Data Protection Policy and Information Sharing Policy.
- Data Subjects are informed why their personal information is being collected and how it will be processed (including when shared with other bodies) through the Council's overall Privacy Notices published on our website and individual Privacy Statements on forms, in booklets etc.
- Data verification and validation processes are integrated within systems and processes.
- An audited and signed Statement of Accounts is published on an annual basis containing:
 - A statement of responsibilities for the Statement of Accounts.
 - A statement of the Council's accounting policies.
- An Annual Governance Statement signed by the Leader of the Council and the Chief Executive Officer/Head of Paid Service.
- Financial procedures are documented in the Financial Regulations.
- A Financial Strategy in place.
- The financial position is reported on a regular basis to Cabinet.
- SMT meets weekly with regular management meetings with Service Delivery Managers and Group Managers/Team Leaders;


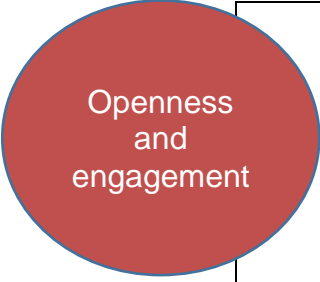
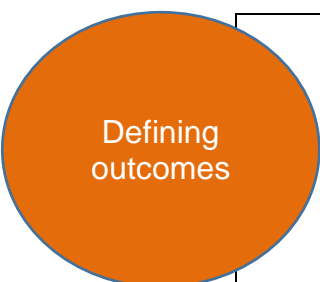
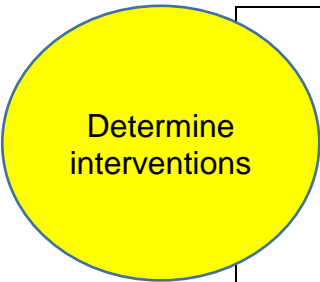
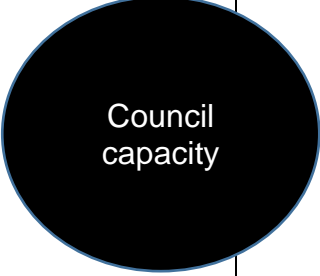
Core Principle G: Implementing good practices in transparency, reporting, and assurance (including audit) to deliver effective accountability

- Agendas, reports and minutes are published on the Council's website.
- Adoption of a style guide document that outlines how to communicate more effectively and to ensure communications are consistent and clear.
- Adoption of the National Transparency Code.
- The Cabinet is the Council's key decision making body and makes decisions within the policy framework approved by Full Council. It is made up of the Leader, who is elected by the Council, and up to nine members. When key decisions are to be discussed or made, these are published in the Cabinet forward plan in so far as they can be anticipated. If these key decisions are to be discussed with Council officers at a meeting of the Cabinet, this will be open for the public to

attend except where personal or confidential matters are being discussed. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide

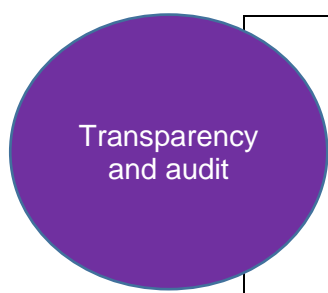
- Annual Financial Statements are compiled, published to timetable and included on the Council's website.
- An annual report from each of the scrutiny committees is presented to Council alongside reports from the portfolio holders; the scrutiny reports detail the past work of the Committees, the present work and the plans for the future.
- Completion of an Annual Governance Statement (AGS).
- A Business Plan and Financial Strategy setting out the Council's mission and priorities.
- The AGS sets out the Council's governance framework and the results of the annual review of the effectiveness of the Council's arrangements. The AGS includes areas for improvement.
- An effective internal audit service is resourced and maintained. The Service has direct access to members and provides assurance on governance arrangements via an annual report containing an opinion on the Council's internal control arrangements.
- External Audit provides an annual opinion on the Council's financial statements and arrangements for securing Value for Money.
- The Council actively welcomes peer challenge, reviews and inspections from regulatory bodies.

Local Good Governance Framework – 2022/23

| | | |
|--|--|---|
|  <p>Integrity, ethics and values</p> | <p>Audit Committee Statutory officer roles Constitution Decision making process Financial Rules Register of Interests</p> | <p>Codes of Conduct Anti-Fraud & Corruption Policy/Report Complaints process Open data & Transparency Code Whistleblowing Policy Gifts and Hospitality Policy</p> |
|  <p>Openness and engagement</p> | <p>Information Rights policy Members role AGS statement and final accounts Committee meetings streamed Council website Transparency Code</p> | <p>Open data Complaints Policy/annual report Public consultations Customer survey Whistleblowing Policy Committee papers published</p> |
|  <p>Defining outcomes</p> | <p>Decision making process Performance framework Social Value Policy Service plans Service and financial planning process Commissioning Policy</p> | <p>Committee reports Procurement Strategy Committee structure Sustainability Policy Environmental Policy Council Plan</p> |
|  <p>Determine interventions</p> | <p>Engagement with stakeholders AGS/AGS Action Plan Decision making process Role of members Financial Strategy Service Plans</p> | <p>Corporate Risk Register Council Plan Complaints process Budget Strategy Whistleblowing Policy Forward Plan</p> |
|  <p>Council capacity</p> | <p>Member Development APPD process Recruitment and selection Online learning Peer reviews Management development</p> | <p>Induction programme CPD Health and wellbeing Employee survey Employee assist programme Designated essential learning</p> |



| | |
|--|---|
| Performance framework APPD process Strategic risk register Service planning External audit of accounts Peer reviews | External inspection Internal audit AGS Service and financial planning Committee framework Constitution |
|--|---|



| | |
|--|---|
| Audit Committee Internal audit function External audit Scrutiny Open data Annual accounts | Council website Transparency Code Complaints annual report Information rights policy AGS Member role |
|--|---|

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TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE: 26 May 2022

INTERNAL AUDIT UPDATE REPORT

REPORT OF THE AUDIT & GOVERNANCE LEAD MANAGER

1 Purpose

To update members on the progress made against the 2021/22 Internal Audit Plan and to provide information on the recent work of Internal Audit.

2 Recommendations

- 2.1 Members of the Audit Committee to note the information contained in this report in respect to Internal Audit planned work undertaken between 1 January 2022 – 30 April 2022 and unplanned work to date.

3 Progress on completion of the 2021/22 Annual Audit Plan

- 3.1 Audit Committee members approved the 2021/22 Internal Audit Plan at the May 2021 committee meeting. Appendix 1 of this report shows the progress made against the 21/22 plan, 27 audits have been completed and 14 are in progress. Amendments to the audit plan have been made due to resource challenges. As a result 7 audits (54 days) have been deferred to 2022/23.

The Principal Auditor/Audit & Governance Lead Manager continue to attend service area management meetings in order to keep the audit plan relevant and focus resources on key areas. These meetings have resulted in 3 further audits being deferred until 2022/23.

Based on the above, 51% of the plan has currently been actioned.

4 Summary

- 4.1 This report provides information on the work of Internal Audit from 1 January 2022 – 30 April 2022 and provides an update on the progress of previous audit reports issued.
- 4.2 The key focus for the team during this period was the completion of audits on the annual audit plan and fulfilling commercial contracts.
- 4.3 The information included in this progress report will feed into and inform our overall opinion in our Internal Audit Annual Report. All audit reports issued during the year are given an overall audit opinion based on the following criteria:

| Level of Assurance/Audit Opinion & Definition | |
|---|--|
| <p style="text-align: center;">Good (Green)</p> <p style="text-align: center;">There is a sound system of control designed to address relevant risks with controls being consistently applied.</p> | <p style="text-align: center;">Reasonable (Yellow)</p> <p style="text-align: center;">There is a sound system of control but there is evidence of non-compliance with some of the controls.</p> |
| <p style="text-align: center;">Limited (Amber)</p> <p style="text-align: center;">Whilst there is 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.</p> | <p style="text-align: center;">Poor (Red)</p> <p style="text-align: center;">The system of control is weak and there is evidence of non-compliance with the controls that do exist.</p> |

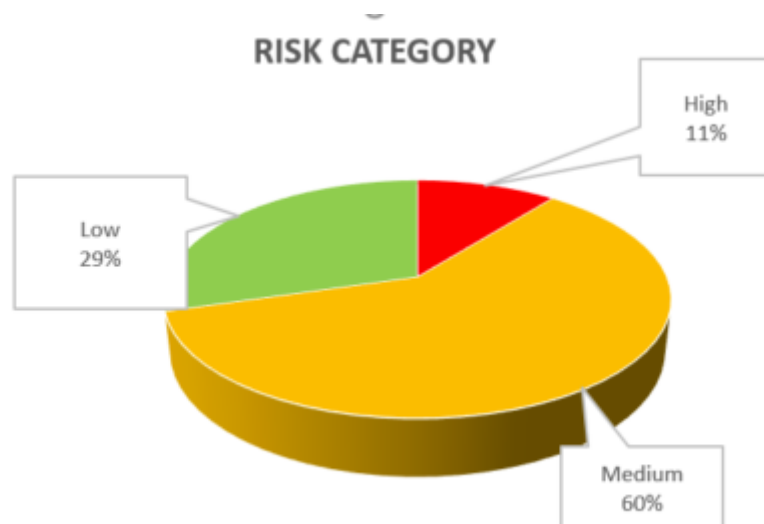
4.4 To determine the overall grading of the Internal Audit report each recommendation is risk rated (high, medium or low). The recommendation risk rating is based on the following criteria:

High risk = A fundamental weakness which presents material risk to the system objectives and requires immediate attention by management.

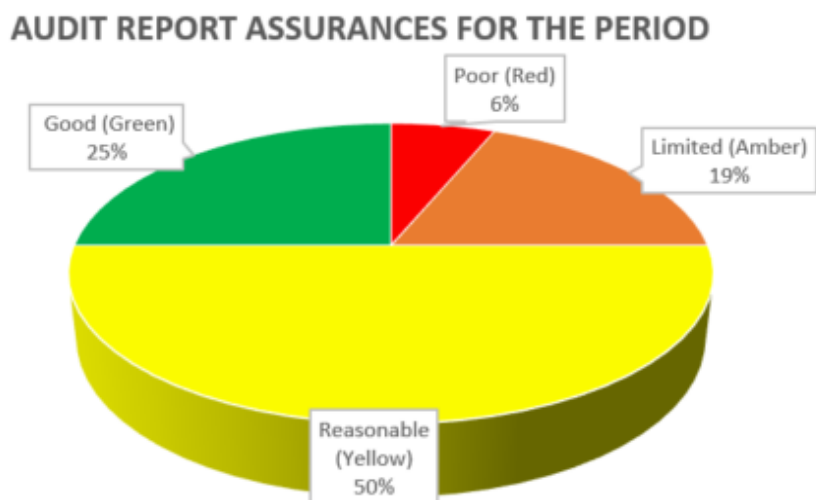
Medium risk = A recommendation to address a control weakness where there are some controls in place but there are issues with parts of the control that could have a significant impact.

Low risk = A recommendation aimed at improving the existing control environment or improving efficiency, these are normally best practice recommendations.

4.5 The chart below shows the percentage of high (red segment), medium (yellow segment) and low (green segment) risk recommendations made for the reports issued during this period.



4.6 The level of assurance (based on table 4.3 above) for audit reports issued in this period is detailed below.



4.7 The information in the above pie charts is broken down in the summary table below.

| AUDIT REPORTS ISSUED BETWEEN 1/1/22 – 30/4/22 AND CURRENT STATUS | | | | | | |
|---|-----------------------|------------------------------|-----------------------------|---------------------------------|----------------------|--|
| Area | Date of Report | Level of risk on plan | Original Audit Grade | Follow up Due | Revised Grade | Comments |
| Horsehay Bar | 31/03/2022 | M | Poor | September 2022 | - | - |
| Millbrook Primary School | 17/02/2022 | M | Limited | May 2022 | - | - |
| St Peters Edgmond | 31/01/2022 | M | Limited | In Progress | - | - |
| Cyber Resilience | 03/03/22 | H | Limited | April 22 | Reasonable | Remaining recommendations to be followed up as part of 22/23 audit |
| IT Data Back up | 04/02/2022 | M | Reasonable | Follow up undertaken April 2022 | Good | 2 nd follow up will be undertaken in July 2022 to assess the status of the remaining agreed actions |
| Lilleshall Primary School | 14/02/2022 | M | Reasonable | August 2022 | - | - |

| | | | | | | |
|---|------------|---|------------|---------------------------------|------|-------------------------------|
| Haughton | 16/02/2022 | M | Reasonable | August 2022 | - | - |
| St Lawrence CE Primary | 08/03/2022 | M | Reasonable | September 2022 | - | - |
| St Georges Primary School | 14/03/2022 | M | Reasonable | September 2022 | - | - |
| IT - Service Desk | 16/03/2022 | M | Reasonable | Follow up undertaken April 2022 | Good | No further follow up required |
| Council Tax/NNDR | 27/04/22 | M | Reasonable | Oct 2022 | | |
| ICT Software licensing | 29/03/2022 | M | Reasonable | May 2022 | - | - |
| Church Aston | 13/01/2022 | M | Good | n/a | | |
| Protect & Vaccinate Grant | 05/04/22 | L | Good | n/a | | |
| ICT - Change Control | 27/04/2022 | M | Good | na | | |
| Holiday Activity & Food Programme Grant (21/22) | 28/04/22 | M | Good | n/a | | |

4.8 Detailed below is the status of any reports previously issued and reported to Audit Committee. Members should note that once reports have reached a green status and have been reported to members they are excluded from future Audit Committee reports.

| PREVIOUSLY ISSUED REPORTS & CURRENT STATUS | | | | | |
|--|----------------|----------------------|--|---------------|--|
| Area | Date of Report | Original Audit Grade | Status previously reported to Audit Committee | Current Grade | Current status / Comments |
| Fleet Management | 17/09/2020 | Poor | 2 nd follow-up to be carried out following the completion and implementation of the ongoing transport review. It is anticipated that this will be towards the end of FY 21/22 | Reasonable | Follow up to be undertaken August 2022 |

| | | | | | |
|-----------------------|------------|------------|---|------------|--|
| Setting up Home Grant | 11/12/2020 | Poor | 4 th follow up complete and remains reasonable grading | Reasonable | No further follow up to be undertaken to remain as Reasonable |
| ICT Patch Management | 03/02/2021 | Reasonable | In progress – 1 st follow up issued December 2021 | Good | Follow up complete. No further follow up required |
| HR & Payroll | 26/4/21 | Reasonable | Follow up in Progress | Reasonable | 2 nd follow up to be undertaken as part of 22/23 annual audit |
| Corporate Complaints | 23/7/21 | Reasonable | Follow up due January 2022 | Good | Follow up complete. No further follow up required |
| The Linden Centre | 26/7/21 | Reasonable | Follow up due January 2022 | Good | Follow up complete. No further follow up required |
| Database Security | 29/09/2021 | Limited | Follow up due January 2022 | Good | Follow up complete. No further follow up required |
| The Bridge School | 08/10/2021 | Reasonable | Follow up due April 2022 | - | Follow up in progress |
| Aqueduct School | 26/10/2021 | Reasonable | Follow up due April 2022 | - | Follow up in progress |
| Together 4 children | 02/12/2021 | Reasonable | Follow up due June 2022 | n/a | n/a |
| Register of Interests | 10/12/21 | Reasonable | Follow up due June 2022 | n/a | n/a |

Internal Audit is confident and has been assured by management that controls have and will continue to improve in all areas where recommendations have been made. There are no other issues to bring to the attention of the Committee at this time.

5 Unplanned work

- 5.1 The Audit Team have been reviewing the Protect & Vaccinate Grant and the Holiday Activity & Food Programme Grant to confirm grant money received has been spent as per the grant conditions, prior to sign off by the Chief Executive and Chief Internal Auditor.

Work also continues on the commercial contracts with Academies and Town Councils. An additional Multi-Academy Trust has recently bought into the internal audit/scrutiny function, resulting in a total of 9 Academy Trusts using our service. Internal Audit continue to look for opportunities to expand their commercial offering.

6 Quality Assurance and Improvement Programme

6.1 Internal Audit maintains a Quality Assurance and Improvement Programme that complies with the Public Sector Internal Audit Standards (PSIAS) alongside the normal quality review process applied to all audit assignments. The Audit & Governance Lead Manager undertakes an independent monthly check of randomly selected (number dependent on number of completed audits that month) completed audit files to ensure they comply with:-

- Requirements of the PSIAS
- Rules of the Code of Ethics
- Agreed Internal Audit process and procedures
- Approved Internal Audit Charter

Only minor Internal Audit procedural issues have been found from these checks and they have been fed back to the Internal Auditors during this time to aid continuous improvement in the service.

7 OTHER CONSIDERATIONS

| AREA | COMMENTS |
|---------------------------------|--|
| Equal Opportunities | All members of the Audit Team have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified. |
| Environmental Impact | All members of the Audit Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager. |
| Legal Implications | <p>The Accounts and Audit Regulations 2015 (Part 2, paragraph 5) state that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The information set out in this report illustrates the work that has been undertaken to meet the appropriate statutory requirements.</p> <p>In the event that an audit reveals a legal issue or concern this is referred to the Council's Legal Services Team and/or the Council's Monitoring Officer as appropriate for further advice and assistance.</p> <p>RP 5/5/22</p> |
| Links with Corporate Priorities | All aspects of the Audit teams work support good governance which underpins the achievement of the Council's objectives and priorities. |
| Risks and Opportunities | All aspects of the Audit teams work supports managers and the Council to identify and manage their risks and opportunities. |
| Financial Implications | <p>Where Audit findings result in changes to service delivery or controls etc. the financial consequences are managed as part of the implementation of such changes. Therefore, there are no financial implications of accepting the recommendations of this report.</p> <p>AEM 28.04.22</p> |
| Ward Implications | The work of the Audit team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards. |

Previous minutes:

28 January 2021
27 May 2021
20 July 2021
28 September 2021
25 January 2022

Background Papers:

Annual Audit Plan 2021/22
Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013 and updated January 2017
CIPFA Local Government Application Note – April 2013
Accounts and Audit Regulations – 2015

Report by: Tracey Drummond Principal Auditor. Telephone 383105
Rob Montgomery, Audit & Governance Lead Manager. Telephone 383103

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| | Hours | Days |
|---|--------|-------|
| Additional Home-School Grant (2021-22) | 22.08 | 2.98 |
| Advice & Consultancy including org change | 132.32 | 17.88 |
| Annual Governance Statement | 35.65 | 4.82 |
| Appointee and Deputyship | 56.92 | 7.69 |
| Aqueduct Primary | 40.7 | 5.50 |
| Bus Subsidy Grant | 20.09 | 2.71 |
| Business Continuity | 10.25 | 1.39 |
| CCTV Investigation | 15 | 2.03 |
| Captain Webb | 37.08 | 5.01 |
| Car Parking Enforcement | 174.75 | 23.61 |
| Church Aston | 10.25 | 1.39 |
| Climate change & Carbon Reduction | 23.69 | 3.20 |
| Conflicts of Interest | 31.33 | 4.23 |
| Corporate Complaints | 30.07 | 4.06 |
| Council Tax / NNDR (2021-22) | 97.83 | 13.22 |
| Covid-19 | 339.32 | 45.85 |
| ESF - Life Ready Work Ready | 7.34 | 0.99 |
| Follow ups | 124.09 | 16.77 |
| General Ledger (2021/22)) | 34.03 | 4.60 |
| HR / Payroll (2021/22) | 81.93 | 11.07 |
| Haughton School | 17.75 | 2.40 |
| Horsehay Bar & Catering Banking Analysis | 53.79 | 7.27 |
| Horsehay Bar & Catering Visit | 96.16 | 12.99 |
| John Randall | 37.92 | 5.12 |
| Lightmoor | 48.1 | 6.50 |
| Lilleshall Primary | 46.5 | 6.28 |
| Linden Centre | 34.42 | 4.65 |
| Local Transport Capital Block Funding grant | 24.76 | 3.35 |
| Making Tax Digital | 25.75 | 3.48 |
| Millbrook Primary School | 87.75 | 11.86 |
| Money Laundering | 13.67 | 1.85 |
| Ombudsman Complaints | 362.93 | 49.04 |
| Preston St. Lawrence Primary | 41.93 | 5.67 |
| Protect & Vaccinate Grant | 5 | 0.68 |
| Purchase Ledger (2021-22) | 224.62 | 30.35 |
| Red & Amber follow up - The Place theatre | 28.16 | 3.81 |
| Special Guardianship | 93.26 | 12.60 |
| Sir Alexander Fleming | 22.25 | 3.01 |
| St Georges Primary School | 39.1 | 5.28 |
| St Peter & St Pauls R C Primary | 33.25 | 4.49 |
| St Peters Edgmond | 51.66 | 6.98 |
| Strengthening Families Grant | 21.08 | 2.85 |
| Structures and other assets owned by council (G100) | 3.75 | 0.51 |
| The Bridge School | 47.42 | 6.41 |
| Together4Children | 77 | 10.41 |

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TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE - 26 MAY 2022

JOINT REPORT ON THE INTERNAL AUDIT ANNUAL REPORT 2021/2022 & THE AUDIT COMMITTEE ANNUAL REPORT 2021/2022 & THE 2022/2023 ANNUAL AUDIT PLAN

1 PURPOSE

- 1.1 To present the 2021/22 Internal Audit Annual Report, 2021/22 operations of the Audit Committee and the 2022/23 Annual Audit Plan.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the Internal Audit Annual Report for 2021/22
- 2.2 That members of the Audit Committee note the operations of the Audit Committee for 2021/22 attached at Appendix 2
- 2.3 That members of the Audit Committee approve the Internal Audit Plan 2022/23 attached as Appendix 3

3 SUMMARY

- 3.1 The terms of reference of the Audit Committee include:

1. *“The approval (but not direction) of and monitoring of progress against, the Internal Audit Charter and Plan.....”*

9. *Consider the effectiveness of the Council’s governance processes and their compliance with legislation and best practice.....”*

This report presents information to meet the requirements of these sections of the terms of reference and to continue to demonstrate good governance and support the Annual Governance Statement (AGS).

The Public Sector Internal Audit Standards are deemed as proper practice under the Accounts and Audit Regulations 2015 for Local Government in England. The standards state:

2450 Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

This report meets these requirements.

3.2 The Audit Committee is part of the Council's governance and assurance arrangements. The key benefits of the Audit Committee are:

- ✓ raising awareness on the need for and benefits arising from good governance (including risk management) and internal control including the implementation of both internal and external audit recommendations.
- ✓ demonstrating the objectivity and fairness of financial and other reporting.
- ✓ reinforcing the importance and independence of internal and external audit.
- ✓ providing additional assurance through a process of independent and objective review by a cross party group of elected Members who can, and do, challenge Cabinet Members and Senior Officers.

As the key assurance Committee of the Council it is best practice that an Annual Report is presented to the Council at the May meeting, on the operations of the Committee during the preceding year, in this case 2021-22. The structure of the report is based on the terms of reference and includes a summary of the business conducted by the Committee during this period (attached as Appendix 2).

4 PREVIOUS MINUTES

Audit Committee – 27 May 2021, 14 July 2020 & 30 May 2019

5 2021/22 INTERNAL AUDIT ANNUAL REPORT

5.1 Assurance and Opinion

5.1.1 The Council's Section 151 Officer's statutory obligation under the Accounts and Audit Regulations 2015 to review the effectiveness of the system of internal control is informed by the work of Internal Audit. The assurance derived from this work forms part of the Council's assurance framework.

5.1.2 The system of internal control helps the Council to manage and control the risks which could affect the achievement of its priorities and objectives rather than eliminate them completely. Internal Audit and the other assurance processes therefore provide reasonable and not absolute assurance of the adequacy and effectiveness of the Council's framework of governance, risk management and internal control which is included within the Annual Governance Statement.

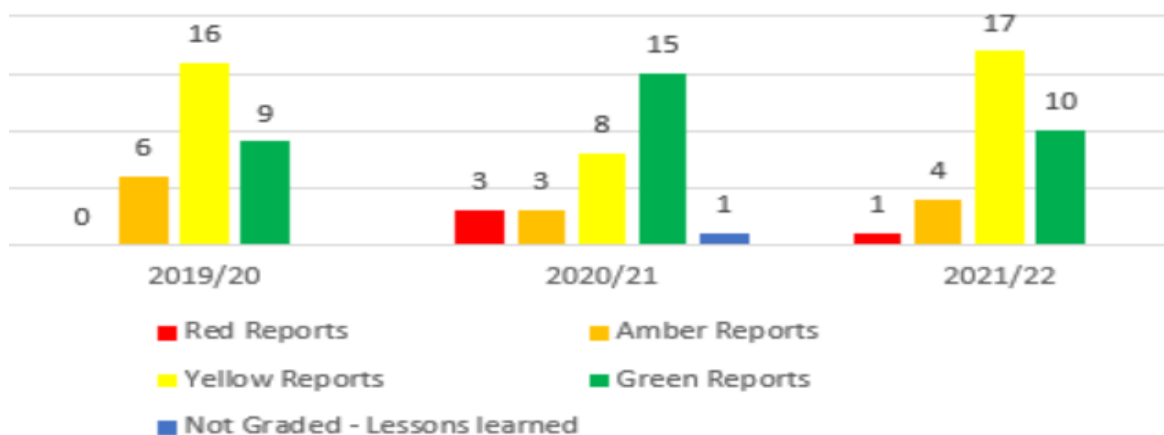
5.1.3 The planned Internal Audit resources for 2021/22 was 824 days which included 47 days specialist ICT audit provision provided by Lighthouse Consultancy. The team achieved

50% of the planned work, see 5.1.8, with some items being rescheduled into the 2022/23 plan. In 2021/22 there have also been a number of unplanned audit assignments.

Based on the work undertaken during the year (areas attached as Appendix 1), the implementation by management of the agreed recommendations and assurance obtained from other work/sources, Internal Audit’s annual opinion provides reasonable assurance in respect to the adequacy and effectiveness of the Council’s framework of governance, risk management and internal control within the areas of the Council reviewed during the year. See paragraph 5.6 in the Annual Governance Statement for reasoning for giving this opinion.

- 5.1.4 As in previous years Senior Management have provided information or updates to the Audit Committee where requested to provide explanations as to why progress on the implementation of recommendations was not as agreed.
- 5.1.5 As in previous years this Annual Report includes information in respect to the number of reports issued and their grading. This information is shown below for 2021/22 with comparisons with 2020/21 and 2019/20

Number of Reports Issued by Financial Year and Grading

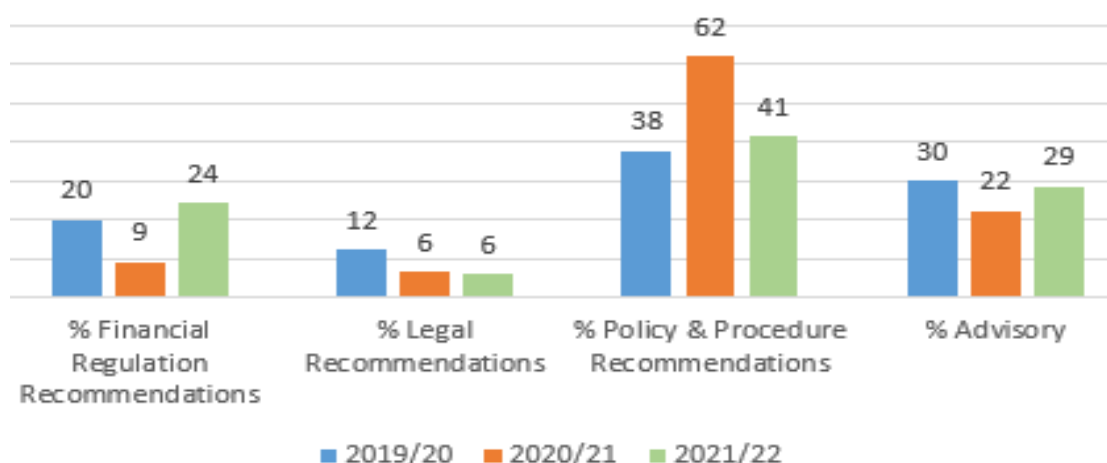


(Grading’s - Green = good; Yellow = reasonable; Amber = limited; Red = poor)

The above graph shows that the number of green, amber and red reports issued have remained comparable over 3 years, whilst the number of yellow reports have increased from 2020/21, however is comparable to the 2019/20 figure. This information is broken down further in paragraph 5.1.6.

- 5.1.6 Further analysis shows the types and percentage of recommendations made in audit reports, and this is detailed in the graph below:

% of Recommendations made by Category and Financial Year



In 2021/22 30% of audit recommendations made were Legal/Financial Regulation related, this is an increase from 15% during 2020/21 and a slight decrease from 32% during 2019/20. In 2021/22 41% of the recommendations were Policy and Procedure related compared to 62% in 2020/21 and 38% in 2019/20. Whilst these figures demonstrates an increase in the number of legal and financial recommendation from 2020/21 and a decrease in the number of policy and procedure recommendations the figures are comparable to the % figures in 2019/20. There is no clear reason for the increase in Legal/Financial Regulation related recommendations from 2020/21. However it is felt that changes to working practices and hybrid working as a result of the COVID pandemic could be a factor.

Internal Audit continue to work with management in respect to reducing the number of Legal/Financial Regulation related improvements required.

5.1.7 Internal Audit reports show advisory points, these are low risk findings which managers may find useful to consider but are not of any significant risk to necessitate making a recommendation.

5.1.8 The effect of the COVID pandemic on some Council services was still present in 2021/22. This, coupled with other resource challenges, has meant that the increase in audit work was not as high as initially planned. However, the Internal Audit Team continue to work with services to ensure risks are appropriately managed and adequate systems of internal control are in place.

5.2 Public Sector Internal Audit Standards (PSIAS) and External Assessment

5.2.1 The Public Sector Internal Audit Standards (defined proper practice under the Accounts and Audit Regulations 2015) were effective from 1st April 2013 and in January 2017 there was an external assessment undertaken against the standards. This is a requirement that must occur every 5 years. The next assessment is taking place during April 2022. The results of this assessment will be reported at the next available Audit Committee meeting following receipt of the assessment report/action plan.

5.2.2 The Quality Assurance & Improvement Programme (QA&IP) was followed during the year. The Audit & Governance Lead Manager undertakes monthly spot checks of completed internal audit work against PSIAS requirements. Any actions/areas for

development have been fed back to the Internal Audit team in year Lessons learnt from QAIP are fed into regular reviews of Internal Audit processes and procedures.

5.2.3 Improvements to audit processes and procedures are continually being reviewed and updated to ensure compliance with the standards.

5.3 Performance reviewed by External Audit

5.3.1 Grant Thornton (UK) LLP were appointed, for a 5 year period, as External Auditor for the Council from 2018/19 and continue with their own external reviews.

5.3.2 It was agreed by the Audit Committee that the Council will appoint new External Auditors via the PSAA procurement route.

5.4 Improvement Activity

5.4.1 During the year, to improve the team’s efficiency, effectiveness and productivity, team meetings and development sessions have taken place. Internal Audit have looked to make changes to improve their adherence to the PSIAS (through completion of PSIAS self-assessment) and have investigated and implemented new/alternative ways of service delivery. Audit share best practice with other local authorities and regularly attend local network groups.

5.4.2 The Audit & Governance Lead Manager and Principal Auditor regularly attend the Local Authority Chief Auditors Network (LACAN). Other members of the team also attend the regional West Midlands Fraud Group (when relevant) which assists in identifying best practice and different approaches to audit work and information exchange.

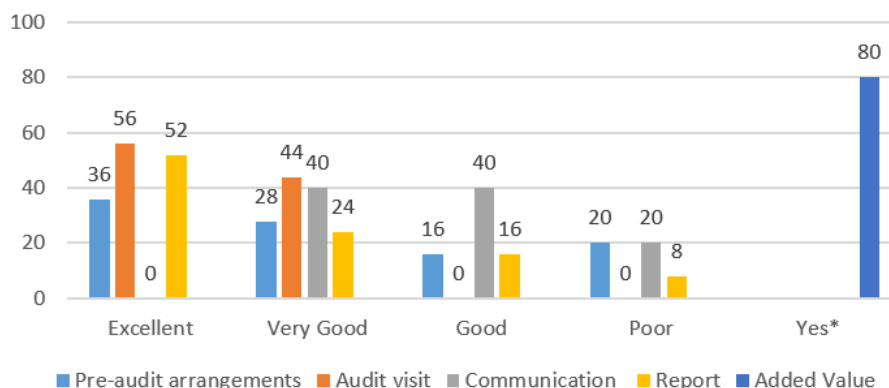
5.5 Customer Feedback

5.5.1 Internal Audit receives customer feedback in several ways:-

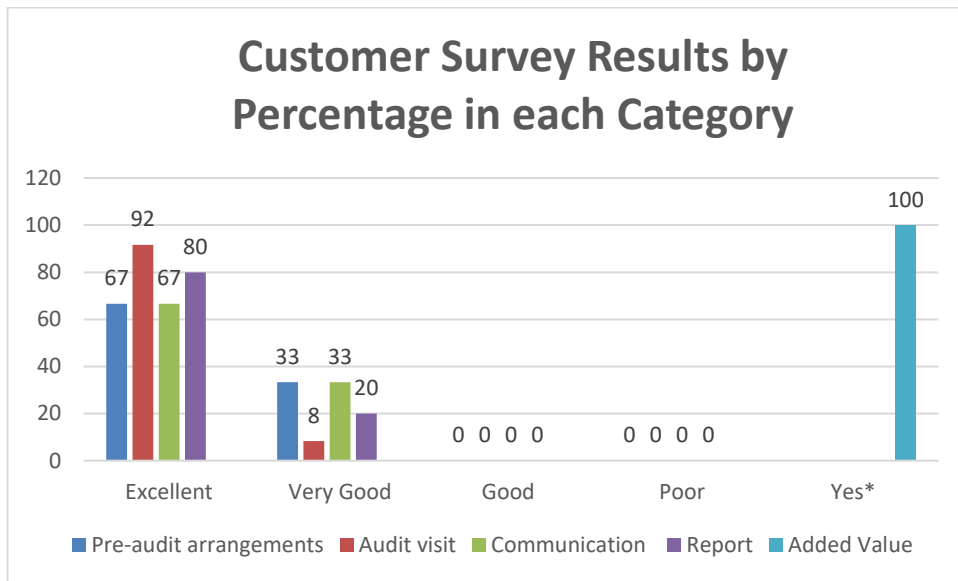
- a) Informal feedback from auditees during the audit
- b) Seeking feedback from auditees at draft report discussion meetings
- c) Completion of a post audit electronic questionnaire

5.5.2 From 2019/20 customer surveys have been issued electronically through Microsoft Forms, therefore comparisons have been made between 19/20, 20/21 and 21/22. Results for 2021/22 are detailed below:

Customer Survey Results by Percentage in each Category



Results for 2020/21:



* Percentage of reports where, when asked if audit had added value, the customer answered yes.

The customer feedback form is broken down into different categories (parts of audit process) and has a number of questions in each section. These sections ask for comments in the following areas: Pre-audit arrangements, audit visit, communication, the reporting process and whether the auditee thinks Audit adds value to their service area.

The above graphs demonstrates that the team’s customer performance has remained extremely high within all areas included in the customer feedback form during 2021/22, 80% of our customers think we are a positive support and add value to their service area.

6 CONCLUSIONS FOR 2021/22

- 6.1 Internal Audit have performed well and have made a positive contribution to the governance arrangements within the Council. During 2021/22, completion of the audit plan increased from the previous year despite the Council still experiencing challenges due to COVID. However improvement is needed in this area and the Internal Audit Team have reviewed some of the planning process to ensure it reflects the Council’s risk landscape and matches this to accurate calculations of available resource.
- 6.2 The statutory responsibilities of the Council’s Chief Financial Officer (Section 151 Officer) in respect to internal audit and internal control have been met and the work of the Internal Audit Team and other assurance activity has provided reasonable assurance to the Council on the adequacy of operation of the Council’s internal controls, governance and risk management processes.
- 6.3 The Internal Audit Team have also continued to provide adhoc advice and guidance on governance, procedures, controls, information security and risk management.
- 6.4 However, there are changes occurring both within and outside the Council during 2022/23 and beyond which could affect the team’s future activities including:

- a) The continued pressure on the Council's budget strategy
- b) Further service restructures and re-engineering across the Council, revised governance arrangements and reduced supervisory levels;
- c) Compliance with changing statutory and legislative requirements.
- d) Continuing (but reducing) impact of the Covid-19 pandemic

7 AUDIT COMMITTEE ANNUAL REPORT

7.1 Internal Audit

- 7.1.1 The Internal Audit team has continued to provide the Committee with reports on work undertaken as outlined in the Public Sector Internal Audit Standards (PSIAS - effective from April 2013) and Constitution, highlighting any areas requiring attention by Members.
- 7.1.2 The Internal Audit Plan for 2021/22 was approved by the Committee at the May 2021 meeting and the Internal Audit Charter for 2021/22 was approved by the Committee at the January 2022 meeting.
- 7.1.3 The Audit Annual Update report was provided to the Committee in May 2021.

7.2 External Audit

- 7.2.1 The External Auditors, Grant Thornton have produced/presented their reports to the Committee as required by legislation, accounting standards and the external audit code of practice.

7.3 Governance

- 7.3.1 The Annual Governance Statement 2020/21 was approved at the May 2021 Audit Committee meeting.
An update on the Annual Governance Statement action plan was presented to the committee in January 2022.
- 7.3.2 The January 2022 meeting reviewed the Council's Strategic Risk Register.
- 7.3.3 The 2020/21 Information Governance Annual Report was presented to the Committee in May 2021.

7.4 Treasury Management

- 7.4.1 The Committee received the 2020/21 outturn and in year updates for 2021/22. The Treasury Management Strategy 2022/23 was reviewed prior to approval by Cabinet.

7.5 Statement of Accounts 2020/21

- 7.5.1 The Statement of Accounts was approved by the Committee following external audit at the September 2021 meeting. As in previous years the approval meeting was preceded by a training session with key Finance staff who explained the statements and the changes that had occurred.

7.6 Anti-Fraud & Corruption

7.6.1 The 2020/21 Anti-Fraud & Corruption Annual Report and 2020/21 updated policy was received in May 2021.

7.7 General

7.7.1 The Committee reviewed its Terms of Reference at its first meeting of the municipal year as set out in the Constitution. The Committee also received and agreed a report to extend the responsibilities of the committee at the January 2021 meeting.

7.8 Conclusions for 2021/22 and the future 2022/23

7.8.1 The Committee has considered comprehensive agendas in order to provide assurance for Members and the community on the audit, governance (including information governance), risk management, financial statements, treasury management, complaints and anti-fraud and corruption arrangements of the Council.

7.8.2 The Committee recognises that the Council is continuing to experience some significant challenges and that it must continue to seek and provide appropriate assurance during 2022/23. Most notable is the continued impact of COVID, organisational changes, continued significant reductions in resources and the more commercial approach being adopted by the Council.

7.8.3 As detailed in paragraph 7.7.1 above the terms of reference for the Audit Committee have been extended to include areas such as partnership working and climate change. Therefore reports will be presented on these additional areas during 2022/23.

8 Internal Audit Plan 2022/23

8.1 Internal Audit has a statutory obligation under legislation to provide assurance to the Council as part of the Council's corporate governance framework and the effective management of risks. It also strives to provide a quality, added value and up to date service for the Council.

8.2 Internal Audit work, in addition to obtaining assurance on key areas, risk management and controls for the Council, aims to challenge where controls are not required, question value for money and make suggestions for adjustments to existing controls to make processes more efficient. This will assist managers and their teams to achieve their objectives, identify further savings and contribute to the achievement of the Council's priorities.

8.3 Internal Audit resources are limited. To ensure Internal Audit can provide reasonable assurance to managers, Members and the Council an annual Audit Plan is developed. Professional Internal Audit standards¹ and good practice set out that Internal Audit planning should be directly linked to the Council's objectives and priorities and be directed by the Audit Charter agreed by the Audit Committee in January 2022. The plan is informed and influenced by previous Internal Audit work, areas highlighted during previous audits, areas identified by management teams, External Audit requirements, the strategic and ICT risk registers, external assessments and local, regional and national networking intelligence.

¹ Public Sector Internal Audit Standards

- 8.4 The plan is attached as Appendix 3, it has, has been drawn up based on the internal and external resources available for 2022/23 (see 8.5 below), the factors in paragraph 8.3 above and discussions with the SMT and management. The resultant plan should provide a reasonable level of assurance for 2022/23 but limited to the areas reviewed.
- 8.5 The planned available audit days for 2022/23 are 652 days which includes 49 days specialist ICT audit work. The audit plan is dynamic/scalable as it's based on risk and can change where new risks are identified. Audit therefore intend to continually review the plan and meet with Managers to discuss the audits required to be completed in order to provide a reasonable level of assurance at the end of 2022/23. Audit Committee members will be updated throughout the year with any changes to the 2022/23 plan.
- 8.6 The plan includes approximate 2% contingency to meet any unexpected work requirements, any changes identified during the year or changes to resources during the year. Due to the nature of the plan and its link to risks, during delivery there will be regular dialogue with the Chief Exec, SMT and Managers to ensure that the appropriate risks and controls are being reviewed by the resources available. Any significant changes will be agreed with the Chief Executive and the appropriate Director/Executive Director and will be reported for information to the Senior Management Team and this Committee.
- 8.7 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. Similar liaison takes place with Scrutiny to avoid duplication or to ensure work is complementary.

9 OTHER CONSIDERATIONS

| AREA | COMMENTS |
|---------------------------------|---|
| Equal Opportunities | All members of the Internal Audit and Information Governance Teams have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified. |
| Environmental Impact | All members of the Audit and Information Governance Teams are environmentally aware and if any issues were identified they would be notified to the appropriate manager. |
| Legal Implications | <p>The Accounts and Audit Regulations 2015 sets out the detailed requirements for local authorities in relation to keeping adequate accounting records and control systems, preparing, approving and publishing a statement of accounts, and making various documents available for public inspection and objection and questioning by local electors (note The Local Audit (Public Access to Documents) Act 2017 extends public inspection rights to journalists). Under Regulation 3, the authority “must ensure” that it has (and reviews) a “sound system of internal control” whilst Regulation 5 states that it “must undertake an effective internal audit”. There is a new requirement to prepare and publish a “narrative statement”, commenting on the authority’s financial performance and economy, efficiency and effectiveness in the use of resources over the year.</p> <p>The information set out in this report illustrates the work that has been undertaken to meet the appropriate statutory requirements.</p> <p>The Public Sector Internal Audit Standards (PSIAS) is mandatory across the whole of the public sector. The purpose of the PSIAS is defined as follows:</p> <ul style="list-style-type: none"> • define the nature of internal auditing within the UK Public Sector; • set basic principles for carrying out Internal Audit in the UK Public Sector; • establish a framework for providing internal audit services in respect of organisational processes and operations; • facilitate the development of an effective Quality Assurance and Improvement Programme and; • define a mandatory Code of Ethics. <p>Undertaking the audits as set out in the report, and providing updates and an Annual Report to this Committee contributes towards meeting these requirements.</p> <p>Further reference to legal requirements and the implementation of those legal requirements in accordance with CIPFA guidance are contained within the main body of the report. In the event that an audit reveals an issue which requires a recommendation concerning a legal matter this can also be referred to the Council’s Legal Services Team for further advice and assistance.</p> <p>RP 5/5/22</p> |
| Links with Corporate Priorities | All aspects of the Audit teams work support good governance which underpins the achievement of the Council’s objectives and priorities. |

| | |
|-------------------------|--|
| Risks and Opportunities | All aspects of the Audit teams work supports managers and the Council to identify and manage their risks and opportunities. |
| Financial Implications | There are no direct financial implications arising from the recommendations within this report. AEM 28.04.22 |
| Ward Implications | The work of the Audit team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards. |

10 **BACKGROUND PAPERS**

Annual Audit Plan 2022/23 and Charter
Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector 2013 and External Assessment January 2017
Accounts and Audit Regulations 2015

Report by
Rob Montgomery, Audit & Governance Lead Manager, 383103
Tracey Drummond, Principal Auditor, 383105

Work undertaken during 2021/22

| Audit Area | Days |
|---|-------------|
| Additional Home-School Grant (2021-22) | 2.98 |
| Advice & Consultancy including org change | 17.88 |
| Annual Governance Statement | 4.82 |
| Appointee and Deputyship | 7.69 |
| Aqueduct Primary | 5.50 |
| Bus Subsidy Grant | 2.71 |
| Business Continuity | 1.39 |
| CCTV Investigation | 2.03 |
| Captain Webb | 5.01 |
| Car Parking Enforcement | 23.61 |
| Church Aston | 1.39 |
| Climate change & Carbon Reduction | 3.20 |
| Conflicts of Interest | 4.23 |
| Corporate Complaints | 4.06 |
| Council Tax / NNDR (2021-22) | 13.22 |
| Covid-19 | 45.85 |
| Follow ups | 16.77 |
| General Ledger (2021/22)) | 4.60 |
| HR / Payroll (2021/22) | 11.07 |
| Haughton School | 2.40 |
| Horsehay Bar & Catering | 20.26 |
| John Randall | 5.12 |
| Lightmoor | 6.50 |
| Lilleshall Primary | 6.28 |
| Linden Centre | 4.65 |
| Local Transport Capital Block Funding grant | 3.35 |
| Making Tax Digital | 3.48 |
| Millbrook Primary School | 11.86 |
| Money Laundering | 1.85 |
| Ombudsman Complaints | 49.04 |
| Preston St. Lawrence Primary | 5.67 |
| Protect & Vaccinate Grant | 0.68 |
| Purchase Ledger (2021-22) | 30.35 |
| Red & Amber follow up - The Place theatre | 3.81 |
| Special Guardianship | 12.60 |
| Sir Alexander Fleming | 3.01 |
| St Georges Primary School | 5.28 |
| St Peter & St Pauls R C Primary | 4.49 |
| St Peters Edgmond | 6.98 |
| Strengthening Families Grant | 2.85 |
| Structures and other assets owned by council (G100) | 0.51 |
| The Bridge School | 6.41 |
| Together4Children | 10.41 |

AUDIT COMMITTEE ACTIVITY 2021/22

| Area | Activity |
|-------------------------------|---|
| Internal Audit | Internal Audit Annual Report 2020/21 Internal update reports of work undertaken throughout the year. Internal Audit Plan 2021/22 Internal Audit Charter for 2022/23 Update on Public Sector Internal Audit Standards Self-Assessment |
| External Audit | External Audit Fee Letter 2021/22 External Audit Interim Report 2020/21 External Audit Plan 2022/23 External Audit Grants Report External Audit annual audit letter |
| Governance | Annual Governance Statement (AGS) 2020/21 Half yearly progress on the 2020/21 AGS Action Plan Review of the Strategic Risk Register Information Governance Annual Report 2020/21 Caldicott Guardian Annual Report 2020/21 Information Governance Update Report of work undertaken throughout the year. Information Governance Work programme 2020/21 Publication of Information on Councillors who Traded with the Council during 2020/21 Audit Committee Annual Report 2020/21 Report to those charged with Governance 2020/21 update |
| Treasury Management | Treasury Management Outturn report 2020/21 & 2021/22 update Draft 2022/23 Treasury Management Strategy and update 2020/21 Verbal presentation from Councils Treasury Advisors |
| Statement of Accounts | Draft Statement of Accounts 2020/21 Audited Annual Statement of Accounts 2020/21 |
| Fraud & Corruption | 2020/21 Annual Report on Corporate Anti-Fraud & Corruption Policy and Policy update 2021/22 |
| General | Audit Committee terms of Reference reviewed Annual customer feedback report and assurance on lessons learnt 2020/21 |

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| Audit Area | Service Area | Days | Priority | Update |
|---|--|-----------|----------|------------------------------|
| General ledger, assets & capital accounting - fixed asset module (21/22) | Finance & Human Resources | 20 | ALL | In progress |
| Payroll/HR (21/22) | Finance & Human Resources | 25 | ALL | Complete |
| Council Tax/NNDR - Debt Recovery only | Finance & Human Resources | 10 | ALL | Complete |
| Purchase Ledger | Finance & Human Resources | 25 | ALL | In progress |
| Making Tax Digital | Finance & Human Resources | 12 | 2 & 5 | Complete |
| Local Transport Capital block funding | Finance & Human Resources | 3 | 2 & 5 | Complete |
| Additional dedicated Covid home to school & college transport funding grant | Finance & Human Resources | 3 | 1,2 & 5 | Complete |
| | | | | |
| Special Guardianship | Children's Safeguarding and Family Support | 12 | 1 & 5 | Complete |
| Direct Payments | Children's Safeguarding and Family Support | 20 | 1,2,5 | |
| Controc | Children's Safeguarding and Family Support | 20 | 1 & 5 | |
| Together4children | Children's Safeguarding and Family Support | 10 | 1,2,5 | Complete |
| Preparing Disabled Children for Adulthood | Children's Safeguarding and Family Support | 12 | 1 & 5 | |
| | | | | |
| Appointeeship and Deputyship | Adult social care | 12 | 1 & 5 | In progress |
| Quality Assurance Framework | Adult social care | 10 | 1 & 5 | Defer due to audit resources |
| Direct Payments | Adult social care | See above | 1,2,5 | |
| Financial Case Management | Adult social care | 15 | 1,2,5 | |
| Controc | Adult social care | 10 | 1 & 5 | |
| Preparing for Adulthood | Adult social care | See above | 1 & 5 | |
| | | | | |
| Money Laundering | Policy & Governance | 10 | 2 | In progress |
| Single Status | Policy & Governance | 5 | 2 | Defer due to audit resources |

| | | | | |
|---|--------------------------------------|-----------|---------|---|
| Risk Management | Policy & Governance | 10 | all | Defer due to audit resources |
| Troubled Families Grant | Policy & Governance | 12 | all | In progress |
| Workforce Strategy | Policy & Governance | 25 | all | |
| | | | | |
| Emergency Planning | Health & Wellbeing | 8 | all | Defer due to audit resources |
| | | | | |
| Schools (36 schools).reduced to 35 schools | Education & Skills | 175 | 1,3,5 | 3 in progress, 12 complete, 1 deferred due to audit resources |
| | | | | |
| Leisure Centres (Horsehay bar / OLC)/Ski centre) | Community Customer & Commercial Serv | 39 | 4, 6all | 2 x Deferred - requested by Service area |
| IT audits (5) | Community Customer & Commercial Serv | 47 | ALL | 5 complete |
| Quality standards within the voluntary sector | Community Customer & Commercial Serv | 8 | all | Defer due to audit resources |
| Customer Services | Community Customer & Commercial Serv | 8 | all | |
| | | | | |
| Homlessness Reduction Act | Housing & Communities | 25 | 1,3,5 | Deferred - requested by Service area |
| | | | | |
| Bus Subsidy grant | Neighbourhood & Enforcement | 5 | all | Complete |
| Ideverde contract | Neighbourhood & Enforcement | 4 | all | Deferred - requested by Service area |
| T&W 'Other Assets' | Neighbourhood & Enforcement | 8 | all | |
| | | | | |
| Transport Review (Children & Adult Transport) | Neighbourhood & Enforcement | 20 | all | Deferred - requested by Service area |
| Additional dedicated covid home to school & College transport funding | Neighbourhood & Enforcement | see above | 1,2 & 5 | Complete - as above |
| Parking Enforcement | Neighbourhood & Enforcement | 25 | 2,3,5 | Complete - as above |
| | | | | |
| Disposal of Land | Property & Investment | 10 | 2,3,4,5 | Defer due to audit resources |

| | | | | |
|--|-----------------------|----|---------|-------------|
| BIT | Property & Investment | 10 | 2,3,4,5 | |
| | | | | |
| Covid-19 Grants | Corporate | 25 | all | In progress |
| Climate change / reduction in carbon emissions | Corporate | 25 | all | In progress |

| | |
|------------------------------|------------------------------|
| Original plan | Updated plan |
| 78 audits on the plan | 72 audits on the plan |

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TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 26 MAY 2022

INFORMATION GOVERNANCE & CALDICOTT GUARDIAN ANNUAL REPORT 2021/2022

JOINT REPORT OF THE AUDIT & GOVERNANCE LEAD MANAGER AND ADULT SOCIAL CARE DIRECTOR

1 PURPOSE

- 1.1 To present the 2021/2022 Information Governance (IG) & Caldicott Guardian Annual Report to the members of the Audit Committee.

2 RECOMMENDATIONS

- 2.1 That members of the Audit Committee note the Information Governance & Caldicott Guardian Annual Report for 2021/2022
- 2.2 That members of the Audit Committee agree the IG Work Programme for 2022/23

3 SUMMARY

- 3.1 The terms of reference of the Audit Committee include:

- *The Committee has the responsibility on behalf of the Council for the overseeing of the Council's audit, governance (including risk management) and financial processes*
- *To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee – governance (including information governance).*
- *Consider the effectiveness of the Council's governance processes including The Council's information security framework*

4 PREVIOUS MINUTES

Audit Committee 14th July 2020 - Annual Internal Audit, IG and Caldicott Guardian Annual Report 2019/20

Audit Committee 27th May 2021 - Annual Internal Audit, IG and Caldicott Guardian Annual Report 2020/21

5 2021/2022 INFORMATION GOVERNANCE ANNUAL REPORT

- 5.1 There are a number of pieces of legislation and good practice standards that govern the IG arrangements of the Council and these are listed in the background information at the end of this report. The Information Commissioners Office (ICO) is the regulatory body responsible for ensuring Councils meet information legislative requirements relating to information governance.
- 5.2 The Local Authority Data Handling Guidelines recommend that each local authority should appoint a Senior Information Risk Owner (SIRO). The SIRO should be a representative at senior management level and has responsibility for ensuring that

management of information risks are weighed alongside the management of other risks facing the Council such as financial, legal and operational risk. At Telford & Wrekin Council the nominated SIRO for the period covered by this report was the Director: Policy & Governance.

Information Rights

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

- **Freedom of Information Act 2000** – encompasses any information held by the Council
- **Environmental Information Regulations 2004** – information with an environmental impact
- **UK Data Protection Act 2018/UK GDPR** – looks at personal information relating to individuals

5.4 The IG Team has continued to play a key role in providing assurance that the Council complies with information rights legislation during the year. The IG Team has responsibility for the administration of all information rights requests on behalf of the Council including the application of relevant exemptions in respect to requests received. It also co-ordinates and guides service areas when the Council receives a subject access request (someone requesting their personal information) or a request to access social care records, e.g. a parent asking to view the contents of their child's records.

5.5 The ICO has set a benchmark of 90% for responding to FOI requests within the 20 working day statutory deadline for responding to requests.

5.6 See table below for figures relating to FOI performance for the year 1 April 2021 to end of March 2022 compared with the same period for the previous year:

| | 20/21 | 21/22 | % Increase / Decrease |
|--|-------|-------------|-----------------------|
| Number of FOI requests received | 1030 | 1031 | 0.1 |
| Average number of FOI requests received per month | 86 | 86 | 0 |
| % of FOI requests responded to within statutory deadline | 87 | 91 | 4 |
| Average time taken (days) to respond to each request | 12 | 14 | 1 |

As can be seen from the figures in the table above, the Council's performance in responding to FOI requests within statutory deadlines in 2021/22 increased by 4% comparable to the previous year.

In addition to the above the Council received 34 requests (37 in 20/21) that were processed under the Environmental Information Regulations (EIR) 2004. 88% (84% in 20/21) of these requests were responded to within the 20 day deadline.

5.7 In this period IG have received and responded to 37 appeals from requestors who were not satisfied with the response they received to their FOI request. This compares to a total of 28 appeals in 2020/21. To date only 8 of these appeals have been upheld/partly upheld.

- 5.8 During this period IG received 3 complaints/referrals from the Information Commissioner (ICO) in respect to complaints made to them in relation to freedom of information requests (2 complaints) and data protection requests (1 complaints).

The ICO did not take any action against the Council in relation to the complaints made to them. The ICO were satisfied that the Council had already complied with relevant legislation and/or provided further confirmation to the requesters in question.

- 5.9 The UK Data Protection Act 2018 requires the Council to respond to subject access requests (SARs) within one month of receipt unless the request is deemed complex when a further two month extension can be applied.

In 2021/22 the Council received 137 subject access requests, 6 less than the previous year.

Of the requests that had been responded to in 21/22, 88% were responded to within the legislative timescale set. This compares to 94% responded to within timescales in 20/21.

The processing of SAR's continues to be a challenge due to the volume (in pages) of information being asked for. 5 of the subject access requests received in 21/22 alone encompassed over 25,000 pages of information.

The IG Team continuously review their practices and look at the market for new technological solutions to ensure processes improve where possible.

Data Security Incidents

- 5.10 It is unrealistic to consider, given the amount of personal data Council services handle on a daily basis, that human errors will not occur which may result in a data breach. IG supports the investigation (with service areas) of all instances of alleged data breaches that are identified and referred to them. A data breach can cover a number of different incidents from a member/employee reporting a lost mobile phone to personal data being communicated to an unauthorised and/or incorrect recipient.

For each data breach identified in 2021/2022 a thorough investigation has been undertaken into how the breach occurred, confirmation of any individuals that have been informed in compliance with the Data Protection Act 2018 and lessons learnt identified and implemented to reduce the likelihood of similar data breaches occurring in the future.

The IG Team continues to work with service areas to improve the secure processing of personal data to prevent data security incidents.

- 5.11 The Council self-reported 1 data breach in 2021/22 as it met the criteria under the Data Protection Act 2018 for reporting to the Information Commissioners Office (ICO). In this instance the ICO were satisfied that the breach was due to human error and no further action was required.

Information Governance Related Audits & Work Programme

- 5.12 The 2021/2022 IG work programme was agreed at the May 21/22 Audit Committee. Progress to date in respect to this programme is shown attached as Appendix 1.

- 5.13 Appendix 2 details the proposed IG work programme for 2022/2023 for approval. This programme mainly incorporates key actions required to facilitate the legal requirements of the UK GDPR.

6 2020/2021 CALDICOTT GUARDIAN ANNUAL REPORT

Caldicott Guardian (CG) Function – Key Responsibilities

- 6.1 A requirement for the Audit Committee is to consider the Caldicott Guardians (CG) annual report / action plan. The first CG report was presented at the June 2015 Audit Committee meeting.

Caldicott Guardians were introduced into social care with effect from 1 April 2002, under Local Authority Circular LAC (2002)2 dated 31 January 2002. Caldicott Guardians play a key role in ensuring that the NHS, Councils with Social Services Responsibilities and partner organisations satisfy the highest practical standards for handling patient identifiable information under a framework which complies with the requirements of the Data Protection Act 2018; they actively support work to enable information sharing where it is appropriate to share; and advise on options for lawful and ethical processing of information

- 6.2 In February 2017 Sarah Dillon was appointed AD: Adult Social Care (now Director for Adult Social Care) and has since undertaken the role of Caldicott Guardian (CG).

- 6.3 In terms of CG activity please see summary below:

6.3.1 **GDPR** – the requirements of this legislation have been fully implemented with all staff completing relevant GDPR training. Each service continues to have an IG lead and receive and disseminate regular updates.

6.3.2 **Electronic Adult Social Care database and financial systems is well embedded and being updated to meet the requirements of the Care Reform legislation from 1/4/23** - The Data Protection Officer continues to support the service in monitoring the Data Protection Impact Assessment on the system. In 2020 there was a full audit of the financial management processes including the appropriate use of financial and case management systems and processes. The outcome of this audit provided assurance a further full audit is booked for 2023.

We are ensuring that the requirements of National Opt-out are complied with in the use of 'confidential patient information' as defined in section 251 (11) of the National Health Service Act 2006. Section 251's definition of patient has been expanded to include people who might more often be called service users/customers/clients and we are working to ensure projects are compliant and reviewing wider ASC use of confidential patient information accordingly.

The Adult Social Care electronic record self-service portal is still in development and will be implemented this year. This will mean that local people with care and support needs will be able to access some of their own care record and communicate directly with ASC via the portal. The system will enable online self-assessment including financial assessment which will enable us to implement the Care Reforms. The Data Protection Officer will be involved in completing the Data Protection Impact Assessment. This portal will mean that citizens with care and support needs will have an online account that they can access and use to manage their care and associated finances.

6.3.3 Adult Social Care Breaches – reporting system in place where IG inform the CG of all breaches related to social care data.

6.3.4 Integrated working with key partners – Information sharing protocols have been agreed and are updated regularly, supported by the Data Protection Officer. This will continue to be an important aspect as we further integrate service delivery and records with health partners as per the recent White Paper about the integration of health and social care and the development of our ICS (Integrated Care System) locally.

Our Telford and Wrekin Integrated Place Partnership (TWIPP) is our key local vehicle for development and delivery and a direct link to the ICS Board. There are work streams including Digital Information Governance Group which have regular input from the Caldicott Guardian and Data Protection Officer to ensure that all information governance requirements are met as we move towards further integrated pathways and partnerships.

The development of the Integrated Health and Care Record (One Health and Care) went live November 2021 for Adults and the Children’s Services version remains in development. The One Health and Care implementation has been a complex partnership programme and the Data Protection Officer has been central to this process with regular updates to the Caldicott Guardian and the TWC Senior Management Team. The Data Protection Officer attends the Integrated Care System Data Protection Group that monitors the compliance against the Data Protection Act, the group is attended by each organisation using One Health and Care. Communications with the public about the data protection aspect has been completed and the integration of health and care records is already showing improved communications between professionals and improved outcomes for the citizen. There is an internal audit planned in July 22 around the implementation of One Health and Care.

There is a new ICS Caldicott Guardian Group being convened which the TWC Caldicott Guardian will attend to ensure join up and continual development of practice.

6.3.5 Quality Assurance – Regular review meetings are in place with the Senior Information Risk Owner, CG and Data Protection Officer to ensure that further development and assurance of our data protection systems continue in relation to our support of those with care and support needs particularly as we integrate records and delivery further with health and care partners.

7 CONCLUSIONS FOR 2021/2022

- 7.1 The Information Governance Team have performed well and made a positive contribution to the governance arrangements within the Council in 2021/2022.

8 OTHER CONSIDERATIONS

| AREA | COMMENTS |
|----------------------|---|
| Equal Opportunities | All members of the IG Team have attended equal opportunities/ diversity training. If any such issues arose during any work the appropriate manager would be notified. |
| Environmental Impact | All members of the IG Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager. |
| Legal Implications | Compliance with the Information Rights legislation mentioned in this report is mandatory. When assessing compliance, the ICO will consider approved policies and procedures of the authority. |

| | |
|---------------------------------|---|
| | <p>NHS and Social Care Caldicott Guardians are required to be registered on the publicly available National Register of Caldicott Guardians. The UK Council of Caldicott Guardians, an elected body made up of Caldicott Guardians from health and social care, meets four times per year and publishes a manual for Caldicott Guardians (currently 2017) which sets out the roles and responsibilities of the Caldicott Guardian. The Health & Social Care Information Centre [HSCIC] publishes guidance and resources for Caldicott Guardians.</p> <p>RP 5/5/22</p> |
| Links with Corporate Priorities | All aspects of the IG teams work support good governance which underpins the achievement of the Council's objectives and priorities. |
| Risks and Opportunities | All aspects of the IG teams work supports managers and the Council to identify and manage their information risks and opportunities. |
| Financial Implications | Costs associated with the Information Governance and Caldicott Guardian work outlined in this report are met from the Council's base budget. AEM 28.04.22 |
| Ward Implications | The work of the IG team encompasses all the Council's activities across the Borough and therefore it operates within all Council Wards. |

9 **BACKGROUND PAPERS**

Corporate Information Security Policy

Corporate Information Security Breach Procedure

Local Authority Data Handling guidelines

ISO27001 (standard for information security)

Data Protection Act 2018

Freedom of Information Act 2000 (fully introduced 2005)

Environmental Information Regulations 2004.

Caldicott Review - <https://www.gov.uk/government/publications/the-information-governance-review>

Information: To Share or not to Share – Government Response to the Caldicott Review.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/192572/2900774_InfoGovernance_accv2.pdf

Report by Rob Montgomery Audit & Governance Lead Manager. Telephone 383103

Update on Information Governance (IG) Work/Compliance Programme 2020/2021

| No | Task | Completion Date | Update as at 31/3/21 |
|----|--|-------------------|--|
| 1 | Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO. | Ongoing | Performance comparable with 2021/22 |
| 2 | Continue the provision and promotion of additional services to schools within and outside the area to generate agreed income. | Ongoing | IG Team continues to provide services for a number of parish councils, schools and academy trusts. |
| 3 | Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made. | Ongoing | Ongoing support to services and liaison where necessary with ICO. |
| 4 | Support service areas to address any information security risks that arise. | Ongoing | As above. |
| 5 | Monitor compliance with GDPR/DPA 2018 and associated Council policies. This includes the assignment of responsibilities, awareness raising, training of staff and associated audits. | Ongoing | Compliance work completed in year contributing to accountability principle. |
| 6 | To provide advice where requested on Data Protection Impact Assessments (DPIA) and monitor performance in this area. | Ongoing | DPIA's completed on a number of projects in year that are reviewed and signed off by IG. |
| 7 | To co-operate with the Information Commissioners Office (ICO) in any relevant engagement. | Ongoing | The IG Team continue to be the key contact with ICO. |
| 8 | Inform and advise the Council and its employees who carry out personal information processing of their obligations under GDPR/DPA 2018. | Ongoing | The IG Team provides various updates to staff throughout the year. |
| 9 | Review and update the Corporate Information Security Policy (CISP) | End of March 2022 | Policy currently under review – due for completion by end of May 2022. |
| 10 | Complete Data Security & Protection (DSP) toolkit assessment for central government. | End of July 2022 | Complete. |

Information Governance (IG) Work/Compliance Programme 2022/2023

| No | Task | Completion date |
|----|--|-------------------|
| 1 | Administer FOI/EIR/DPA requests, appeals and associated correspondence from the ICO. | Ongoing |
| 2 | Continue the provision and promotion of additional services to schools within and outside the area to generate agreed income. | Ongoing |
| 3 | Investigate instances of possible data breaches and ensure appropriate improvements within services and processes are made. This would include acting as a point of contact for the ICO. | Ongoing |
| 4 | Support service areas to address any information security risks that arise. This would include acting as a point of contact for the ICO. | Ongoing |
| 5 | Monitor compliance with GDPR/DPA 2018 and associated Council policies. This includes the assignment of responsibilities, awareness raising, training of staff and associated audits. | Ongoing |
| 6 | To provide advice where requested on Data Protection Impact Assessments (DPIA) and monitor performance in this area. | Ongoing |
| 7 | To co-operate with the Information Commissioners Office (ICO) in any relevant engagement. | Ongoing |
| 8 | Inform and advise the Council and its employees who carry out personal information processing of their obligations under GDPR/DPA 2018. | Ongoing |
| 9 | Review and update the Corporate Information Security Policy (CISP). | End of March 2023 |
| 10 | Complete Data Security & Protection (DSP) toolkit assessment for central government. | End of July 2023 |

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 26 MAY 2022

CORPORATE ANTI-FRAUD & CORRUPTION - 2021/22 ANNUAL REPORT AND POLICY

REPORT OF THE CHIEF FINANCIAL OFFICER

1. PURPOSE

1.1 For the Audit Committee to:

- a) Consider the 2021/22 Annual Report on Corporate Anti-Fraud and Corruption activity; and

2. RECOMMENDATIONS

2.1 That the Audit Committee notes the 2021/22 Annual Report on Corporate Anti-Fraud and Corruption activity.

3. SUMMARY

3.1 The Council is committed to high standards of Corporate Governance and has a set of effective procedures in place to support this. This includes the Anti-Fraud & Corruption Policy.

3.2 The terms of reference of the Audit Committee include:
“13. To approve the Anti-Fraud and Corruption Policy and to recommend its adoption by the Council and to monitor its operation. The policy will be reviewed at least once every two years.”

4. PREVIOUS MINUTES

4.1 Audit Committee 30 May 2019 - Annual Report 2018/19 and policy update
Audit Committee 14 July 2020 – Annual Report 2019/20 and policy update
Audit Committee 27 May 2021 – Annual Report 2020/21 and policy update

5. INFORMATION – ANNUAL REPORT 2021/22

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

5.2 Nationally, there are indications that fraud levels are at an all-time high and continue to rise. Criminals are finding new ways to obtain illegal proceeds through fraud and local authorities are often targets of their criminal activity. According to the Government Functional Standard on Fraud, it is estimated that fraud costs the public sector between £31 billion and 53 billion per year and much of this goes undetected. Previous official estimates had put this figure at £7.3 billion.

The threat from fraud is not just a local one; organised criminals are targeting public money on an unprecedented scale. The criminal proceeds from organised crime are not just used to fund criminal lifestyles in the UK but can be diverted abroad to support corrupt regimes and

finance terrorism. Therefore, combatting fraud is not just about saving money, the Council also has a moral duty to prevent/detect fraud.

- 5.3 This report contains information for 2021/22 on counter fraud and investigation activities within the Investigation Team, Internal Audit and Public Protection. The committee should note that the Council's procedures and controls are designed to minimise the opportunity for fraud and to highlight areas where there may be a greater risk of possible fraudulent activity occurring. However, these controls need to be continually reviewed and assessed as the fraud landscape changes. Work undertaken by Council teams in fighting fraud and theft is not just about the savings realised, fraud prevention is equally important.
- 5.4 Members and officers regularly receive information on their responsibilities in respect to the use of public money and the prevention and detection of fraud. They provide referral information for review and investigation by appropriately trained and experienced officers within the Council (and by the Police or other external party when required).

6. TRANSPARENCY CODE REQUIREMENTS

- 6.1 The Local Government Transparency Code requires the Council to publish data regarding its fraud arrangements as shown in the table below.

| | Requirement Description | T&W Arrangements |
|---|---|--|
| 1 | Number of occasions the Council have used the powers under the Prevention of Social Housing Fraud Regulations 2014 or similar powers. | The Council does not have social housing and therefore these powers have not been used in the last 12 months. |
| 2 | Number (absolute and FTE) of employees undertaking investigations and prosecutions of fraud | <p>Currently there is 1 Senior Investigation Officer and 1 Assistant Investigation Officer working in the Investigation Team. This equates to 2 FTE officers undertaking investigations into fraud, theft and other irregularity along with introducing preventative measures to combat fraud.</p> <p>Other Council services undertake investigations into fraud, for example Public Protection and ICT. These tasks form an ancillary part of an officer's job role and therefore it would be difficult to identify what proportion of their role would be taken up undertaking fraud investigations.</p> |
| 3 | Number (absolute and FTE) of professionally accredited counter fraud specialists | Currently 2 Accredited Counter Fraud Specialists work in the Investigation Team. |
| 4 | Total amount spent by the authority on the investigation and prosecution of fraud | <p>The cost of the Investigation Team for 2021/22 was £108,936. Costs include staff, postage, printing, telephones, mileage, computer software and all other investigation related costs.</p> <p>As stated on point 2 above, other areas of the Council undertake</p> |

| | | |
|---|--|---|
| | | investigations but it is difficult to attribute a cost to this as costs are consumed in overall budgets for each service. |
| 5 | Total number of fraud cases investigated | See case investigation data in this report. |

7. THE INVESTIGATION TEAM

- 7.1 The Investigation Team, within Audit and Governance, has responsibility for investigating fraud, theft, irregularity and corruption across the authority. The team are also responsible for introducing measures to help prevent the risk of fraud, irregularity, bribery and corruption. This includes training staff, maintaining risk assessments and producing the relevant policies relating to fraud theft and irregularity. The team work closely with Internal Audit to mitigate fraud risks to the Council as well as providing support, advice and guidance to service areas on fraud prevention matters.
- 7.2 The team also support the Council's Money Laundering Reporting Officer (MLRO) in their role. Initial Suspicious Activity Reports are screened and interrogated by the team before being passed to the MLRO.
- 7.3 The team also maintain the Speak Up (Whistleblowing) Policy and associated reporting facilities.
- 7.4 A high proportion of the team's investigation work comes from investigating matters affecting the Revenues service. This includes Council Tax Support (CTS), Single Person Discount (SPD), council tax liability issues and National Non-Domestic Rates (NNDR). The table at 7.13 details all the recorded savings made by the Investigation Team for 2021/22.
- 7.5 Two internal investigations relating to members of staff have been undertaken during 2021/22. An additional case remains in the court system from a previous year which has been delayed due to the legal arguments and delays in the court system as a legacy from COVID. These internal cases involve sums less than £10,000. The Council are currently awaiting a court date for one of these cases.
- 7.6 The Investigation Team have been jointly working with the National Investigation Service on an external fraud case, this matter will continue into 2022/23. In addition, an unrelated external fraud has been identified, investigated and passed to West Mercia Police for further investigation.
- 7.7 The Investigation Team have undertaken a considerable amount of work on the COVID Grant Support Schemes which continued into 2021/22. Working closely with the Revenues Service, the team were able to assist with the prevention of a significant number of fraudulent grant applications, which within a period of two weeks saved nearly £119,000 of fraudulent grant payments being awarded. These are believed to have been from organised criminals. In addition, the team offered advice on a change of application process that stopped further attempts being blocked at the online application stage. The team have also assisted with the recovery of two fraudulent grant awards which were paid out amounting to £10,400
- 7.8 There is no way of accurately measuring the consequential effects and indirect savings that occur due to the team's work. If potential fraudsters are aware that the authority have an Investigation Team that undertakes work into all aspects of fraud against the authority, then they will be less likely to attempt to commit acts of fraud than they would if there was no team in place. In addition, the preventative measures that the team work on help stop fraud going forward.

- 7.9 The Investigation Team has a close working relationship with West Mercia Police Intelligence Service. A Service Level Agreement (SLA) exists which facilitates the sharing of data for the prevention and detection of crime. The team assist the Police on a regular basis in a variety of matters under this agreement. Although this work can be time consuming, it is an important partnership in helping the fight against crime in the local community; which West Mercia Police have stated is invaluable. On occasions, information received from the Police may lead to investigations being conducted by the team which otherwise may have not taken place. In 2021/22 the team undertook approximately 400 enquiries to support West Mercia Police under this agreement.
- 7.10 The team has developed a fraud risk register through 2021/22 which outlines fraud risks in service areas across the Council and what measures are in place to mitigate each risk. This register is reviewed when Internal Audit undertake work in each service area. This helps ensure that the Council is continually assessing the fraud risks in each service area and in introducing preventative measures to mitigate these risks.
- 7.11 In addition to the maintenance of the fraud risk register, below are details of further preventative work that the Investigation Team undertook in 2021/22:
- Highlighting and assisting with the change in policy for recording conflicts of interests and second positions of employment
 - Providing regular fraud alerts across the authority identifying current fraud risks and trends
 - Providing fraud training to service areas when requested along with updating the online fraud training module
 - Offering advice to be issued to staff in the Customer Contact Centre after an attempted fraud was identified and prevented.
- 7.12 The first addition of the Fraud Insight newsletter was produced by the Investigation Team this year covering all things fraud related for Telford & Wrekin Council.

7.13 Investigation Team Savings 2021/22

| Fraud Area | Savings |
|--|-----------------|
| Council Tax/Revenues Matters | £78,040 |
| Other Corporate Fraud Investigations | £47,109 |
| Housing Benefit as a knock-on effect of CTS investigations | £80,765 |
| COVID grants | £146,187 |
| TOTAL | £352,102 |

- 7.13.1 In addition to the figures above, the team have investigated matters where employers have failed to comply with Direct Earnings Attachments. The Investigation Teams involvement has resulted in employers complying with their legal requirements.
- 7.13.2 It cannot be overstated that the figures in 7.13 only covers part of the team's role. The preventative work that the team undertake is a significant element of the service.

7.14 National Fraud Initiative (NFI)

- 7.14.1 The Cabinet Office NFI exercise is part of Central Government's national recognition that taxpayers have a right to expect public bodies to put in place every possible measure to protect their money from fraud. The Council has a statutory responsibility to provide data to the Cabinet Office for the prevention and detection of fraud as part of the NFI.

- 7.14.2 The Investigation Team manage the NFI exercise locally and have facilitated the 2020/21 exercise which included the uploading of all the data and managing the matches produced. The team supported service areas in undertaking the work during the financial year and reviewed a significant number of matches themselves. The NFI work was concluded in 2021/22.
- 7.14.3 The NFI produced savings of £46,676 and identified one of the employee fraud matters which was referred to in 7.5. These figures are not included in the table 7.13 as they are not direct savings made by the Investigation Team.

8. INTERNAL AUDIT

- 8.1 Internal Audit has a preventative role in ensuring that adequate systems, controls and procedures are in place to prevent and deter fraud, bribery and corruption. They assist managers in ensuring they have appropriate systems and controls in place that are designed to prevent or reduce the opportunity for fraud. Their annual audit plan can include spot checks and unannounced visits to assist in the detection and prevention of fraud.
- 8.2 There is no specific time allocated to audit for proactive fraud work as this is consumed within the days allocated for general audit assignments. Proactive fraud days are now allocated to the Investigation Team.
- 8.3 Internal Audit also provides continuous advice and guidance to managers to assist them in the prevention of fraudulent activity.

9.2 HOUSING BENEFIT AND COUNCIL TAX REDUCTION

- 9.1 The overall Housing Benefit and Council Tax Reduction caseload has decreased over the last 12 months, from 16,006 (live cases) at 31 March 2021 to 15,068 as at 31 March 2022. The government's Welfare Reforms and the introduction of Full Service Universal Credit in the area on 14 November 2018 are the main factors for this. Those entitled to Universal Credit are no longer eligible for Housing Benefit resulting in their claims being cancelled. The Council retains responsibility for Housing Benefit for pensioners and supported accommodation which is an increasing and complex area.
- 9.2 Telford & Wrekin Council initially signed up to the Department of Work and Pensions (DWP) new Housing Benefit Award Accuracy Initiative from October 2021. The Council re-signed up to the initiative for 2021/22. The initiative involves completing Housing Benefit Matching Service (HBMS) matches on cases where DWP data does not match Local Authority data and undertaking full case reviews on customer's circumstances based on a risk list provided by DWP. A total of 1,208 reviews and 383 HBMS data matches were completed in 2021/22. The scheme becomes mandatory from 2022/23.
- 9.3 The Benefits Team continues to review changes in earnings and occupational pensions received from the Department for Work and Pensions via their Verification of Earnings and Pensions (VEP) alerts. These alerts notify us when there may have been a change in the customer's earnings or pension. The Benefits Team have also reviewed cases as part of the government's National Fraud Initiative, which for some matches provides data more regularly than just the main matches every two years.
- 9.4 The DWP continue to provide a wealth of data and the Council obtains the majority of change of circumstances via their daily downloads and data matches. However, it still remains the customer's responsibility to notify us of any changes.

| | |
|---|----------|
| Number of Verification of Earnings and Pensions Undertaken | 2,313 |
| Number of Reviews Undertaken (including those outside of the Housing Benefit Award Accuracy Initiative) | 1,248 |
| Projected Annual Council Tax Reduction Saving | £109,984 |
| Overpaid Housing Benefit | £272,568 |

10. PUBLIC PROTECTION

10.1 The Public Protection Service which includes Trading Standards, Environmental Health and Licensing play a significant role in delivering the Council's response to business related fraud in the borough. The majority of the responses are based around statutory responsibilities refined to provide effective detection and countermeasures in respect to fraud. These services are not restricted as to whom its officers may investigate, and are constrained only by the limitations of the statute under which an investigation is being conducted. Public Protection Service actively engage in the Multi Agency Targeted Enforcement (MATES) across a wide variety of settings and support the wider serious and organised crime agenda.

10.2 Anti-Fraud responsibilities

10.2.1 All teams through the course of their routine work may come across irregularities. Where these irregularities are outside Public Protection's remit these are referred to agencies such as UK Border Force, Driving & Vehicle Licensing Agency, HM Revenues & Customs, Insurance Fraud Bureau, Police and internal service areas such as the Investigation Team and Revenues and Benefits Service.

10.3 Environmental Health

10.3.1 Fraud can occur in a number of areas that the Environmental Health service covers. The prevention and detection of unfit and debased food through inspection, sampling and intelligence is part of the team's role. Members of the public can now use the Everyday Telford App to report Food Crime.

10.3.2 Fraudulent use of health and identification marks is another area that the team investigate. All Approved Premises within the borough are checked to ensure they are applying the health mark appropriately when they are inspected. Inspectors will routinely check for health marks on animal products in retail establishments.

10.4 Licensing Service

10.4.1 Within the Licensing Service there are a number of areas of fraud that are investigated in addition to their other duties. These are listed below:

- Street trader consents - Prevention and detection of the illegal and highly lucrative transfer of street trader consents.

- Taxi licensing - Ensuring the correct vehicle is correctly insured and driven by the licensed driver.
- Scrap metal dealers licensing - Joint working with police to detect illegal trading in stolen vehicles and other stolen metal items such as copper cabling through scrap metal dealers.
- Street Collections, Charity collections - Identification, detection and enforcement of fraudulent collections

10.5 Trading Standards Service

10.5.1 The Trading Standard Service use specific legislation to help tackle fraud across the Borough. This includes:

- Intellectual Property crime – covering Copyright, Trademarks
- Consumer Protection from Unfair Trading legislation -. This legislation covers a wide range of goods and services including house purchases, animals, vehicles, food & drink and all personal and professional services.
- Cattle identification legislation - To prevent fraudulent transfer to limit disease spread.
- Weights and Measures - Misrepresentation of quantity or measure of goods supplied.
- Fraud Act

10.5.2 Trading Standards receives intelligence about rogue trader activities in Telford and Wrekin and deals with complaints about fraudsters that specifically target vulnerable and older people, carrying out unnecessary or misrepresented home improvement work and as a result defraud them out of thousands of pounds.

10.5.3 The service continues to educate, inform and protect our residents of the many forms of financial abuse and scams. In 2021, the team has keep abreast of numerous Covid related scams and fraud alerts. These were posted on our Public Protection and the Council's social media channels to ensure we get maximum coverage and allowing it to be shared easily and quickly. It has also piloted a project to assist repeat victims of scams and is working closely with West Mercia Economic Crime Unit to develop a multi-agency approach to fraud.

10.5.4 Trading Standards prioritise work around illicit tobacco and works closely with HMRC, West Mercia Police and other Local Authorities sharing intelligence, carrying out joint operations focussed on the supply of illicit products.

11. PUBLICITY

11.1 Publicity of cases is important as a deterrent. The Investigation Team and Public Protection use Corporate Communications to issue press releases and social media to alert the public and inform businesses about relevant campaigns, interventions and prosecutions. The press releases are also published on the Council's website.

11.2 When any significant intervention or prosecution occurs then the relevant Director and Cabinet Member are briefed accordingly. Any lessons learnt are shared within the relevant team meetings.

11.3 Where allegations of internal frauds have been investigated and procedures and controls are changed the lessons learnt are shared across the Council through the staff news, bulletins and in management meetings.

12. TRAINING AND AWARENESS

12.1 The Council ensures that both members and officers are aware of their responsibilities in respect to the Council's Anti-Fraud and Page 135 Policy.

- 12.2 An online fraud training package is provided to new starters within the authority. This covers all aspects of fraud and irregularity that can affect Telford and Wrekin Council and how officers can help prevent it and report any concerns. This is being updated for 2022/23. There is also an anti-money laundering course available online.
- 12.3 The Investigation Team provide training to individual service areas when requested or when the need is identified. The team are also available to all employees of the Council to discuss any aspect of fraud and irregularity. They will also attend team meetings when required to discuss any fraud and theft related matters.
- 12.3 As previously mentioned, a Fraud Insight newsletter is produced by the Investigation Team available to all staff and provides information on all things fraud related.
- 12.4 Staff within Revenues & Benefits receive fraud awareness training as part of periodic refresher training. The Department for Work and Pensions also provide Benefit Officers with training in relation to Housing Benefit fraud.
- 12.5 For officers there is the Code of Conduct for Employees which is included as part of induction and is available on the intranet. The Code of Conduct has aspects built in to help with fraud prevention.
- 12.6 National intelligence bulletins are shared with the relevant service areas when they are received to help keep service areas up to date with growing fraud trends.

13. CYBER FRAUD

- 13.1 As a Council we have numerous technical controls in place to counter or prevent cyber fraud such as email security gateways and antivirus products. These help to prevent or mitigate malicious activity from 'actors' such as crime groups who use techniques such as phishing or ransomware to conduct criminal activity in an attempt to encrypt, disrupt or steal and leak data with the intent of getting a payment.
- 13.2 Distributed Denial of Service attempts are also used as a way to disrupt government and academic networks, the Council also have capability in this space that mitigates this activity.
- 13.3 From the period 1st January 2021 to 1st January 2022 there were 333 malicious messages reported by colleagues to ICT as part of new phishing defence and reporting capability. Staff are asked to report suspicious emails for further analysis, this is in conjunction with automated processes that block and quarantined malicious activity using threat intelligence.
- 13.4 On reviewing these 333 messages it was determined that 257 messages were classified as crime ware, messages classified as crime ware contain malicious links or suspicious attachments. In addition, 76 messages were classified as advanced threats, these are messages that contain no attachments or links, however, may contain further dialogue or instruction for the email recipient to respond.

14. CHALLENGES FOR 2022/23

- 14.1 The growth of fraud has been significant and has accelerated during the pandemic and the public purse reportedly lost unprecedented amounts during this period. Organised crime is seeing fraud as extremely lucrative and public authorities will continue to see fraud attempts from all over the globe in addition to localised fraud attempts. Therefore, the Council needs to continue to develop its preventative measures and the Investigation Team is at the forefront of this work. However all service areas need to play their part in the fight against fraud.

14.2 This creates a significant challenge for the Investigation Team to expand its preventative work, training, policy development and risk assessment as well as undertaking fulfilling investigation responsibilities with finite resources.

15. ANTI-FRAUD & CORRUPTION POLICY UPDATE

15.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 27 May 2021. The Anti-Fraud & Corruption Policy is reviewed every two years and therefore the policy will be presented to committee for approval in 2023.

16. OTHER CONSIDERATIONS

| AREA | COMMENTS |
|---------------------------------|---|
| Equal Opportunities | The Anti-Fraud & Corruption policy operates within Equalities legislation and the Council's associated policies. Any investigations follow legal requirements and proper procedures to ensure that equality and diversity requirements are met. |
| Environmental Impact | None |
| Legal Implications | <p>The Accounts and Audit Regulations 2011 require the Council to ensure 'that the financial management of the body is adequate and effective and that the body has a sound system of internal control'. The anti-fraud documents help to fulfil this requirement.</p> <p>The Council will have full regard to relevant legislative requirements, including without limitation:</p> <ul style="list-style-type: none"> • The Fraud Act 2006 • Bribery Act 2010 • Section 151 Local Government Act 1972 • Section 5 Local Government & Housing Act 1989 • Contracts Regulations 2015 • Accounts and Audit Regulations 2011 • The Council Tax Reduction Schemes (Detection and Enforcement) (England) Regulations 2013 • Local Government Finance Act 1988 • Regulation of Investigatory Powers Act 2000 • Terrorism Act 2006 • Proceeds of Crime Act 2002 • Police and Criminal Evidence Act 1984 • Companies Act 2006 • Localism Act 2011 • The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 <p>5/5/22 RP</p> |
| Links with Corporate Priorities | The policy supports all Corporate priorities and good corporate governance demonstrating the Council's desire to ensure sound conduct and ethical procedures for all those associated with the Council and its service delivery. Monitoring the policy provides the opportunity to identify if there are any changes required or additional areas of activity. |

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|-------------------------|---|
| Financial Implications | Costs associated with the anti-fraud and corruption work outlined in this report are met from the Council's base budget. This includes staffing costs, training, marketing and promotion costs, stationery and any postage. AEM 5/5/22 |
| Opportunities and Risks | Having a policy which sets out the Council's anti-fraud and corruption culture and associated procedures assists in the management of the risk of fraud and corruption against the Council. |
| Ward Implications | Borough wide implications. |

17. BACKGROUND PAPERS

Anti-Money Laundering Policy 2020
 Corporate Anti-Fraud and Corruption Policy 2021
 Speak Up (Whistleblowing) Policy 2020
 Corporate Prosecution Policy Fraud and Theft 2020
 Benefits Counter Fraud and Sanctions Policy 2016
 Cabinet Office requirements for the National Fraud Initiative
 Trading Standards & Licensing Legislation

Report prepared by Andrew Hollis – Senior Investigations Officer

With input from;

Tracey Drummond – Principal Auditor

Rebecca Owen-Jones - Benefit Assessment Group Manager

Anita Hunt – Public Protection Manager (Trading Standards and Licensing)

Nicky Minshall – Service Delivery Manager Health Protection

Andy Carpendale - Infrastructure Security Specialist

TELFORD & WREKIN AUDIT COMMITTEE
OUTLINE OF BUSINESS FOR FUTURE MEETINGS 2022/23

Agenda Item 14

| DATE OF MEETING | ITEM | RESPONSIBLE OFFICER |
|-----------------------|--|---------------------|
| May 2022 | 1. Review of Terms of Reference for the Committee | RM |
| | 2. External Audit Interim Report 2021/22 | GT |
| | 3. External Audit Fee Letter and Plan for 2022/23 | GT |
| | 4. 2021/22 Annual Governance Statement including a review of the Local Code of Good Governance | RM |
| | 5. Draft Statement of Accounts 2021/22 | KC/PH |
| | 6. 2021/22 Internal Audit Annual Update Report including the Audit Committee Annual Report and 2022/23 Internal Audit Plan | RM/TD |
| | 7. Update report on the work of Internal Audit | RM/TD |
| | 8. 2021/2022 Annual Information Governance and Caldicott Guardian Report & 2022/23 IG Work Programme | RM/TD |
| | 9. 2021/2022 Anti-Fraud & Corruption Annual Report and updated Policy | RM |
| | 10. Outline of Audit Committee Business for 2022/23 | AL/RM |
| July 2022 | 1. Treasury Management Outturn 2021/2022 and Update 2022/23 | PH |
| | 2. External Auditor update report | GT |
| | 3. Publication of Information on Councillors who Traded with the Council during 2021/2022 | PH/RM |
| | 4. Strategic Risk Register Update | RM |
| | 5. 2022/23 - Internal Audit & IG Activity Update Report | RM/TD |
| | 6. PSIAS External Assessment Outcome | RM |
| | 7. Capital receipts update (exempt item) | KK |
| September 2022 | 1. Annual Customer Feedback Report and assurance on lessons learnt 2021/2022 (including LGO investigations) | LH |
| | 2. Report to those Charged with Governance 2021/2022 | GT |
| | 3. Audited Annual Statement of Accounts 2021/2022 | KC/PH |
| | 4. Internal Audit & IG Activity Update Report & Public Sector Internal Audit Standards – Self Assessment | RM/TD |
| | 5. PSAA - External Audit Appointment Update | RM/TD |
| | 6. Review of the effectiveness of the Audit Committee | RM |
| January 2023 | 1. Treasury Management – update from Link | Link |
| | 2. Draft Treasury Management Strategy 2023/2024 and update 2022/2023 | KC/PH |
| | 3. External Audit Plan 2023/2024 | GT |
| | 4. External Annual Audit letter | GT |

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| | 5. Internal Audit Activity Report and Update to Internal Audit Charter 2023/2024 | RM/TD |
| | 6. Updated position of the AGS Action Plan 2021/22 | JP/RM |
| | 7. Strategic Risk Register and Risk Strategy Update | RM/TD |
| | 8. Assurance on the Council's Partnership Arrangements | FB/JP |
| | 9. Climate change management | HR/LS |