

Telford & Wrekin Council

Report to the Audit Committee

Updates to Audit Plan and VFM risk assessment
for the year ending 31 March 2024

November 2024

Introduction

To the Audit Committee of Telford & Wrekin Council

We are pleased to have the opportunity to meet with you on 20 November 2024 to discuss our audit of Telford & Wrekin Council for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this risk assessment will remain draft until the finalisation of that Code.

This report outlines updates made to our audit strategy presented in May 2024, and our risk assessment for our VFM responsibilities.

Contents	Page
Value for money	3
Summary of risk assessment	5
VFM arrangements	6

The engagement team

Andy Cardoza is the engagement director on the audit. He has over 25 years experience in public sector audit.

Andy shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include engagement managers Liz Gardiner and Duncan Laird, plus in-charge Alison Teppin with 8, 23 years and 5 years of experience respectively.

Yours sincerely,



Andrew Cardoza

Director - KPMG LLP

November 2024

Restrictions on distribution - This report is intended solely for the information of those charged with governance of Telford & Wrekin Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

Changes to financial statements audit plan

Since presenting our draft audit strategy for the 2023-24 audit to the Audit Committee in May 2024, we have continued our risk assessment procedures to further define and focus where our significant risks lie. This has resulted in the following changes to our planned approach:

Significant risk area	Change in approach
<p>Expenditure recognition – an inappropriate amount is recorded for expenditure (consideration required by Practice Note 10)</p>	<p>After completion of our detailed risk assessment procedure, we do not deem there to be a significant risk of fraud, nor error, in relation to the Council's expenditure.</p> <p>Given the size and volume of the expenditure streams, we have assigned an 'elevated' inherent risk to the balance which will result in larger samples for our post year-end cut-off testing over expenditure transactions and cash payments, and accruals sample testing. However, this is relative to an 'elevated' risk and not a significant risk.</p>
<p>Valuation of land and buildings</p>	<p>Our draft audit strategy proposed a significant risk over the valuation of all council land and buildings. After completion of further risk assessment procedures, and understanding of the balances and processes used to value Council land and buildings, we have concluded that the significant risk lies with the property investment portfolio only (which is included in the other land and buildings balance), and not the specialised buildings that are valued using the Depreciation Replacement Cost (DRC) or EUV (existing use value) methodology.</p> <p>Specifically, we have linked the significant risk to the yield rate assumption in the calculation of the property investment portfolio valuations, and also the accounting treatment of the property investment portfolio to be classified as Other Land and Buildings.</p> <p>We will still complete testing over the remaining 'Other Land and Buildings' balance, but we do not deem it to be a significant risk area.</p>

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

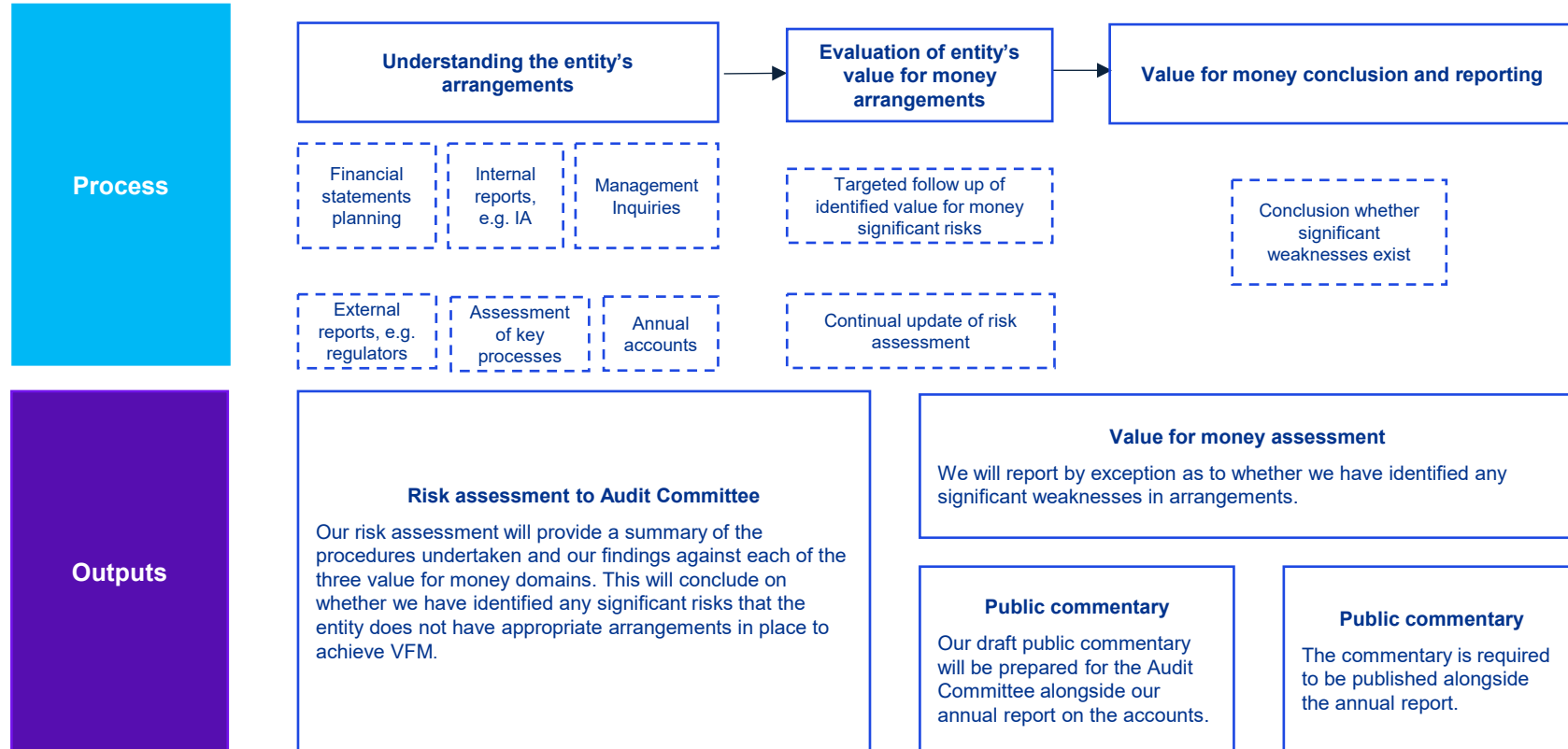
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

Approach we take to completing our work to form and report our conclusion:



Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and internal audit and performed inquiries of management.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

Domain	Significant VFM risk identified?
Financial sustainability	No significant risk identified
Governance	No significant risk identified
Improving economy, efficiency and effectiveness	No significant risk identified

As a result of our risk assessment to date, **we have not identified any significant risks at this stage of our audit** that appropriate arrangements are not in place to achieve value for money at the Council.

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan

Summary of risk assessment

- The Section 151 Officer leads on budget setting (Medium Term Financial Strategy (MTFS)), and carries responsibility for the process and timelines. At a strategic level, from an officer perspective the process is managed through the Service & Financial Planning Group (CEX, Executive Directors, S151 Officer and Finance Managers), with regular updates to Senior Management Team. A corporate budget model is maintained for budget projections. This is updated to reflect decisions made by the Service & Financial Planning Group together with pressures identified and funding projections for each Directorate. In parallel, detailed budget work is undertaken at Service level (Finance officers and Service Delivery Managers/budget holders) which also informs the corporate model.
- Budget holders are involved in the process through their consideration of revenue costs and pressures, capital cost and time limited costs, one off costs and saving for their respective service areas.
- Specific budget assumptions are clearly set out in Appendix 15 of the MTFS, which also sets out that adult and children's social cost pressures will be funded from reserves if the final outturn is over budget. The clear list of assumptions allows for challenge by committees, which was evidenced in Business and Finance Scrutiny committee minutes; particularly around robustness of the budget, interest rate assumptions and increasing costs in contracts.
- The MTFS was presented to Business and Finance Scrutiny Committee in January 2024 and there was clear challenge on assumptions. Further, the MTFS was approved by Cabinet in February 2024 for debate at Full Council, which approved the MTFS (including 4.99% increase in Council Tax).
- Budget monitoring is produced inline with the corporate monitoring timetable. Monitoring is based on information held in the Councils Financial Management Systems. Should significant variations from budget be identified then Directors are asked to take mitigating action to offset areas of pressure. In 2023/24, an in year savings exercise was undertaken to address additional investment required in Social Care.
- Budget holders are actively engaged throughout the year when their monitoring is produced. Members of the Finance Team will meet with budget holders, Service Delivery Managers and Directors. For 2024/25, per the latest financial monitoring report presented to Cabinet in July 2024, there were a number of amendments to the MTFS (approved in February 2024) including virements to be approved, some slippages in budget but also some new allocations in relation to Capital, as well as detailed Revenue budget variations. Financial monitoring reports are received regularly throughout the year by Cabinet.

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan

- Savings proposals are developed as part of the MTFS process; proposals are included in draft MTFS presented to Cabinet in January and approved at Full Council in Feb/March in advance of the financial year starting. The schedule of savings proposals for public consultation included in the MTFS will save an additional £17.6m if delivered for 2024/25. This includes service restructures (staff savings) of £2.8m, income generation of £5.7m, and service redesign of £1.6m.
- For 2023-24, the Council set a net revenue budget of £146.8m, and out turned with a small underspend of £15k. Per the comprehensive income and expenditure statement, there was a small surplus of £234k on provision of services. A small amount of general reserve was utilised in 23/24 (£152k), which was approved as part of the monitoring process for a specific purpose, but the budget strategy reserve of £21.7m was not applied. The general reserve use was planned and approved specifically for footway lighting investment.
- For 2024-25, per the latest financial monitoring report presented to Cabinet in July 2024, there were a number of amendments to the MTFS including virements to be approved, some slippages in budget but also some new allocations in relation to Capital, as well as detailed Revenue budget variations. Specifically, there is need for £4.3m more investment in adult social care provision. At time of writing, there is a forecast to be £3.6m overspent at year-end, to be funded from a one off contingency earmarked for social care, and general budget contingency. It is planned that the 2024/25 budget will continue to be refined as the year goes on. The budget strategy reserve remains at £21.7m.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with financial sustainability.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

- The Council have introduced a new Risk Management Framework, Strategy and Policy in 2023/24 which has been reviewed by the CFO and Director of Policy and Governance, and approved by the Audit Committee. The Council maintains a strategic risk register which is used to identify the substantive issues which may impact negatively on the delivery of the Council's priorities and may also have a financial impact. This is reviewed by the Senior Management Team to manage risks and mitigate potential exposures to be as part of everyday business and as part of decision-making processes.
- The Strategic Risk Register current contains 8 risks, which are assessed based on likelihood and impact, with and without controls. The risks are mapped on a heat map; the highest scoring risks are staff retention and climate risk. Risks are generally high impact but low likelihood with controls in place. There is also a named lead Executive Director and Director who are responsible for managing each risk. The Strategic Risk Register was reported to Audit Committee three times in the year, which is in line with the risk management policy. It is also reviewed quarterly by SMT. Going forwards, there will also be service area risk registers with specific service area risks which are monitored by Service Delivery Managers. These will be reported to Service Directors twice per year.
- The Council undertake a number of measures to prevent and detect fraud. The Council has an Anti-Fraud & Corruption Policy, supported by the Whistleblowing (Speak Up) Policy, encouraging internal referrals. 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 every year.
- We have referred to review and approval of the MTFs, and budget setting and monitoring processes on the previous two slides in reference to the financial sustainability risk.

(Continued)

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

- The Council has a comprehensive in-house legal team which advise on the full extent of its statutory powers and responsibilities. The Monitoring Officer and Deputy Monitoring Officer are regularly updated with matters considered to be high risk. The Service Delivery Managers for each service area are responsible for ensuring compliance with relevant laws and regulations and, where this does not occur, for bringing it to the attention of the relevant Director and Monitoring Officer. The Council has a number of policies which includes provision for preventing maladministration, ensuring compliance with legislative requirements and preventing non-compliance / illegal acts.
- The Council's Code of Conduct communicates values and expected behaviours of staff, this is covered through the Code of Conduct; Vision, Priorities Values and Behaviours poster; Gifts and Hospitality Guidance; Disciplinary Policy; Resolving Workplace Issues policy; Whistleblowing Policy; and Conflicts of Interest policy. This is communicated to staff as part of the recruitment process and is available on the staff intranet. There are a number of other policies available to view on the Council's website as well as the Constitution.
- Our risk assessment procedures and management inquiries confirm the Council has appropriate arrangements in place to ensure scrutiny, challenge and transparency of decision making. Key decision making is subject to discussion and scrutiny at executive team level and relevant sub-committees such as Audit and relevant Scrutiny committees, followed by formal approval by the Cabinet and Council. All key decision records are available to view on the Council's website.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with governance.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

- The Council have a strong culture of evidence based decision making, and performance and data are fundamental to understanding, challenging and improving the organisation. Non-financial performance is monitored by the Senior Management Team monthly through the Managing the Business Dashboard. Performance is aligned to the Council's Priority Plan, with one priority having a focussed discussion each month. These include local and national indicators reflective of the priority outcomes, alongside key national indicators such as those monitored by the Office for Local Government (OFLOG).
- Power BI is used extensively to present all performance information, enabling drill down into data and interactivity to support discussion and evaluation of performance. All Indicators are presented with benchmarking data, including England average, relevant statistical neighbour averages and regional comparators, as well as the use of statistical significance to demonstrate difference from these averages and targets to set realistic improvements expected to performance.
- Detailed operational reports are provided to directorates and teams to provide senior managers of assurance and detailed information supporting performance information. This includes the routine monitoring of many data quality reports and, in a growing number of services, the ability to drill down in performance reports to individual case records to provide assurances over accuracy of data being reported.
- The Council has published a Council Plan which runs from 2022/23 to 2026/27 and sets out how the Council will operate and what it will focus on delivering. The Plan makes clear that delivery of its priorities will only be achieved by working in partnership with communities, partners, businesses and other stakeholders. Similarly, the Telford Vision 2032, as published on the Council's website, acknowledges that it has been developed and will be delivered by a partnership of organisations from across the borough.
- There were no outsourcing of services or partnerships in this period, so it was not required to be monitored.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with improving economy, efficiency and effectiveness.



kpmg.com/uk

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

© 2024 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.