



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

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Regulatory Plan 2008-2009

**Torfaen County Borough Council**

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### **Wales Audit Office work at Torfaen County Borough Council**

1. The Relationship Manager (RM) is responsible for the co-ordination of all audit and inspection work at specified Local Government Bodies. Consequently, the RM has prepared this plan setting out the work to be delivered by and on behalf of the Auditor General and by his appointed auditors. It also covers the work of the Care and Social Services Inspectorate Wales (CSSIW) and Estyn. The Plan will be supplemented with a more detailed Financial Accounts Plan and with additional information on the scope of performance and inspection studies as these are agreed during the year. We have designed a programme of work to address the significant operational and financial risks that impact on our responsibilities.
2. The Plan focuses on the following main areas:
  - the audit of the accounts;
  - the auditor's conclusion on whether the Authority has arrangements in place to deliver value for money;
  - the audit of the Improvement Plan;
  - performance (value for money) audit work;
  - inspection; and
  - all-Wales studies.
3. The audit, inspection and regulatory team members are all independent of Torfaen County Borough Council (the Council) and your officers. We are not aware of any potential conflicts of interest which we need to bring to your attention. Appropriate contacts are set out at Appendix 1.
4. The roles and responsibilities of the regulatory team are set out in Appendix 2.
5. We will liaise closely with the Council:
  - when completing the more detailed Financial Accounts Plan and will keep you fully informed of any risks or issues as and when they arise; and
  - on the timing, scope and delivery of the performance work which may take more than one audit cycle to complete.
6. We will ensure our planned work is appropriate, and changes to the Plan may be required if any significant new risks emerge. No changes will be made without first discussing them with officers and, where relevant, those charged with governance.
7. The proposed total fee for 2008-2009 is approximately £270,000, (plus VAT) and will be charged in equal instalments between November 2008 and October 2009. This fee is largely in line with the Auditor General's fees letter. It includes a separate audit fee of between £15,000 and £18,000 (plus VAT) in respect of the Pension Fund, the fees for which are currently undergoing moderation. Our fee is set out in Exhibit 1.

**Exhibit 1: The fee**

	<b>Fee 2007/2008 £</b>	<b>Planned fee 2008/2009 £</b>
Accounts	72,964	59,925
<b>Pension Fund audit</b>		15,000
Performance audit	141,348	145,588
Performance inspection	45,276	49,458
<b>Total</b>	<b>259,588</b>	<b>269,971<sup>1</sup></b>

8. We will produce a Regulatory Calendar showing all the current or planned work to be undertaken at the Council by the regulators. We will share it with the Council and all the regulators and update it quarterly.
9. The Auditor General has appointed Anthony Snow as the external auditor to the Council.

**The audit of accounts**

10. The Appointed Auditor is required to issue an audit report on the financial statements which includes an opinion on:
  - Whether the financial statements present fairly the state of affairs of the Council. This will provide assurance that the financial statements:
    - are free from material misstatement, whether caused by fraud or other irregularity or error;
    - comply with the statutory and other applicable requirements; and
    - comply with all relevant requirements for accounting presentation and disclosure.
  - Whether the Statement on Internal Control has been presented in accordance with relevant requirements and is not inconsistent with our knowledge of the Council.
11. In order to issue the audit report on the financial statements, the Appointed Auditor must ensure that all the audit risks associated with the above are identified and addressed. An initial assessment of the risks has been undertaken, and these are set out in Exhibit 2: Financial Accounts.

<sup>1</sup> Includes £15,000 Pension Fund audit fee which is subject to moderation

**Exhibit 2: Financial Accounts**

<b>Financial Accounts Risk</b>	<b>Key questions</b>
<p><b>Payroll and Human Resources System</b></p> <p>With employee costs totalling over £100 million pa the payroll and HR system is a key risk area of the financial accounts. Internal Audit (IA) has reported to the Audit Committee during 2008 that the controls within this system were not operating in a satisfactory manner and the system was therefore deemed to be unreliable. The Council is taking action to address this risk area and IA plan to carry out further testing in early 2009.</p>	<p>Has the Council fully addressed the risks?</p> <p>We will review the action taken.</p> <p>Can we place reliance on the work of IA?</p> <p>We will update our assessment of IA.</p> <p>Has IA testing confirmed that the controls are now operating satisfactorily?</p> <p>We will review the work carried out by IA.</p>
<p><b>Transfer of Housing stock</b></p> <p>Following the successful transfer of its housing stock to Bron Afon Community Housing the Council needs to realign base budgets and central support costs utilising the Housing Revenue Account balance to smooth the process. The 2008-2009 approved budget included the use of £2.2 million of HRA balances</p>	<p>Have base budgets and support costs been realigned in accordance with the Best Value Accounting Code of Practice guidance?</p> <p>We will review the realignment of costs against BVACOP guidance.</p>
<p><b>Greater Gwent (Torfaen) Pension Fund</b></p> <p>The 2008-2009 accounts of the pension fund administered by the Council need to be prepared in accordance with the revised Pension Funds Statement of Recommended Practice (SORP) issued in 2007.</p> <p>April 2008 saw the introduction of the new 2008 Local Government Pension Scheme. There have been recent national changes around governance requiring pension funds to report the extent of compliance against a set of best practice principles and guidance published by the Department for Communities &amp; Local Government. The fund is therefore looking to evolve its current governance arrangements during 2008-2009 with the proposed establishment of a Pensions Committee.</p>	<p>Have these changes been fully implemented?</p> <p>We will continue to work with the Council to ensure that these changes are successfully implemented.</p>

12. The Appointed Auditor will be updating this risk assessment during the year and will produce a more detailed Financial Accounts Plan prior to any work being completed.

13. It is the Council's responsibility to:
  - put in place systems of internal control to ensure the regularity and lawfulness of transactions;
  - maintain proper accounting records; and
  - prepare financial statements in accordance with relevant requirements.

### **Conclusion on arrangements for securing value for money**

14. The Appointed Auditor has a duty to satisfy himself that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The main focus of this work will continue to be a review of the key corporate performance and financial management arrangements you are required to put in place as part of your system of internal control.
15. The Appointed Auditor's review of your arrangements will include the following aspects:
  - strategic and operational objectives;
  - policy and decision making;
  - meeting the needs of users and taxpayers;
  - internal controls;
  - risk management;
  - best value;
  - resource management;
  - performance management; and
  - standards of conduct.
16. The Appointed Auditor will review the Council's mechanisms to achieve, measure, and demonstrate efficiency gains. The appointed auditor will also comment on the Council's overall declared gain and whether or not it has achieved its efficiency gains target for the year.
17. The Appointed Auditor's conclusion on the existence of your arrangements will draw primarily on evidence secured as part of the routine audit work across the Code areas. The conclusion will also take into account any other available relevant sources of evidence, such as the results of local performance work studies and inspection carried out during the year.
18. It is the Council's responsibility to prepare and publish with its financial statements, a statement made by those charged with governance relating to their review of the effectiveness of the systems of internal control.

### **Auditing your Improvement Plan**

19. In relation to your Improvement Plan the appointed auditor is required to issue a report:
  - certifying that he/she has audited the Plan;
  - stating whether he/she believes that it was prepared and published in accordance with Section 6 of the 1999 Act and any order or guidance under that section;

- if appropriate, recommending how it should be amended so as to accord with Section 6 and any order or guidance under that section;
- if appropriate, recommending procedures to be followed by the Council in relation to the Plan;
- recommending whether the Auditor General should carry out a best value inspection of the Council under Section 10A of the 1999 Act; and
- recommending whether Welsh Ministers should give a direction under Section 15 of the 1999 Act.

## Performance audit, inspection and studies

20. Performance audit, inspection and studies work delivered on behalf of the Auditor General will not always be completed within one audit cycle. The Auditor General's forward programme is flexible and responsive to external change.
21. Work delivered during the year on behalf of the Auditor General is reported in the Annual Letter to the Council which is presented by the RM and the Appointed Auditor.

## Performance Audit

22. The risks identified (locally and nationally) as part of the risk assessment are set out in Exhibit 3.

### Exhibit 3: Performance audit work

Risk based performance audit	
Risk	Key questions
MAPPA	<p><u>Situation</u></p> <p>The Joint Risk Assessment highlighted that the Multi Agency Public Protection Arrangements (MAPPA) will shortly be placing additional responsibilities on Community Safety and this represents a high risk. This area of work requires informed disclosure and there is a risk that those on the periphery of the process will not understand the seriousness of unsanctioned or false disclosure.</p> <p><u>Complication</u></p> <p>The Council's Joint Risk Assessment highlighted that elected members as community representatives are becoming embroiled in dealing with false or malicious disclosures regarding Section 1 Offenders and robust safeguards need to be put in place in respect of MAPPA, Violent and Sex Offenders Register and Multi Agency Risk Assessment Committee.</p> <p><u>Study Question</u></p> <p>Does the Council have effective systems in place to deliver its obligations under the MAPPA?</p>

Risk	Key questions
<p><b>Private sector housing renewals, housing enforcement and administration of disabled facilities grants</b></p>	<p><u>Situation</u></p> <p>The average number of calendar days taken to deliver a Disabled Facilities Grant has declined from 412.99 days in 2006-2007 to 495 days in 3<sup>rd</sup> quarter 2007-2008. The Council recorded the fifth lowest number of DFGs delivered during 2006-2007 with 85.</p> <p>The percentage of unfit private sector dwellings made fit, closed or demolished through direct action by the local authority has fallen in 2007-2008 from year-end performance in 2006-2007 of 0.55 per cent to 0.0073 per cent by the third quarter 2007-2008. The Council recorded the third lowest number of private sector dwellings that had been vacant for more than six months at 1 April 2007.</p> <p><u>Complication</u></p> <p>Difficulties for low income households to maintain their homes.</p> <p>Links to other corporate initiatives – community safety, regeneration, etc is underdeveloped. Lack of an effective strategy to tackle empty homes within the area. Delays in administering DFGs results in vulnerable people not receiving the services they are entitled to. The separation of responsibilities could lead to a focus on process at the cost of delivering effective and timely outcomes for service users.</p> <p><u>Study Question</u></p> <p>Does the Council have effective strategies to improve private sector housing in Torfaen?</p>
<p><b>Management of Direct Service Organisations</b></p>	<p><u>Situation</u></p> <p>The Council transferred its housing stock to Bron Afon in 2007-2008 and elements of its Direct Services organisation now work for the new landlord. The Council also provides a range of other direct labour services to the new landlord under three year Service Level Agreements and maintains responsibilities for a range of maintenance work.</p> <p><u>Complication</u></p> <p>Failure to maintain these arrangements and to secure their continuation after three years when competition becomes mandatory will impose redundancies and costs.</p> <p><u>Study Question</u></p> <p>Has the Council established an effective strategy to manage delivery of its Direct Service Organisation following the Stock transfer?</p>

### Inspections

23. The areas for inspection work are set out in Exhibit 4.
24. As part of the UK Government initiative to streamline inspectorates the Wales Audit Office is undertaking the inspection of Housing and Council Tax Benefits (H&CTB) services. Any inspection activity will be fully funded from the Benefits Inspection grant.

**Exhibit 4: Performance inspection work**

Local risk based performance inspection	
Risk	Key questions
<b>Development and delivery of improvement agreements</b>	<p><u>Situation</u></p> <p>The Assembly Government is developing improvement agreements with each local authority as the basis for grant payments to encourage improvement against key local priorities. Guidance on the development of agreements was issued to all authorities in May 2008 and envisages an agreement structured around four themes loosely aligned to One Wales priorities:</p> <ul style="list-style-type: none"> <li>• a Healthy, Fair and Just Society – Adults;</li> <li>• a Healthy, Fair and Just Society – Children;</li> <li>• Sustainable Communities; and</li> <li>• a Prosperous, Cultural and Diverse Society.</li> </ul> <p>The agreement will include two outcomes per theme – eight in total – and will cover two years, 2008-2009 and 2009-2010.</p> <p><u>Complication</u></p> <p>The Wales Audit Office will be required to provide assurance that the improvement agreement is reasonable, rigorous and robust.</p> <p><u>Study Question</u></p> <p>Does the Council improvement agreement meet the requirements of Assembly Government guidance?</p>

**Local government studies**

25. The Auditor General has a duty to undertake studies that lead to recommendations for improving value for money in the discharge of functions, services and financial and other management in local government. The Auditor General's studies in local government will often, although not always, include all 22 unitary authorities and may form part of a wider cross-cutting or whole systems study.
26. Exhibit 5 below sets out the work to be delivered as part of the local government studies programme:

**Exhibit 5: Local Government Studies**

Making the Connections: asset management
Good Practice Exchange: Smarter Ways of Working
Good Governance

**Certification of grant claims and returns**

27. In carrying out work in relation to government grant claims and other returns, under paragraph 20 of Schedule 8 of the Government of Wales Act 2006, the Auditor General's Appointed Auditors act as agents of the Auditor General. The Auditor General is required to recover, in respect of each grant or return, an amount that covers the full cost of the relevant work undertaken.

28. Charges for this work will be based on the skill-related fee scales set out in the local government fee letter published by the Auditor General. The actual fees to be charged will be determined in discussion with you and will reflect the size, complexity and any particular issues in respect of the grants in question. Although grant work fluctuates from year to year, based on past experience and the Council's current arrangements and procedures, we estimate that the total fee for grant work will be between £140,000 and £150,000 plus VAT.

## Other Wales Audit Office work

29. The Wales Audit Office undertakes other work which will impact on councils as set out in Exhibit 6. This includes work undertaken as part of:
- the Auditor General's forward programme for the Audit Committee of the Assembly Government; and
  - bespoke work.

### Exhibit 6: Auditor General's Forward Programme for the Audit Committee

Delayed Transfers of Care follow-through focused on Cardiff and Gwent health communities
Affordable Housing
Roll-out of the 2007–2013 EU funding round
Nutrition in Schools
Waste Management follow-up

## The work of other regulators

30. Housing and Council Tax Benefit Inspection - this work is funded by the Department for Work and Pensions and is risk based. We will discuss the scope of this work with you as part of general planning.
31. Estyn and the CSSIW also undertake work that may impact on councils. The nature of that work and the legislative powers supporting it are described in Appendix 2.
32. Exhibit 7 sets out the other regulatory activity which is currently known. This and other work which may arise will be included in updates of the Regulatory Calendar.

### Exhibit 7: Other regulatory activity

<b>Estyn</b>
Performance Evaluation
<b>CSSIW</b>
Annual Performance Evaluation

## Appendix 1

**Regulatory Team**

<b>Name</b>	<b>Role</b>	<b>Phone</b>	<b>Email</b>
Anthony Snow	Appointed Auditor	029 20320514	anthony.snow@wao.gov.uk
Gill Lewis	RM	029 20320563	gill.lewis@wao.gov.uk
Gill Lewis	Financial Audit Engagement Partner	029 20320563	gill.lewis@wao.gov.uk
Claire Worrall	Client Manager	029 20320554	claire.worrall@wao.gov.uk
Nick Selwyn	Performance Project Manager	029 20320500	nick.selwyn@wao.gov.uk
Farrukh Khan	Estyn, Regional Team Inspector	029 20825111	farrukh.khan@estyn.gsi.gov.uk
Sue Van Eijkern	CSSIW, Link Inspector	029 20446468	sue.vaneijkern@wales.gsi.gov.uk

## Appendix 2

## Roles and responsibilities

1. The office of the Auditor General was re-established under the Government of Wales Act 2006. From 1 April 2005, the Public Audit (Wales) Act 2004 extended the Auditor General's functions to include the appointment of external auditors for local government bodies, and for undertaking inspections under the WPI (under the 1999 Act).
2. The Wales Audit Office comprises the Auditor General and his staff. The Auditor General's inspection powers, and the role of the RM, are derived from the Local Government Act 1999 (the 1999 Act and additional guidance) as amended by the Public Audit (Wales) Act 2004 (the 2004 Act) and the Local Government and Public Involvement in Health Act 2007.

## Appointed auditors

3. Appointed auditors must carry out audits that discharge the statutory duties placed upon them by the 1999 and 2004 Acts. The Auditor General publishes a Code of Audit and Inspection Practice (the Code) which prescribes the way in which auditors are to carry out their functions.
4. Under Section 7 of the Accounts and Audit (Wales) Regulations 2005, local government bodies in Wales are required to produce annual statements of accounts<sup>2</sup>. The Assembly Government's Social Justice and Local Government Department supplements these regulations with guidance to assist local government bodies in their operation of the accounting regime. That guidance is not intended to be part of the statutory framework but is an informal commentary and provides details of where generally recognised published codes setting out proper practice may be found.
5. Under Section 13 of the 2004 Act, local government bodies in Wales are required to ensure that their accounts are audited by one or more auditors appointed by the Auditor General under section 14 of the Act. Sections 17 and 23 of the Act require appointed auditors to examine and certify the accounts, satisfying themselves that:
  - the accounts are prepared in accordance with the Accounts and Audit (Wales) regulations;
  - the accounts comply with the requirements of all other statutory provisions applicable to them;
  - proper practices have been observed in the compilation of the accounts;

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<sup>2</sup> These regulations are made by the Assembly under the statutory powers contained in Section 39 of the 2004 Act.

- the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- the audited body has made such arrangements for collecting, recording and publishing information on standards of performance as are required by any direction under Section 47 of the Act.

### **Communication of audit matters with those charged with governance – ISA (UK and Ireland) 260**

6. ISA (UK and Ireland) 260:
  - provides guidance on the communication of ‘relevant matters relating to the audit’ of financial statements between auditors, and those charged with governance of an audited body; and
  - requires the appointed auditor to report to those charged with governance (as distinct from management) certain matters before they give an opinion on the financial statements.
7. The appointed auditor will discharge the responsibility to report to those charged with governance by submitting reports to the Corporate Governance Committee and where necessary to the Cabinet in a timely manner, prior to the completion of audit.

### **Relationship Managers**

8. The Auditor General’s inspection powers are set out in the Local Government Act 1999 (the 1999 Act). The 1999 Act also requires each local authority to prepare and publish a Best Value Performance Plan (known in Wales as an Improvement Plan). The Assembly Government’s Circular 28/2005 sets out how the WPI should be implemented, including the role of the RM.

### **Other regulators**

9. The principal functions and powers under which CSSIW operates are contained in Chapter 6 of the Health and Social Care (Community Health and Standards) Act 2003.
10. Estyn normally agrees in advance with each council the focus and timing of education service inspections under Section 38 of the Education Act 1997. The details of these inspections are shared with the RM and are set out in the first version of the regulatory plan at the beginning of the financial year. Estyn also has powers established under the Education Act 2005 and Section 86 of the Learning and Skills Act 2000.

11. Other Estyn inspections which may involve council provision are carried out under the Learning and Skills Act 2000, the Teaching and Higher Education Act 1998 and an agreement between Estyn and Jobcentre Plus. The period of notice for these inspections has been established by agreement between Estyn and the service providers in each sector. As this period is often quite short (normally three months), it is not possible to publish at the beginning of the financial year details of any inspections for which the provider has not received notification. In these cases, as soon as the provider is notified of the inspection the details will be made available to Wales Audit Office, who will update the Regulatory Calendar accordingly.





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