

Open

Audit Committee

Agenda

6pm
Monday, 24th March 2014
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor E Davies
Vice-Chairman: Councillor J Phillips
Councillor P Dyke
Councillor M B Kelly
Councillor J W Parish
Councillor J Greener
Councillor D C H McCann
Councillor C Rogers

Information for Members of the Public:

Part I of the Agenda includes items for discussion in public. You have the right to request to inspect copies of Minutes and reports on this Agenda as well as the background documents used in the preparation of these reports.

Part II of the Agenda (if applicable) deals with items of "Exempt Information" for which it is anticipated that the public may be excluded from the meeting and neither reports nor background papers are open to public inspection.

There are particular circumstances when the Ethics and Standards Committee may exclude the public, which are in addition to those available at meetings of the Council, its Cabinet and Committees etc. These apply when the Ethics and Standards Committee considers the following:

Information relating to a particular chief officer, former chief officer or applicant to become a chief officer of a local probation board within the meaning of the Criminal Justice and Court Services Act 2000.

Information which is subject to any obligation of confidentiality.

Information which relates in any way to matters concerning national security.

Declaration of Interests by Members – interests of members in contracts and other matters

Declarations of Interest are a standard item on every Council and Committee agenda and each Member must provide a full record of their interests in the Public Register.

In addition, alongside the Register of Interest, the Members Code of Conduct ("the Code") requires the Declaration of Interests at meetings. Members have to decide first whether or not they have a disclosable interest in the matter under discussion.

Please see the Members' Code of Conduct as set out in Section 14 of this constitution for full details.

Disclosable Pecuniary Interest (DPI) / Other Disclosable Interest (ODI)

DPI's and ODI's are interests defined in the Code of Conduct that has been adopted by the District.

If you have a DPI (as defined in the Code) in a matter being considered at a meeting of the Council (as defined in the Code), the Council's Standing Orders require you to leave the room where the meeting is held, for the duration of any discussion or voting on that matter.

If you have an ODI (as defined in the Code) you will need to consider whether you need to leave the room during the consideration of the matter.

For further information:

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Sue Saunders, Committee and Electoral Services Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732733 or email susan.saunders@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Monday, 24th March 2014

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Solicitor to the Council, together with the name of the Councillor for whom he/she is acting.	
3.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any Disclosable Pecuniary Interests (DPI's) and / or Other Disclosable Interests (ODI's) in the following agenda items and indicate the action that they will be taking when the item is considered. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 2 nd December 2013.	7
5.	Audit Update To receive the Audit Update from Grant Thornton	10
6.	Fraud Report To receive a presentation from Grant Thornton on Fraud.	29
7.	Informing the Audit Risk Assessment for Wyre Forest District Council To receive a report from Grant Thorn on Informing the Audit Risk Assessment for Wyre Forest District Council.	34

8.	Grant Certification Report To receive the Grant Certification report for 2012/2013 from Grant Thornton.	56
9.	Grant Certification Plan Report To receive the Grant Certification Work Plan from Grant Thornton	68
10.	Benchmarking your arrangements for securing Financial Resilience To receive a report from Grant Thornton on Benchmarking your arrangements for securing Financial Resilience.	76
11.	The Indicative Audit Plan To receive a report from Grant Thornton on the Indicative Audit Plan.	85
12.	Public Sector Internal Audit Standards 2013 - Internal Audit Charter To receive a report from the S151 Officer which proposes the adoption of an Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards in place from April 2013.	99
13.	Audit Section Review Update To receive a report from the Chief Financial Officer which informs Members of the Audit Committee of the recent review of the Internal Audit Team.	108
14.	Internal Audit - Annual Audit Plan 2014-2015 To receive a report from the Section 151 Officer which informs Members of the Internal Audit – Annual Audit Plan 2014–2015.	114
15.	Internal Audit Monitoring Report Quarter ended 31st December 2013 To receive a report from the Section 151 Officer which informs Members of the Internal Audit Monitoring Report for the Quarter ended 31 st December 2013.	133
16.	Corporate Procurement Strategy To receive a report from the Chief Financial Officer which recommends to Cabinet that the update Corporate Procurement Strategy be approved.	145

17.	Annual Governance Statement To receive a report from the Chief Financial Officer which asks for approval of the progress against the Annual Governance Statement Action Plan 2012/13.	153
18.	Risk Management – Corporate Risk Register To receive a report from the Chief Financial Officer which informs Members of the current Corporate Risk Register.	161
19.	To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
20.	Exclusion of the Press and Public To consider passing the following resolution: “That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.	

Part 2

Not open to the Press and Public

21.	To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

**COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY,
KIDDERMINSTER**

2ND DECEMBER 2013 (6PM)

Present:

Councillors: E Davies (Chairman), J Phillips (Vice-Chairman), P Dyke, J Greener, M B Kelly, D C H McCann, J W Parish and C Rogers.

Observers:

Councillor N J Desmond.

AUD.22 Apologies for Absence

There were no apologies for absence

AUD.23 Appointment of Substitutes

There were no appointment of Substitutes.

AUD.24 Declarations of Interests by Members

No declarations of interest were made.

AUD.25 Minutes

Agreed: The minutes of the meeting held on 23rd September 2013 be confirmed as a correct record of the meeting and signed by the Chairman.

AUD.26 Audit Update

The Committee received an update from Grant Thornton.

Members were taken through the report and were advised that the audit benefit grant claim had now been completed and Mike Oliver and Becky Weston were thanked for the support they had provided.

Members were advised that procurement would be an agenda item for the next meeting.

Decision: The information be noted.

AUD.27 Annual Audit Letter and Audit Opinion

The Committee received the Annual Audit Letter from Grant Thornton together with the Audit Opinion.

Members were taken through the report and advised that an unqualified opinion had been given and the Council had performed well in all audit aspects. There had only been a few minor amendments on the financial accounts.

He informed Members that as the Council auditors', he recommended that the reserves were only used for non specific items and not ongoing services. In response to a Member question, he replied that by 2016/17 the Council should have approximately £2m in reserves and that was quite positive so if the proposed budget plans were adhered to, the Council should have adequate reserves. The Chairman asked for the information to be sent to staff and Members confirming this.

Decision: The information be noted.

AUD.28 Internal Audit Monitoring Report Quarter Ended 30th September 2013

The Committee received a report from the Principal Auditor that informed Members of the Internal Audit Monitoring Report for the quarter ended 30th September 2013.

The Principal Auditor highlighted reports which had been finalised in the quarter, all of which had achieve "full" or "some" assurance. Members attention was drawn to the Payroll Audit 2012-13 which had received "limited" assurance in 2011/12 but had now been reviewed and has been raised to "some".

In response to a Member question, it was confirmed that the audit on "Cash to Bank (Car Parks Cash Collection) 2013-14" had received "full" assurance as everything was in order.

A Member asked why the audit advice for kiosk/cashiers was so high. The Principal Auditor explained that there was a lot of failed payments and it could be as simple as a decimal point being put in the wrong place.

Decision: The Internal Audit Monitoring Report for the Quarter ended 30th September 2013 as detailed in the Appendix to the report be considered.

AUD.29 Corporate Governance Framework

The Committee received two reports from the Chief Financial Officer and the Principal Auditor updating the governance framework in relation to their respective roles.

Members were taken through the report and there was a concern that the Chief Financial Officer role did not reflect the status of the other members of the Corporate Management Team. It was explained that it was important to note that a restructure had been held in the Resources department and the Chief Financial Officer role did not have such a big remit as the previous post.

Decision: As part of the Corporate Governance Framework, the CIPFA Statement on the Role of the Chief Financial Officer in Local Government in relation to the post of the Section 151 Officer, as attached at Appendix 1 of the report to the Audit Committee, be noted.

AUD.30 Internal Audit Public Sector Internal Audit Standards 2013

The Committee received a report from the Chief Financial Officer and the Principal Auditor updating the position in relation to the Public Sector Internal Audit Standards.

Members were informed that due to the new United Kingdom Public Sector Internal Audit Standards, this was the first time that a report had been presented to the Audit Committee. An external assessment should be carried out every five years and Members perceived it made sense for the Council's external auditors to carry out the work.

Decision: The adoption of the UK Public Sector Internal Audit Standards as attached at Appendix of the report to Audit Committee be endorsed.

The meeting ended at 6.41 pm.



Audit Committee Update for Wyre Forest District Council

Year ended 31 March 2014

March 2014

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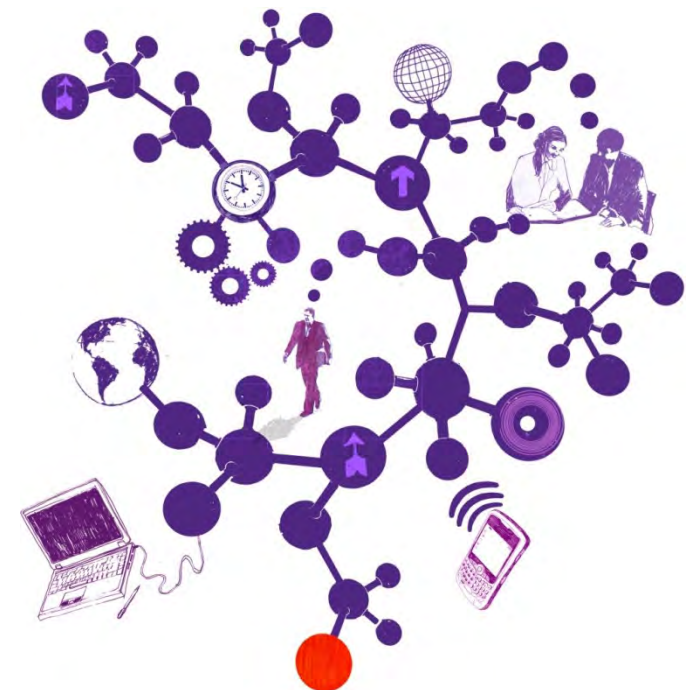
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to 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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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a District Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at March 2014

Work	Planned date	Complete?	Comments
2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the District Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.	March 2014	Yes	Report is tabled today
Interim accounts audit Our interim fieldwork visit which is planned for the end of March 2014 includes: <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	March/April 2014	No	Our work on the arrangements in respect of fraud, legality, going concern and related party transactions are included in the report "Informing the risk assessment" which is tabled today. The rest of our interim audit work is on-going
2013-14 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	April/June 2014	No	

Progress at March 2014

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2013/14 VfM conclusion comprises: <ul style="list-style-type: none"> • Review of the VFM risk Assessment Tool • Financial Resilience Report 	March/June 2014	No	The conclusion will be presented in a report to the Audit Committee.
Other activity undertaken <ul style="list-style-type: none"> • Management to attend GT CIPFA/FAN closedown workshop • Issuing of our report "Reaping the Benefits" • Issuing of our Local Government Financial Resilience Report • Issuing of our report "Responding to the Challenge – alternative delivery models in Local Government" 	March 2014		

Emerging Issues and Developments

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Issues to consider/challenge questions:

How have members satisfied themselves that the Council can deliver a balanced budget, that the medium term strategy/budget has been subject to appropriate challenge and that the Council's finances are resilient over the medium term (3 years) and beyond?

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issues to consider/challenge questions:

- Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

Austerity continued – further cuts in spending powers

Local Government Guidance

Final local government finance settlement 2014/15

On 5 February 2014 the government published the final local government finance settlement for 2014/15. This confirmed the proposals laid out in the provisional finance settlement. The government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum. This proposal needs to be accepted by Parliament.

Excluding the Greater London Authority, the spending power for local authorities in England will fall by 2.9% in 2014/15 compared to 2013/14. As in previous years, councils will have their funding reduction capped at 6.9%. Indicative funding levels for 2015/16 have also been provided to assist local authorities with their medium term financial planning. The settlement will be finalised in February 2014.

Challenge questions:

- Has your Chief Financial Officer reviewed the proposed settlement and assessed the impact on your Council?

Helping the High Street

Local government guidance

Support for UK high streets

On December 6, 2013 the Communities Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

Issues to consider/challenge questions:

- Has the Council assessed the local economic impact of the measures announced by the Communities Secretary?
- Has the Chief Financial Officer assessed the impact of the measures on the Council's finances and the 2014/15 and 2015/16 budgets?

Councils keep New Homes Bonus

Local government guidance

Help for housing building

In the Autumn statement (5 December 2013) the government announced plans to secure a £1 billion 6 year investment in house building, to simplify the local authority planning process and help to achieve the stated objective of delivering 250,000 new homes.

Key objectives:

- nationally to increase the housing supply in England through a £1 billion 6 year investment programme;
- at a local level helping councils to increase the supply of affordable social housing supply in their area by allowing them to bid for up to £300 million of additional borrowing against their housing revenue account;
- improving labour market mobility by introducing a Right to Move for those needing to move to take up a job or training ;
- Allowing councils outside London to keep all of their **New Homes Bonus** and have full control over how they use it to support new homes in their area – the New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use, is paid each year for 6 years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use

Issues to consider/challenge questions:

- Has your Chief Financial Officer assessed the implications and potential financial impact for the Council of the help for housing building measures announced in the Autumn statement?

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Challenge questions

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks. Has the Chief Financial Officer considered the checklist ?
- The report also includes good practice case studies in strategic financial planning, financial governance and financial control. Has the Chief Financial Officer reviewed these case studies and considered whether there is scope to adopt these?

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Challenge question

- Our report includes a number of case studies summarising how public services are being delivered through alternative service models. Has the Authority reviewed these case studies and assessed whether there are similar opportunities available to it?
- Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model. Are the checklists being considered as part of the development of the Authority's commissioning strategy?

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report, <http://www.grant-thornton.co.uk/en/Publications/2014/Reaping-the-benefit-First-impressions-of-the-impact-of-welfare-reform> focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Challenge questions

- Has the Corporate Customer Development Manager kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Authority carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
- Does the Authority have a plan in place or in development for the introduction of universal credit?

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Challenge questions:

- Is your authority confident of obtaining the information it needs from the VOA?
- Has your authority recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has your authority provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is your authority planning to revisit its provision and contingent liability before the audit opinion is issued?

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Challenge question

Has your Chief Financial Officer consulted you on the programme of valuations and the proposals for disclosing information about classes of assets?

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

(continued overleaf)

Changes to the public services pension scheme

Accounting and audit issues

Changes to Local Government Pension Scheme continued

Challenge questions

Is the authority aware of the detailed requirements and their impact on its current payroll system and processes?

- Is the authority taking appropriate action to ensure implementation of the required changes to its payroll system and processes by 1 April 2014?
- Has the authority liaised with the administering authority over any changes they may need in the assurances provided over the completeness and accuracy of contributions?

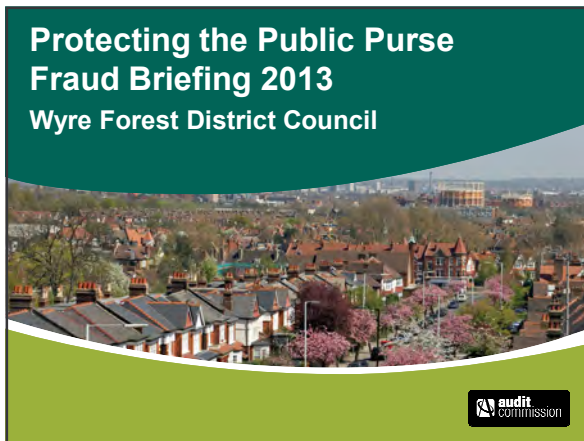


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Agenda

- Introduction and purpose of your Fraud Briefing
- *Protecting the Public Purse (PPP) 2013* report – national picture
- Interpreting fraud detection results
- The local picture
- Questions?

And do not forget

- Checklist for those charged with governance (*Appendix 2 of PPP 2013*)
- Questions councillors may want to ask/consider (*Appendix 3 of PPP 2013*)



Introduction

- Fraud costs local government in England over £2 billion per year (*source: National Fraud Authority*)
- Fraud is never a victimless crime
- Councillors have an important role in the fight against fraud

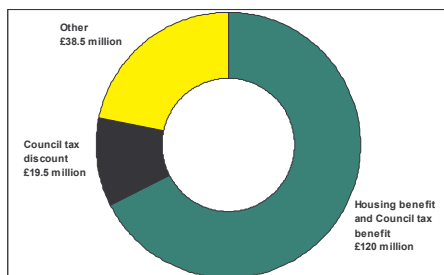


Purpose of Fraud Briefing at your council

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks



National Picture 2012/13 Total cases detected 107,000, with a value of £178 million (excluding social housing fraud)



Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%



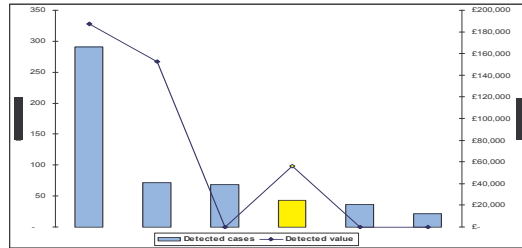
Interpreting fraud detection results

- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (Prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (Fraud will always be attempted and even with the best prevention measures some will succeed)
- Councils who look for fraud, and look in the right way, will find fraud (There is no such thing as a small fraud, just a fraud that has been detected early)

Your council is highlighted in yellow in the graphs that follow



The local picture
How your council compares to other district councils
in your county area
Total detected cases and value 2012/13

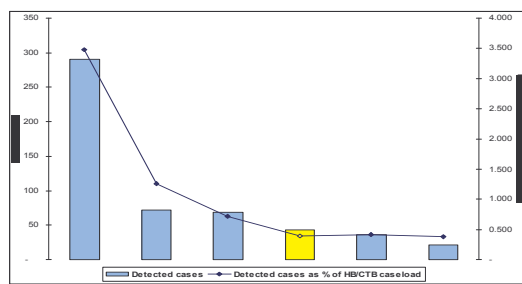


Wyre Forest detected: 43 cases, valued at £56,411

DC average for your county area: 89 cases, valued at £66,142



District councils in your county area 2012/13
Housing benefit (HB) and Council tax benefit (CTB) fraud
Detected cases and detected cases as a percentage of HB/CTB caseload

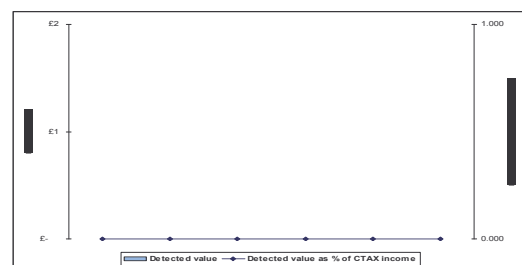


Wyre Forest detected: 43 cases, valued at £56,411

DC average for your county area: 89 cases, valued at £66,142



District councils in your county area 2012/13
Council tax (CTAX) discount fraud
Detected value and detected value as a percentage of council tax income



Wyre Forest detected: no cases

DC average for your county area: no cases



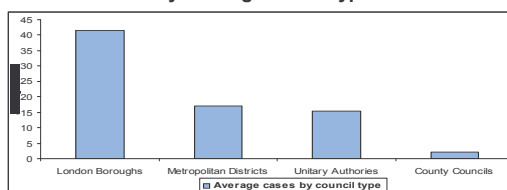
Wyre Forest District Council Other frauds

- **Procurement:** no cases
(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 107 cases, valued at £14,223)
- **Insurance:** no cases
(Ave per DC in your county area: no cases
Total for all local government bodies in your region: no cases)
- **Economic & Third sector:** no cases
(Ave per DC in your county area: no cases
Total for all local government bodies in your region: no cases)
- **Internal fraud:** no cases
(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 188 cases, valued at £533,335)

Correctly recording fraud levels is a central element in assessing fraud risk
It is best practice to record the financial value of each detected case



Disabled parking (Blue Badge) fraud Detected cases by issuing council type



In two-tier areas:

- county councils have administrative responsibility for issuing blue badges
- district councils face reduced car parking income as a result of the fraudulent abuse of blue badges.



District councils without housing stock 2012/13 Social housing fraud

It is estimated that:

- 2 per cent of social housing stock outside London is subject to tenancy fraud;
- tenancy fraud represents the second largest financial loss to fraud in local government, costing £845 million in 2013; and
- when combined with the loss to tenancy fraud suffered by housing associations, the total value in England is £1.8 billion – making tenancy fraud five times greater than the annual loss due to housing benefit fraud.

The Prevention of Social Housing Fraud Act 2013 criminalises tenancy fraud

The legislation gives councils investigation powers and the ability to prosecute tenancy fraudsters on behalf of housing associations

Should you be using this legislation to work in partnership with local housing associations?



Any questions?





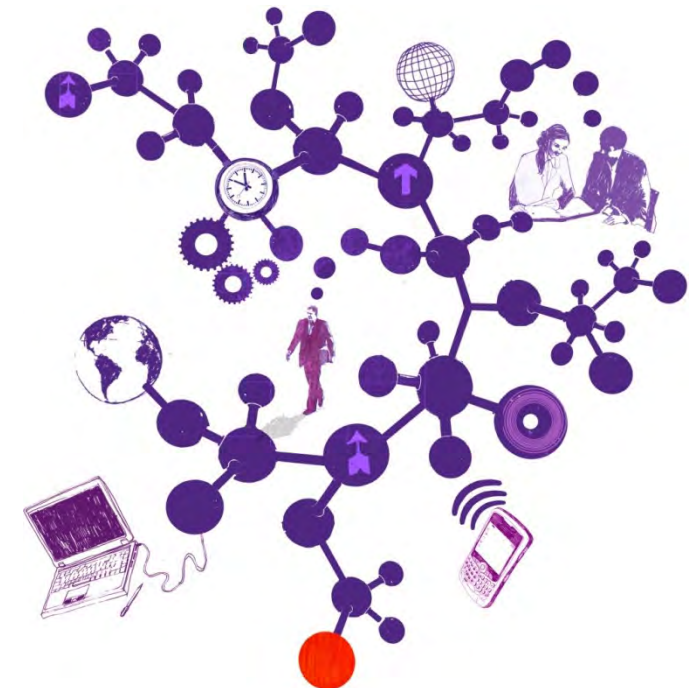
Informing the audit risk assessment for Wyre Forest District Council

Year ended - 31 March 2014

March 2014

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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 the Authority's external auditors and the Authority'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 and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK&I) 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 Audit Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern
- related parties
- accounting estimates

This report includes a series of questions on each of these areas and the response we have received from the Authority'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.

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)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 the Authority'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
- 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 the Authority's management.

Fraud risk assessment

Question	Management response
1. What is officers' assessment of the risk of material misstatement in the financial statements due to fraud? Is this consistent with the feedback from your risk management processes?	Although there is an on-going risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas, on Council Tax and Housing Benefit fraud. The risk of material misstatement of the accounts due to undetected fraud is low.
2. Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1 April 2013?	There are no material instances of fraud that have been identified during the year. There are some areas that are inherently at risk from fraud such as: <ul style="list-style-type: none"> ■ Council Tax ■ Benefit fraud ■ Single person discount However, there is a dedicated benefits investigation team within the Revenues and Benefits section which investigates any fraud.
3. Do you suspect fraud may be occurring, either within the Council or within specific departments? Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within the Council where fraud is more likely to occur?	Evidence published by the National Fraud Authority amongst others, suggests that fraud is committed in all organisations to varying degrees, so it is likely that some fraud is occurring in the Authority. The Internal Audit plan incorporates consideration of potential fraud. In addition to this management is expected to identify and record fraud risks where necessary on the corporate risk register. We do not consider that any material fraud is occurring.

Fraud risk assessment (continued)

Question	Management response
<p>4. Are you satisfied that the overall control environment, including: the process for reviewing the system of internal control; internal controls, including segregation of duties; exist and work effectively? If not where are the risk areas?</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)?</p>	<p>Yes - Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud.</p> <p>No, any such areas would be factored into risk management and mitigated to ensure potential was kept at a minimum by peer review etc. Any such potential would also be factored into the risk matrix for the Audit Plan.</p>
<p>5. How do you encourage, and communicate to employees about your views on business practices and ethical behaviour? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud?</p>	<p>There is a Fraud Strategy and a Whistleblowing procedure in place which explain the procedures to follow.</p>
<p>6. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?</p>	<p>There are not any significantly high-risk posts identified.</p>

Fraud risk assessment (continued)

Question	
<p>7. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>2012/13 financial statement disclosure of related party transactions did not identify potential fraud risk. Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.</p>
<p>8. What arrangements are in place to report fraud issues to Audit Committee? 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>Internal Audit provide the Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken. These are considered and debated at the committee where the external auditors also attend and may be asked to comment. Training covers this key area and the S151 and Principal Auditors provide reports on compliance with auditing standards and internal controls. Risk is high on the Audit Committee agenda and the committee are briefed on key risks such as fraud prevention and detection in relation to the audit plan. Separate reports would be made on any specific cases of fraud with specific briefings to the Chairman and/or Vice-Chairman as appropriate.</p>
<p>9. Are you aware of any whistleblowing reports under the Bribery Act since 1 April 2013? If so how does the Ethics and Standards Committee respond to these?</p>	<p>No whistle blowing reports under the Bribery Act since 1 April 2013</p>

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)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 the Authority'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 inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information 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
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	The Monitoring Officer is responsible for ensuring the Council is compliant with laws and regulations. The Constitution notes that these responsibilities cover: <ul style="list-style-type: none"> ■ complying with the law of the land (including any relevant Codes of Conduct); ■ complying with any General Guidance issued, from time to time, by the Monitoring Officer; ■ making lawful and proportionate decisions; and ■ generally, not taking action that would bring the Council, their offices or professions into disrepute. This officer has access to all Council committee reports. Monitoring officer raises awareness on legal requirements at meeting where needed. In addition in terms of any specific legal issues the monitoring officer would get involved at an early stage. Further information on how the Monitoring Officer carries out these responsibilities are detailed in the Constitution.
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	The S151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements. The Monitoring Officer (or representative) attends Audit Committee meetings and advises members on any areas of concern.
3. Have there been any instances of noncompliance with law and regulation since 1 April 2013 with and on-going impact on the 2013/14 financial statements?	None
4. Is there any actual or potential litigation or claims that would affect the financial statements?	Potential claim against the construction contractors of Wyre Forest House
5. What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	The Council for all litigation or claims takes external advice from Counsel on the strength of the Council's claim
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None

Going Concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
1. Has a report been received from management forming a view on going concern?	The Chief Financial Officer (as s151 Officer) is satisfied that the budget proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy.
2. Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	The Financial Plan is agreed at the same time as the Council's Corporate Plan. The financial plan makes clear reference to the Corporate Plan as the basis for the financial considerations in setting the medium term budget. The financial assumptions are therefore consistent with the Corporate Plan. Reports in year are consistent with the budget set.
3. Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	The financial plan considered explicitly the government changes in terms of grants. The plan sets out the likely implications of the Governments Resources Review and other changes to local government finance.
4. Have there been any significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No
5. Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	No

Going concern considerations (continued)

Question	Management response
6. Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Yes
7. Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	The Medium Term Financial Strategy (MTFS) underpins the strategic, transformational and operational intentions for Wyre Forest District Council and forms part of the corporate strategic planning process. The Wyre Forest Forward Programme progress is monitored on an ongoing basis and reported to CLT/ CLT/Cabinet and Group Leaders monthly to ensure savings required for the MTFS will be achieved.
8. Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern?	No
9. Are arrangements in place to report the going concern assessment to the Audit Committee? How has the Audit Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?	Yes, the Risk Register and associated Risk Analysis including Risks directly related to the budget, are reported to Audit Committee. The Annual Governance Statement from the Statement of Accounts is also considered and the Audit Committee receives regular progress reports against each issue.

Related Parties

Issue

Matters in relation to Related Parties

Local Authorities are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the authority (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the authority;
- 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 authority, or of any entity that is a related party of the authority.

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 Authority perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK&I) 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 considerations

Question	Management response
<p>1. What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships ?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> ■ Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions. ■ Annual return from senior managers/officers requiring confirmation that read and understood the declaration requirements and stating details of any known related party interests. ■ Review of in-year income and expenditure transactions with known identified related parties from prior year or known history. ■ Review of related information with subsidiaries, companies and joint ventures, e.g. accounts. ■ Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation ■ Review of year end debtor and creditor positions in relation to the related parties identified. ■ Review of minutes of decision making meetings to identify any member declarations and therefore related parties.

Accounting estimates

Issue

Matters in relation to accounting estimates

Local Authorities apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate. Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Authority identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Authority is using as part of its accounts preparation; these are detailed in appendix 1 to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

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

Question

Management response

1. Are management aware of 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)?

No, the significant accounting estimates are reported in Appendix A.

2. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?

Yes, management arrangements are suitable. The Final Accounts Closedown has regular Chief Officer reviews scheduled. Accounting Policies are reviewed annually with any changes reported to Audit Committee. Early dialogue with External Auditors is also undertaken where the impact of the accounting estimates are considered to be significant.

3. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?

As detailed above, regular reviews are undertaken during the Accounts Closedown process. Accounting Policies are reviewed annually with any changes specifically reported to Audit Committee.

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?
Property, Plant and Equipment valuations	Valuations are made by the internal valuer (local RICS/CIB Member) as well as external valuer in line with RICS guidance on the basis of 5 year valuations with interim reviews	Councils Estates Surveyor notifies the external valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation in liaison with the Principal Accountant	Use the Internal and external local RICS/CIB Member	Valuations are made in-line with RICS guidance - reliance on expert	No
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: · Buildings 50 years · Equipment/vehicles 7 years · Plant 10 years	Consistent asset lives applied to each asset category.	Use the external valuer (RICS qualified)	The useful lives of property are recorded in accordance with the recommendations of the external RICS qualified valuer.	No
Depreciation & Amortisation	Depreciation is provided for on property plant and equipment with a finite useful life on a straight-line basis	Consistent application of depreciation method across assets	No	The length of the life is determined at the point of acquisition or revaluation.	No

Appendix A Accounting Estimates (Continued)

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?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed by the Councils Estates Surveyor at each year-end as to whether there is any indication that an asset may be impaired.	Use the Internal local RICS/CIB Member for valuations.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert	No
Bad debt provision	A provision is estimated using a proportion basis of an aged debt listing..	The finance team using the aged debt listing calculate the provision	No	Consistent proportion used across aged debt as per the Code	No

Appendix A Accounting Estimates (Continued)

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?
Measurement of Financial Instruments	Council values financial instruments at fair value based on the advice of their internal treasury consultants and other finance professionals	Take advice from finance (retained treasury advisors)professionals	No	Take advice from finance Professionals (retained treasury advisors)	No
Accruals	Finance department collate accruals of Expenditure and Income. Activity is accounted for in the financial year that it takes place, not when money is paid or received	Activity is accounted for in the financial year that it takes place, not when money is paid or received	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used	No
Pension Fund Actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial experts. These figures are based on making % adjustments to the closing values of assets/liabilities.	For the LGPS the Authority responds to queries raised by the administering authority Worcestershire County Council.	The Authority are provided with an actuarial report by Mercers (LGPS) .	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No

Appendix A Accounting Estimates (Continued)

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?
Overhead allocation	The Finance Team apportion central support costs to services based on agreed methodology	All support service cost centres are allocated according to an agreed policy	No	Apportionment bases are reviewed each year to ensure equitable.	No
Non adjusting events - events after the BS date	S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an unadjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect	Services Directors and Managers notify the S151 Officer	This would be considered on individual circumstances	This would be considered on individual circumstances	N/A

Appendix A Accounting Estimates (Continued)

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?
Provisions for liabilities	Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties	Charged in the year that the Council becomes aware of the Obligation	No	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.	



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Certification report 2012/13 for Wyre Forest District Council

Year ended 31 March 2013

January 2014

Mark Stocks

Engagement lead

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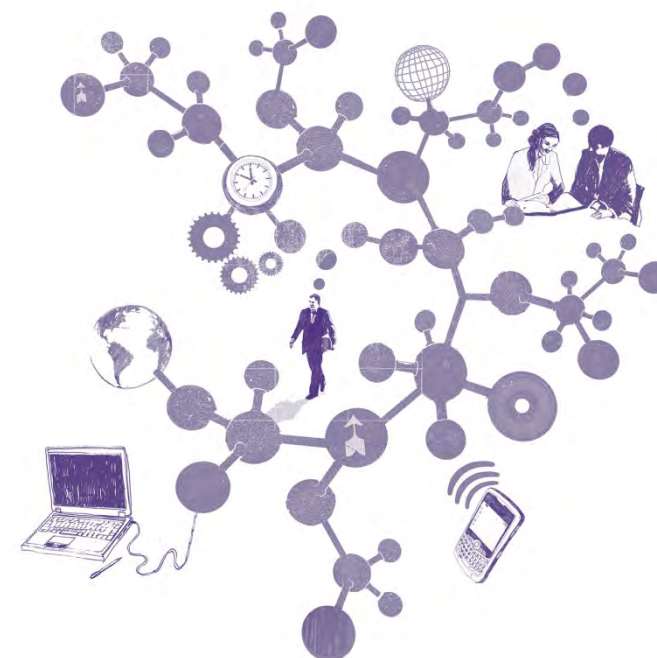
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Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Executive summary

Introduction

We are required to certify certain of the claims and returns submitted by Wyre Forest District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified two claims and returns for the financial year 2012/13 relating to expenditure of £67.75 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to Management in July 2013.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	Both claims were received by the required deadline.	● Green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	No issues were identified with the National Non Domestic Rates return. The Housing Benefit and Council Tax Benefit return was subject to qualification as well as amendment. An extrapolated error rate of £39,347 has been calculated.	● Amber
Supporting working papers	The Council provided excellent working papers to support both returns. All staff fully participate in the grant claim process.	● Green

The way forward

We set out recommendations to address the key messages above and other findings arising from our certification work at Appendix B.

Implementation of the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
January 2014

Section 2: Results of our certification work

01. Executive summary

02. Results of our certification work

Results of our certification work

Key Messages

We have certified two claims and returns for the financial year 2012/13 relating to expenditure of £67 million.

Details of the certification of all claims and returns are included at Appendix A.

Significant findings

Our work has identified the following issues in relation to the management arrangements and certification of individual grant claims and returns:

- Housing Benefit and Council Tax Benefit subsidy

The audit of the Housing Benefit and Council Tax Benefit return identified errors in the classification of overpayments relating to non HRA rent rebate and rent allowance, and with the calculation of earnings relating to rent allowance. Testing identified 2 errors out of 40 items which had an incorrect classification applied to both under and overpayments, and 15 errors out of 140 for calculation of wages errors.

These errors were extrapolated and applied to the relevant cells. The testing showed that assessors had failed to correctly split overpayments between admin delay and claimant error when processing a change of circumstances. In addition, two separate issues were identified with regard to wages. One related to a transposition of wage figures which impacted upon a number of cells the other related to the incorrect calculation of wages. The value of the errors found ranged from 27p to £95.42 and the benefit periods affected ranged from 1 day to 32 weeks.

In addition to this the non-HRA rent rebate overpayment figure for cells 26 and 28 of the claim were adjusted by £115.28 due to incorrect classification of an overpayment and an internal reconciliation within the return has resulted in an error to Cell 11. In the context of a £40m claim, we do not consider these errors to be significant but are required to report them under guidance from the Department of Work and Pensions.

Recommendations for improvement are included in the action plan at Appendix B

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £12,850.

A fee variation has been proposed due to the scale of additional work that has been undertaken. The fee which was based on 2010/11 levels contained errors relating to rent allowance resulting in a further sample of 40 cases tested. For the 2012/13 claim, errors were identified with non-HRA and rent allowance cases, which resulted in a further sample of 165 cases tested. While the Authority have performed the detailed testing, we are required to re-perform an element of this testing as well as verifying all cases where a fail has occurred. This led to us performing additional testing of 29 cases.

A fee variation has been requested as a result of this additional work in the sum of £1,552.50. This fee variation is subject to confirmation by the Audit Commission.

Appendices

Appendices

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing Benefit and Council Tax Benefit Grant Claim	£40.5m	Yes	£115.28	Yes	A number of errors were identified with the claim which resulted in a qualification letter issued to DWP as well as an amendment being made to the claim.
National Non Domestic Rates Return	£27.3m	No	No	No	No errors identified with claim. Working papers supplied were clear and well presented.

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	The Authority should work through the errors identified and provide refresher training to all assessors .	High	Agreed. Team Leaders are to meet with assessors to undertake training on the area that have given rise to the fails identified in the claim	January 2014
2	Given the level of errors identified, the Authority should for 13/14 consider increasing the percentage of claims checked from the current 4% weekly check.	High	This recommendation is being carefully considered by the Corporate Customer Development Manager in consultation with Internal Audit; this process is currently in progress. In the meantime the weekly checking process has been increased from 4% to 10% but this may be reduced once the review process for the recommendation has been completed . The timeline for this is by April 2014	10% check currently in place but process review may reduce this – to be completed by April 2014. Corporate Customer Development Manager

Appendices

Appendix C: Fees

Claim or return	2011/12 fee (£) *	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing benefits subsidy claim	£14,115	£12,330	£13,883	12.5%	Testing of the claim identified a significant increase in the number of fails. In 2010/11 only 1 cell required 40+ testing and a total of 7 errors were identified. For the 2013-14 claim, an additional 4 cells required testing of 40+ as well as a 100% check on non-HRA cases. While the authority themselves undertake the additional testing, we are required to re-perform testing and check all identified fails. This led to us undertaking additional testing on 29 claims.
National non-domestic rates return	£3,529	£520	£520	nil	
Total	£17,644	£12,850	£14,403		

* 2011/12 fee less 40% fee reduction applicable for 2012/13 onwards. This is shown in this way to make it comparable to the 2012/13 fee.



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Grant Certification Work Plan for Wyre Forest District Council

Year ended 31 March 2014

March 2014

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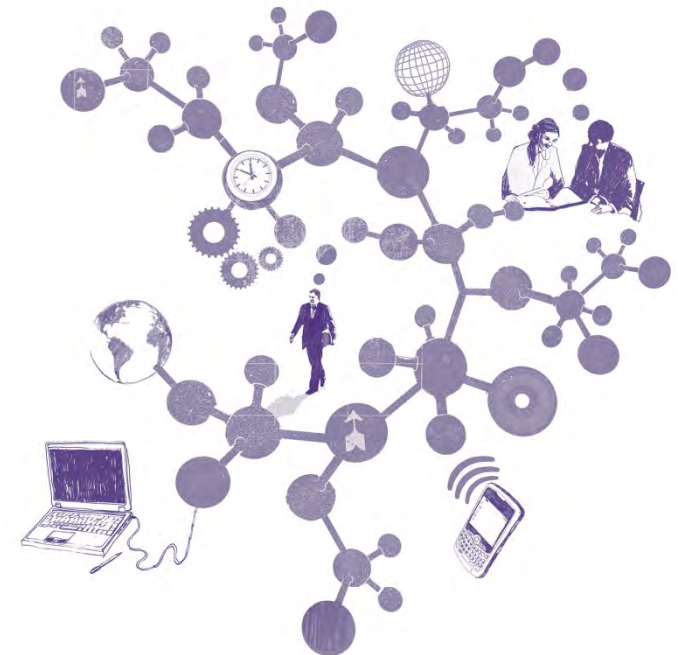
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2. Appendix A Summary of expected claims and returns for the year ended 31 March 2014	7

Our approach to grant certification work

Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instructions for auditor work
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines

The Council's role is set out in more detail below:

- the Chief Financial Officer is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Chief Financial Officer or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefit claim
- national non-domestic rates return

Due to changes in government funding, there are a number of schemes that either finished in 2012/13 or where funding is no longer ring-fenced. For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit (previously part of the housing and council tax benefit claim)
- national non-domestic rates return

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification
- without qualification but with agreed amendments incorporated by the Council or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on 2011/12 actual certification fees for each council. The indicative fee for the Council for 2013/14 is £9,000. For 2012/13 the indicative fee was £12,850. This fee may be subject to revision by the Audit Commission. The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year
- the Council provides adequate working papers to support each entry in the claim/return
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

The Council has identified all claims and returns requiring certification and this information is incorporated into Appendix A to this plan.

Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to Kathryn Kenderdine at the following address:

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

or emailed to kathryn.a.kenderdine@uk.gt.com

- The **original** claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan
- All claims and returns listed in appendix A should be sent to us. We are required to report the value of these claims to the Audit Commission in our annual certification report.

Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request for any new claims or returns
- We expect to complete the certification of all claims by late 2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.

Appendix A: Summary of expected claims & returns for the year ended 31 March 2014

Claim (CI reference)	Authority deadline **	Certification deadline **	Claim certified in prior year	Prior year outcome
Housing benefits subsidy (BEN01) *	30/04/14	30/11/14	Yes	Claim qualified and amended.

* No certification of council tax benefit is required in 2013/14

** Indicative deadlines only – final deadlines to be confirmed by the Audit Commission



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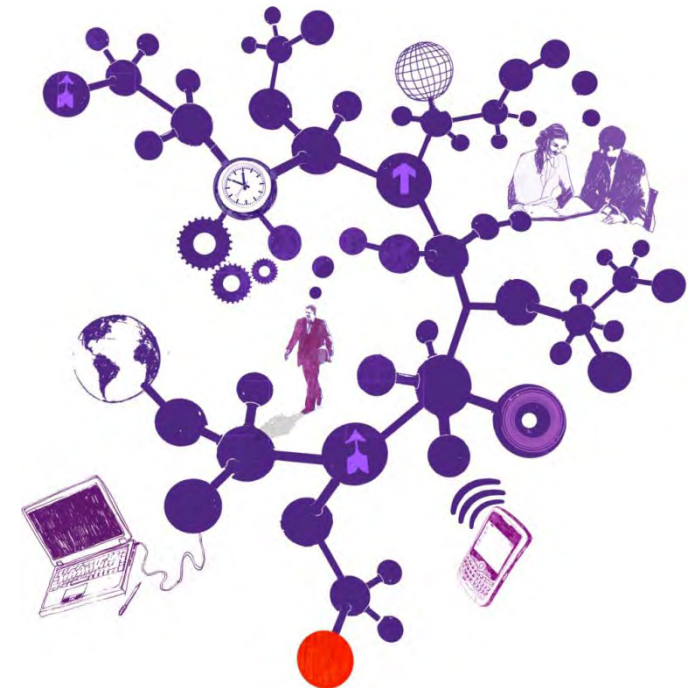


Benchmarking your arrangements for securing Financial Resilience – Wyre Forest District Council

Date: March 2014

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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 the Council 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.

Introduction

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2 Your financial resilience performance **Page 4**

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Your financial resilience history

Value for Money conclusion

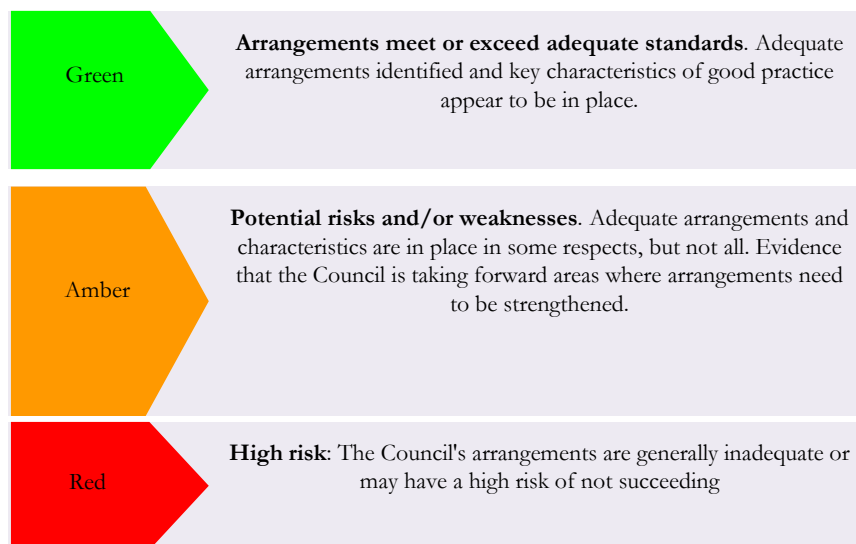
Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if Councils have proper arrangements in place for securing financial resilience.

In so doing we consider whether Councils have robust financial systems and processes in place to manage their financial risks and opportunities, and to secure a stable financial position that enables them to continue to operate for the foreseeable future

The definition of foreseeable future for the purposes of these financial resilience reviews is 12 months from the date of our reports to clients.

Our Financial Resilience Ratings

We use a red/amber/green (RAG) rating with the following definitions



Benchmarking for Wyre Forest District Council

This benchmarking pack should be considered alongside our Financial Resilience report which we reported to Audit Committee on 23rd September 2013, and in the light of the issue of our national report on financial resilience in the sector "*2016 tipping point? Challenging the current*".

The benchmarking compares the Council with the total population of over 130 councils and also with sub-populations as follows:

- Worcestershire Councils only;
- District Council type only.

This assessment has been produced as part of the audit of the 2012-13 accounts and reflects the position as it stood 12 months ago. We recognise that the council has made a number of changes since then (for example, in its medium term financial strategy adopted in November 2013) and these would be reflected in any future update of the scoring assessment.

How did you perform?

What is the picture for 2012-13?

We have reviewed:

- key indicators of financial performance;
- strategic financial planning;
- financial governance; and
- financial control.

Within these thematic areas we have looked at 22 different categories and the graph below shows your performance in these categories. To the left are the overall ratings for the four themes, and to the right are the 22 categories.



How do you compare?

Benchmarking the 2012-13 results

The graphs to the right – and the summary on the next slide – show how you performed in 2012-13 against the results for all Councils, for all Worcestershire Councils, and for all our District Council clients.

The results are based on data as reported to you in September 2013 which formed part of our VFM assessment for 2012-13. Detail is provided below to explain factors which influenced our scoring. The Council has taken steps following the publication of our financial resilience report, and these factors are also included below.

Key Indicators

Wyre Forest was classed as amber due to the level of general fund balances retained along with lower levels of Council tax collection rates compared to geographical neighbours. In addition the pension liability rose by £6.8m putting additional pressure on the general fund.

Following these findings, the Council increased the Working Balance level to £1m from £700k at the end of 2012/13. Council tax collection also continues to be monitored on a monthly basis with the aim of increasing the recovery percentage. Maintaining a robust level of reserves will go some way to improving overall scores in future years. Work has also been undertaken following the triennial revaluation of the pension fund to consider the appropriate levels of future contributions towards this liability as part of the budget process. As can be seen by the comparison with Worcestershire and all other District Councils, the scores for Wyre Forest were not outliers.

Strategic Financial Planning

Wyre Forest was classed as amber overall due to the MTFP's focus on the use of reserves to maintain a balanced budget which is unsustainable in the long term. Following this report, the Council formally established the new Strategic Review Committee to consider how the underlying deficit should be addressed which has led to detailed savings targets and an earlier budget setting process. The Council have also moving towards more consultation with the local population to determine local priorities for resources and changes in future service provision. The Council scored well on other areas under consideration within this heading.



How do you compare?

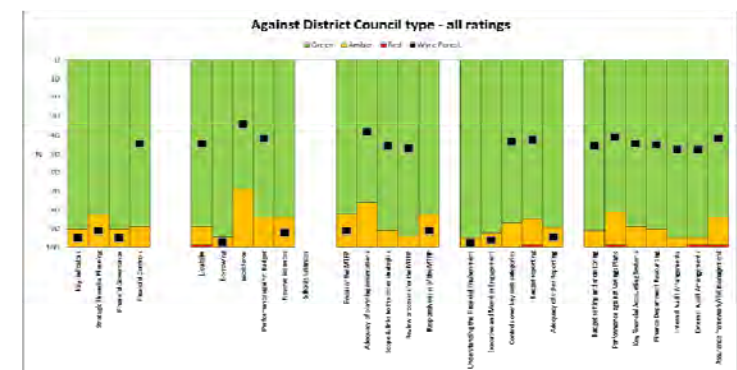
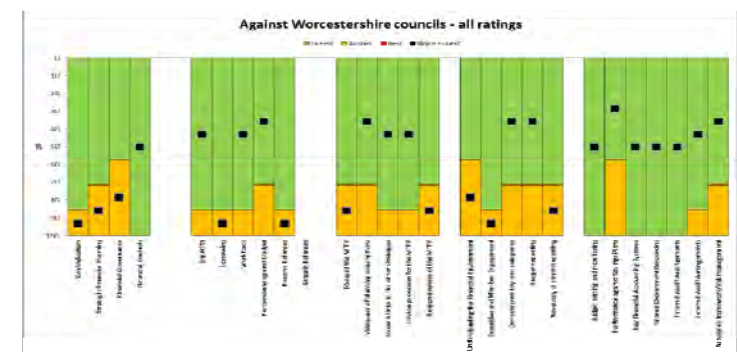
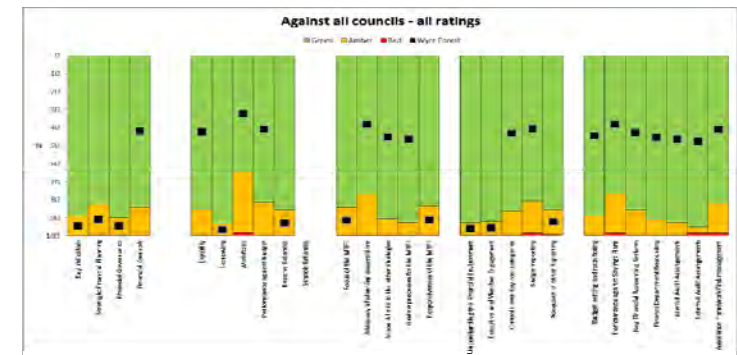
Benchmarking the 2012-13 results

Financial Governance

For the year under review, while at the time the Director of Resources challenged financial assumptions made leading to the formation of new sub-committee to address medium term financial issues, members needed to engage in external consultation to ensure the budget setting process meets the financial reality facing the Council. We found that while there were adequate arrangements to monitor the achievement of efficiencies and reductions in unit costs, and the impact on service quality and provision, potential reductions in the finance department may have an impact on the Council's understanding of how savings impact on performance. Following these findings, the Council has re-written the Medium Term Financial Plan along the lines of their Corporate Plan, concentrating on core and priority areas and based on wide consultation with the public and other groups.

Financial Control

The Council scored well in this area across all sub-categories.



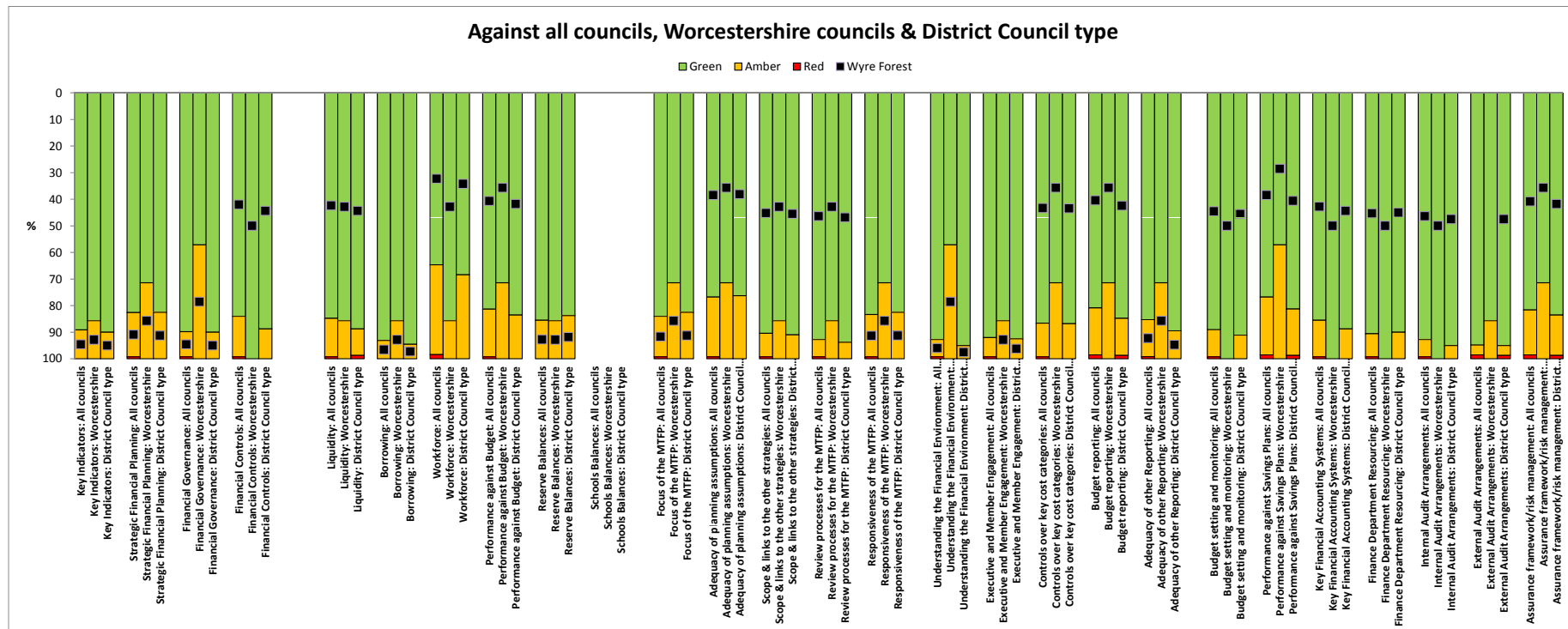
How do you compare?

Benchmarking comparing the different client types

The graph below summarises the previous three slides in a single chart

Overall message

This report needs to be read in the context that our financial resilience reviews fell in the second year of the four-year SR10 period, where some of the potential risks and challenges over the medium term may have yet to materialise for the Council and the wider sector.





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The Indicative Audit Plan for Wyre Forest District Council

Year ended 31 March 2014

March 2014

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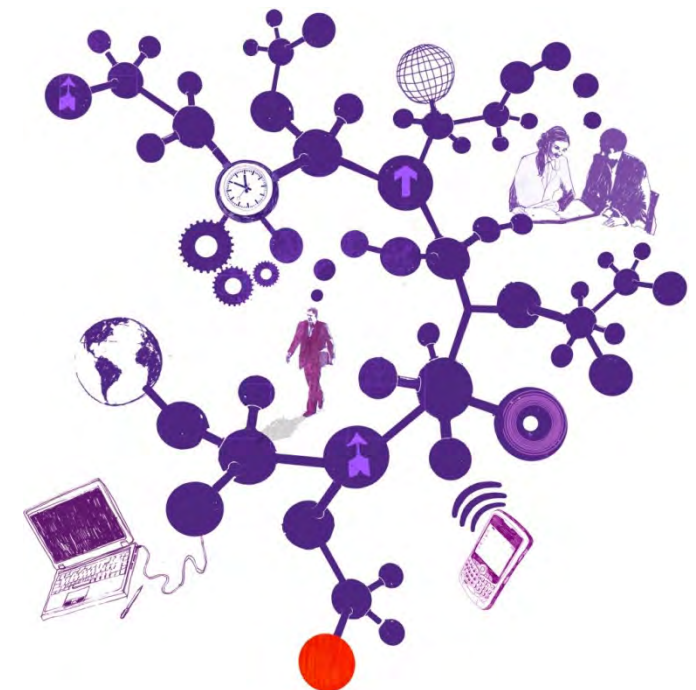
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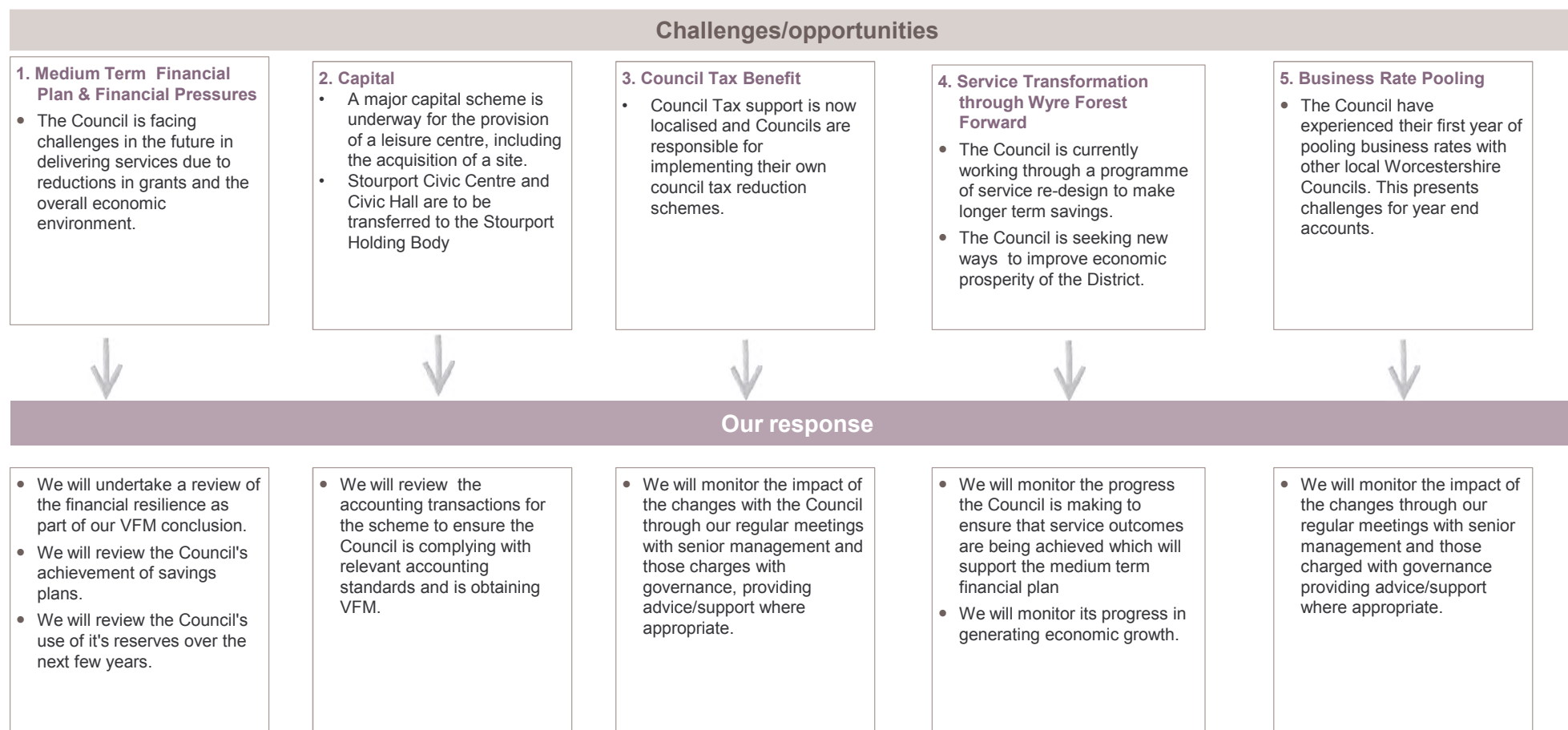
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2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks identified
6. Value for Money
7. Results of our interim work
8. Logistics and our team
9. Fees and independence
10. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



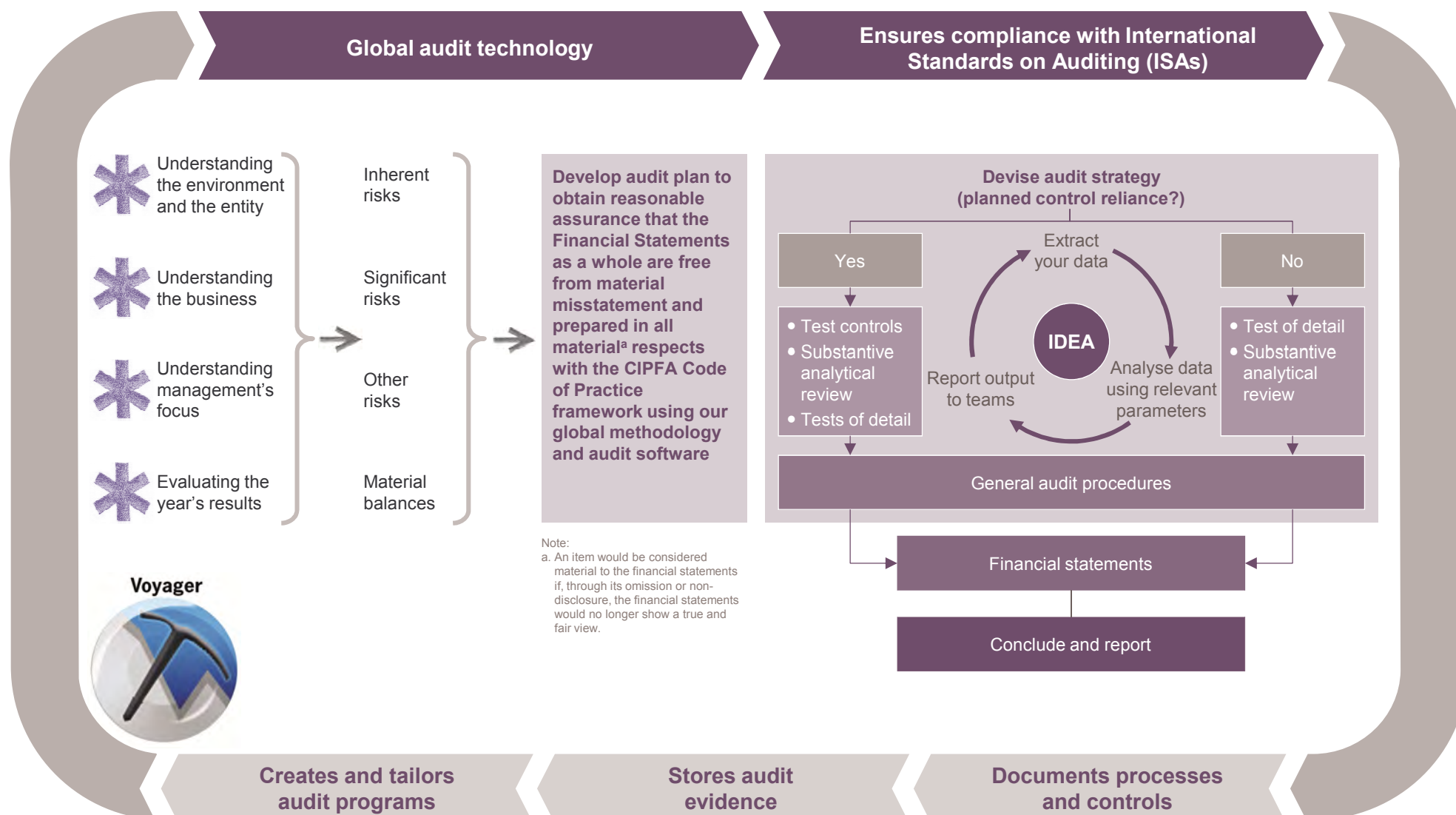
Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements					
1. Financial reporting Changes to the CIPFA Code of Practice include <ul style="list-style-type: none"> • Clarification of Code requirements around PPE valuations • Changes to NDR accounting and provisions for business rate appeals 	2. Legislation <ul style="list-style-type: none"> • Local Government Finance settlement • Welfare reform Act 2012 	3. Corporate governance <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	4. Pensions <ul style="list-style-type: none"> • The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) 	5. Financial Pressures <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	6. Other requirements <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required

Our response					
We will ensure that the Council complies with the requirements of the CIPFA Code of Practice relating to: <ul style="list-style-type: none"> ▪ the valuation of its PPE assets ▪ accounting for NNDR and business rate appeals. 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> • We will review how the Council has dealt with the impact of the 2013/14 changes through our meetings with senior management 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	We will: <ul style="list-style-type: none"> Review and test revenue recognition policies Test material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	We will: <ul style="list-style-type: none"> Review accounting estimates, judgments and decisions made by management Test journal entries Review unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work to be completed at interim	Further work planned for final audit
Operating expenses	Creditors understated or not recorded in the correct period Operating expenses understated	<ul style="list-style-type: none"> Preparations are in place to update our understanding of the cycle we will discuss the cycle with relevant personnel from the finance team during the interim audit. Perform walk through tests of the controls identified in the cycle. 	<ul style="list-style-type: none"> Substantive testing of balances will be performed on transactions upto the date of the interim audit and additional top up testing on our return at the final audit. Cut off testing will be performed on pre and post year end transactions
Employee remuneration	Employee remuneration expense not correct.	<ul style="list-style-type: none"> Preparations are in place to update our understanding and discuss the cycle with relevant personnel in Payroll during the interim visit. Perform walkthrough tests of the cycle. 	<ul style="list-style-type: none"> Substantive testing of balances will be performed on transactions upto the date of the interim audit and additional top up testing on our return at the final audit.
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> Preparations are in place to update our understanding and discuss the cycle with relevant personnel in the Revenue and Benefits team during the interim audit. We will conduct a walkthrough of this cycle 	<ul style="list-style-type: none"> Substantive testing is performed via the HBCOUNT work which provides assurances over the balances in the financial statements. Review of key reconciliations will be performed between the Revenues and Benefits systems and the ledger.

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Undertake a detailed risk assessment which will support our overall conclusion
- Undertake a financial resilience review.

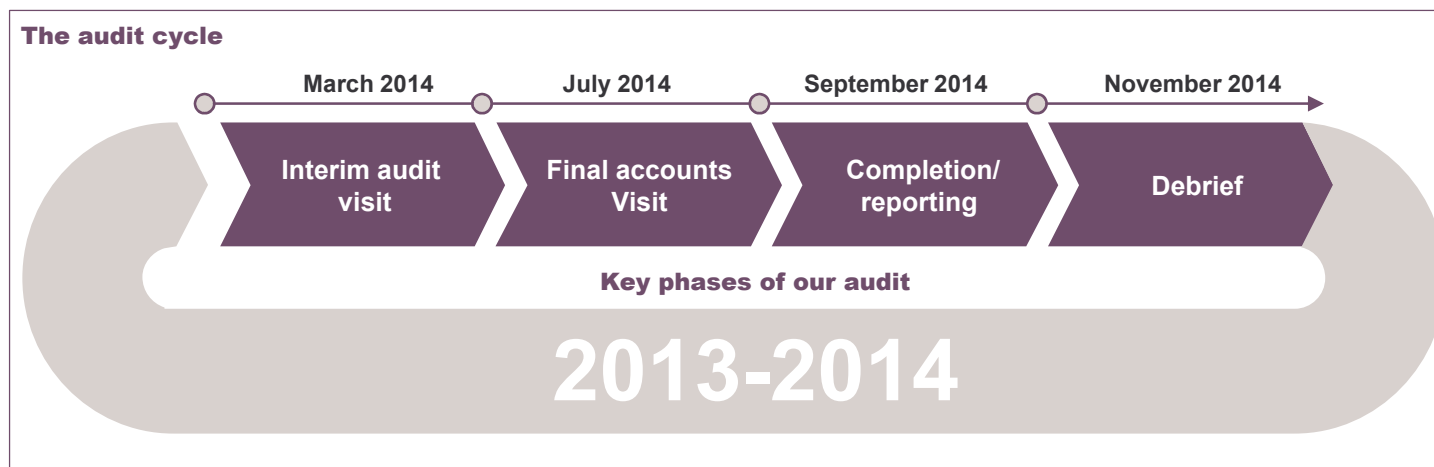
The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Value for money	<p>We have undertaken an initial risk assessment to identify areas of risk</p>	<p>The initial risk assessment will be used to inform the work required to support our overall conclusion.</p>

Key dates



Date	Activity
February 2014	Planning
March 2014	Presentation of audit plan to Audit Committee
March 2014	Interim site visit
July 2014	Year end fieldwork
August 2014	Audit findings clearance meeting with Chief Financial Officer
September 2014	Report audit findings to those charged with governance (Audit Committee)
September 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	64,348
Grant certification	9,000
Total fees (excluding VAT)	73,348

Fees for other services

Service	Fees £
None	Nil

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
24TH MARCH 2014**Public Sector Internal Audit Standards 2013**
Internal Audit Charter

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	S151 Officer
CONTACT OFFICER:	Tracey Southall, Extension No. 2100 tracey.southall@wyreforestdc.gov.uk Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Internal Audit Charter

1. PURPOSE OF REPORT

The purpose of this report is to propose the adoption of an Internal Audit Charter in compliance with the UK Public Sector Internal Audit Standards in place from April 2013. The Internal Audit Charter is based on the previous Terms of Reference, and has been updated to reflect the requirements of the UK Public Sector Internal Audit Standards.

2. RECOMMENDATIONS

- 2.1 The Audit Committee is asked to APPROVE the Internal Audit Charter as attached at Appendix 1.**

3. BACKGROUND

- 3.1** The Terms of Reference for Internal Audit were originally prepared in line with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, and were last approved by the Audit Committee in June 2011. The CIPFA Code has now been replaced by the UK Public Sector Internal Audit Standards. Therefore, the terms of reference have been updated to reflect these new standards.

4. KEY ISSUES

- 4.1** The standards require the Council to have an Internal Audit Charter which must be approved by the Corporate Leadership Team and the Audit Committee and formally define the purpose, authority and responsibility of the internal audit activity.

5. FINANCIAL IMPLICATIONS

- 5.1** The costs of the Internal Audit section are provided for in the Council's approved budget.

6. LEGAL AND POLICY IMPLICATIONS

6.1 The requirement for an internal audit function is contained within Section 151 of the Local Government Act 1972 that requires local authorities to “make arrangements for the proper administration of their financial affairs”. The Council has delegated these powers to the Chief Financial Officer as provided in the Council’s Constitution.

6.2 More specifically the Accounts and Audit (England) Regulations 2011 require local authorities to:

“undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

7. RISK MANAGEMENT

7.1 The Internal Audit service is one element of the Council’s assurance/internal control framework. This Key Assurance Service objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The Internal Audit Charter ensures that the Council comply with best practice as a requirement of the UK Public Sector Internal Audit Standards.

8. EQUALITY IMPACT NEEDS ASSESSMENT

8.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the nine protected characteristics.

9. CONCLUSION

9.1 This Internal Audit Charter as with the previous Terms of Reference for Internal Audit comply with updated legislative requirements and best practice.

10. CONSULTEES

10.1 Corporate Leadership Team.

10.2 Cabinet Member for Resources & Transformation.

11. BACKGROUND PAPERS

11.1 Accounts and Audit (England) Regulations 2011 (SI 817).

11.2 UK Public Sector Internal Audit Standards ~ April 2013.



APPENDIX 1

INTERNAL AUDIT CHARTER

March 2014

The UK Public Sector Internal Audit Standards refer to the terms, Chief Audit Executive, the Board and Senior Management. For the purposes of this Charter, the Chief Audit Executive is defined as the Principal Auditor (Head of Audit), the “board” as the Audit Committee and “Senior Management” as the Corporate Leadership Team.

The Internal Audit Service has been established by the Council as a key component of its governance framework. This Charter provides a framework for the conduct of Internal Audit in Wyre Forest District Council.

The key provisions of this Charter are:-

Internal Audit Service

The Council's internal audit service is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. This is delivered through formal approval by the Corporate Leadership Team and Audit Committee of the Annual Internal Audit Plan.

Independence & Objectivity

In order to provide impartial and unbiased assessment of Council's operations, the internal audit service must be seen to be independent. Internal Audit must have no operational responsibilities in the areas they audit. It shall be free to review the arrangements of any aspect of service delivery, finance or governance.

The objectivity, impartiality, integrity and conduct of the Internal Audit Team must be above reproach at all times with Internal Audit maintaining the highest level of professional objectivity when undertaking their role.

Authority

The Internal Audit Team report to the Corporate Leadership Team through the Section 151 Officer. Internal auditors are authorised to have full, free and unrestricted access to all services and functions, premises, assets, employees, elected members, suppliers and contractors, records and other documentation and information that the Head of Internal Audit considers necessary to enable the Internal Audit Service to meet its responsibilities. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities.

Confidentiality

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for the conduct of internal audit activities. The Principal Auditor as Head of Internal Audit and individual audit staff (including contractors and external service providers performing work on behalf of internal audit) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Reporting

Written reports will be issued by the Principal Auditor as Head of Internal Audit following the conclusion of each internal audit assignment.

Quarterly monitoring reports will be presented to the Corporate Leadership Team and the Audit Committee summarising work completed.

An annual report will be presented to the Corporate Leadership Team and the Audit Committee no later than the date at which the Council's annual governance statement is approved, to include a formal audit opinion on the Council's internal control environment.

Purpose of Internal Audit and Statutory Requirements

The Accounts and Audit (England) Regulations 2011 Regulation 6 state:

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

The internal audit service forms part of the assurance framework for the Council and has been established to:

- ⇒ Provide independent, objective assurance to the Council arrangements for managing and controlling its operations, both financial and operational.
- ⇒ Assist the Council through Managers to add value, to improve the delivery of the Council's objectives and operations through evaluating and challenging the effectiveness of risk management, control and governance processes.

Internal audit will review the systems of internal control operating throughout the authority and provide an independent and objective opinion to the Council on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources.

It is the responsibility of Managers to ensure adequate controls are in place in their areas of responsibility. Internal controls are to ensure systems meet their objectives in a secure, efficient and well ordered manner. Internal audit is not a substitute for this but it's role is complementary in providing managers with information, professional advice and independent assurance as to the adequacy of their internal control processes.

Professionalism

The Internal Audit Team will govern itself by adherence to the UK Public Sector Internal Audit Standards (UKPSIAS)¹.

Relationship with Members & Senior Management

Audit Committee

The Accounts & Audit (England) Regulations 2011 require the Council to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices”.

The Council has established an Audit Committee and specifically delegated to it responsibility for “ensuring there are effective arrangements for the system of internal audit of the Council.”

Corporate Leadership Team

The Chief Financial Officer as Section 151 Officer and a member of the Corporate Leadership Team has management responsibility for the delivery of the Internal Audit Service.

The Principal Auditor in their role as Head of Internal Audit will ensure that the Section 151 Officer is briefed without delay on any matter coming to the attention of Internal Audit that

¹ The UKPSIAS effective from April 2013, incorporates the CIPFA Code of Practice for Local Government 2006 and the Chartered Institute of Internal Auditors mandatory guidance and code of ethics.

could have a material impact on the finances of the Council, and/or matters involving fraud or malpractice.

Internal Audit shall maintain effective relationships with all managers of the Council, and timings of internal audit reviews will be in consultation with the appropriate manager.

Independence & Objectivity

In order to provide impartial and unbiased assessment of Council's operations, the internal audit service must be seen to be independent of those operations. Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

If auditors are extensively consulted during system, policy or procedural development their independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and or the following financial year after their involvement.

The Principal Auditor as Head of Internal Audit is responsible for the delivery of the Internal Audit Service and will confirm to the Audit Committee annually, the organisational independence of the internal audit service.

Authority & Confidentiality

Internal auditors shall have full, free and unrestricted access to all services and functions, premises, assets, employees, elected members, suppliers and contractors, records and other documentation and information that the Principal Auditor as Head of Internal Audit considers necessary to enable the Internal Audit Service to meet its responsibilities. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities which allow for Internal Audit to:-

- enter, at all reasonable times, any land, building, vehicle or plant owned or used by the Council
- have access at all times to all records, documents or correspondences, including any stored by mechanical, electric or electronic means relating to the affairs of the Council
- possess or to take copies of any record, document or correspondence
- require any information and explanation from any member or employee of the Council concerning any matter under examination
- require any employee or member of the Council to produce records, cash, stores or any other property under his/her control.

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. The Principal Auditor as Head of Internal Audit and individual audit staff (including contractors and external service providers performing work on behalf of internal audit) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Internal Audit Management

For management matters, the Principal Auditor will report to the Chief Financial Officer as Section 151 Officer

The Principal Auditor as Head of Internal Audit will

- effectively manage and deliver the internal audit service in accordance with this Charter.
- Prepare a strategic and annual audit plan based on risk to provide assurance on the Council's services and activities.
- in consultation with the Section 151 Officer, review and adjust the plans as necessary, in response to changes in the Council's risks, operations, programs, systems and controls.
- present an annual report to the Corporate Leadership Team and the Audit Committee on the Council's internal control environment.

Internal Audit's resources.

The Principal Auditor in consultation with the Chief Financial Officer will

- ensure that there is sufficient resource requirements to enable an effective internal audit service to be provided and meet the annual audit plans.
- ensure that all audit work is completed to high standards and in accordance with the standards, practices and procedures as set out in the internal audit manual.
- undertake an annual review of the development and training needs of internal audit staff and arrange for appropriate training to be provided.
- put in place arrangements that ensure internal audit is notified of all suspected or detected instances of fraud, corruption or impropriety.
- establish effective relationships with managers at all levels.

Role and responsibilities

Internal audit reviews shall examine and evaluate the adequacy and effectiveness of the Council's governance, risk management, and internal control processes. This shall be achieved via:

- **System/Risk Based Audits** – examination of the system's integrity and control, compliance with legislative requirements, as well as with the Council's Constitution. For example corporate financial systems including payroll, creditors. These reviews will influence the opinion on the adequacy and effectiveness of the control environment.
- **Regularity/Annual Assurance Audits** – examination of transactions for accuracy, validity and compliance with financial regulations and standing orders. These reviews will influence the opinion on the adequacy and effectiveness of the control environment.
- **Advice and Consultancy** – which will contribute to the opinion on the adequacy and effectiveness of the control environment, providing advice on:
 - ◆ Financial and non-financial procedures of the Council
 - ◆ New systems developments
 - ◆ Training on best financial practices
 - ◆ Requests from Management that add value and improve governance, risk management and control processes all to support management in their work.

- **Computer Audit** ~ Internal audit of all ICT policies, procedures and systems to include ICT Governance. Input into the development of I.C.T. systems and associated procedures.
- **Contract Audit** ~ Review of contract procedures (capital and revenue) ensuring compliance with the law, specifications and internal regulations.
- **Fraud and Irregularity Investigations** – Investigation of instances of suspected financial malpractice, fraud or irregularity to include the National Fraud initiative.

Reporting and Monitoring

Internal Audit Reports

At the conclusion of a review, a report will be issued to the appropriate Manager and/or lead officer regarding:-

- Audit findings and draft recommendations which will be discussed prior to issuing the draft audit report.
- The draft audit report which will contain a summary of the quality of the control system and detailed observations and recommendations; include an overall assurance opinion on the adequacy of the governance, risk and control processes.
- The final audit report incorporating the manager's comments on the recommendations made; identify issues of good practice and an indicative timescale for corrective action.
- Three months after the issue of the final audit report internal audit will assess the implementation of the recommendations previously made and report as necessary and issue a 3 month follow up report.

Internal Audit recommendations will be categorised/ranked in terms of significance. Audit recommendations will be classified in accordance with the definitions as detailed below. The level of assurance that internal audit can give on the operation of internal controls within a system being reviewed will be classified in accordance with the following definitions as detailed in the table below.

Assurance Levels	Definition		Recommendation Rankings	Definition
Full Green	Robust framework of controls, any recommendations are advisory – provides substantial assurance.		Advisory	Low risk – recommendation for consideration
Some Yellow	Sufficient framework of controls but some weakness identified – provides adequate assurance.		Other	Medium risk - action required but not urgent
Limited Amber	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.		Significant	High risk – urgent action needed
Unsound Red	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		Significant	Very High Risk - Immediate action required.

Reporting to the Audit Committee

During the course of and at the close of each financial year, The Principal Auditor shall present to the Audit Committee:-

- Quarterly monitoring reports to the Committee on actual progress compared to the approved audit plan, to include internal audit observations and recommendations and management comments on the implementation of recommendations.
- An annual outturn report summarising the overall results for the year and to support the Council's Annual Governance Statement and includes an opinion of the overall adequacy and effectiveness of the Council's control environment.

Quality and assurance programme

The UKPSIAS require both internal and external assessments of the Internal Audit Service. Internal assessments should be on going and periodical, whilst external assessments must be undertaken at least once every 5 years.

The quarterly monitoring reports will be supported by the annual report on the effectiveness of internal audit to meet the requirements of the Account & Audit (England) Regulations 2011. The outcome will be reported to the Corporate Leadership Team and the Audit Committee.

The Principal Auditor in consultation with the Section 151 Officer will arrange for an independent review of the efficiency and effectiveness of the internal audit service to be undertaken at least every 5 years. The outcome of the review will be reported to the Corporate Leadership Team and Audit Committee.

Relationships with external audit and other assurance activities

Internal Audit will establish and maintain an open relationship with the External Auditor and any other assurance provider. Where services are provided under contract or partnership arrangements, then these should allow appropriate access for Internal Audit to those matters relating to the Council's business. This includes areas where the Council acts as the Accountable body.

Review of the Charter

The Principal Auditor in consultation with the Section 151 Officer will review the Internal Audit Charter every 3 years and report the outcome to the Corporate Leadership Team, prior to formal approval by the Audit Committee.

Audit Committee 24.03.14

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****24TH MARCH 2014****Audit Section Review Update**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together With Less
CABINET MEMBER:	Councillor N J Desmond
RESPONSIBLE OFFICER:	Chief Financial Officer
CONTACT OFFICER:	Tracey Southall Tracey.southall@wyreforestdc.gov.uk Cheryl Ellerton Cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	None

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee of the recent review of the Internal Audit Team.

2. RECOMMENDATIONS

- 2.1 The Audit Committee are asked to **CONSIDER AND NOTE** the recent review of the Internal Audit Team.

3. BACKGROUND

- 3.1 The purpose of this report is to inform members of the recent review of the structure within the Internal Audit Team. As part of the planned reductions in corporate support services for 2014~15, a £22k saving is required from the Internal Audit budget moving forward into 2014~15. Changes to the structure are reflected within the Internal Audit annual audit plan for 2014~15 contained in a separate report on this agenda. Care has been taken to ensure the Plan has sufficient, albeit, reduced, staff resources required to audit the risks of the Council, taking into account the required reductions. The Plan also ensures the Chief Financial Officer continues to meet the statutory obligations as the Responsible Finance Officer under S151 of the Local Government Act 1972.
- 3.2 There is a legal responsibility on the Council to provide a continuous and effective internal audit of the Council's accounting records and of its system of internal control as defined by the Accounts and Audit (England) Regulations 2011. Further the Internal Audit Team assists the Chief Financial Officer to comply with their role under Section 151 of the Local Government Act 1972 for the provision and maintenance of sound financial control throughout the Council.
- 3.3 In view of the need for cost reductions within the Internal Audit team, CLT also requested a review of the decision in 2009/10 not to join the Worcestershire Internal Audit Shared Service (WIASS). This is hosted by Worcester City Council and all

Worcestershire districts other than Wyre Forest are members together with the Fire Authority. This review was undertaken in autumn 2013 with a view to comparing potential savings against the reduced costs of the team from April 2014.

- 3.4 A comparison of the 2013/14 Audit Plans across the Worcestershire Districts is provided in the Table below for additional information; the position before and after the recent review for this Council is also shown:

							2013/14	2014/15
2013/14 Audit Plan	Worcester City Council	Malvern District Council	Redditch Borough Council	Bromsgrove District Council	Wychavon District Council	Wyre Forest District Council	Wyre Forest District Council	Wyre Forest District Council
								1/4/2014
Chargeable & Productive	367	170	430	264	400	550		449
Chargeable & Non Productive								
Audit Management Meetings	28	10	20	15	0	39		24
Corporate Briefings/Reading	18	4	9	5	0	14		8
Annual Plans & Reports	12	6	12	8	0	20		12
Audit Committee	10	5	13	8	0	8		5
Sub Total	68	25	54	36	0	81		49
Total Chargeable	435	195	484	300	400	631		498

4. **KEY ISSUES**

- 4.1 The section currently comprises of 3.2 Full Time Equivalents (FTEs) structured as follows reporting directly to the Chief Financial Officer:

Principal Auditor (1 post) @ 37 hours (1FTE)
Senior Auditor (1 post) @ 22.5 hours (0.6 FTE)
Auditors (2 posts) @ 30 hours each (1.6 FTE)

- 4.2 Internal Audit is defined as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes”¹
- 4.3 The Council has to deliver services, manage and safeguard its assets (including its employees and Members). Internal Audit provides a function which is generally unseen by the public but which is essential to the smooth running of the Council and the economic, efficient and effective delivery of its services. Internal Audit are “Watch Dogs of the Public Purse” to ensure that the Council Tax Payers of the district get value for money.
- 4.4 Internal Audit reviews the systems of internal control operating throughout the authority and provides an independent and objective opinion to the Council on the degree to which the internal control environment supports and promotes the achievement of the Council’s priorities. It objectively examines, evaluates and

¹ The Institute of Internal Auditors 1999

reports on the adequacy of all systems (financial and operational) by offering independent and practical advice.

4.5 Internal Audit assists in the development of local procedures and plays an essential part in helping the management of risk in all business processes.

4.6 Internal Audit is one of the key areas of assurance for the elected Members and therefore has a significant impact on the Council's Annual Governance Statement.

Internal Audit provides a wide range of services, which include:

- **System/Risk Based Audits** – examination of the system's integrity and control, compliance with legislative requirements, as well as with the Council's constitution. For example corporate financial systems including payroll, creditors.
- **Regularity/Annual Assurance Audits** – examination of transactions for accuracy, validity and compliance with financial regulations and standing orders.
- **Advice and Consultancy** – providing advice on:
 - ◆ Financial and non-financial procedures of the Council
 - ◆ New systems developments
 - ◆ Training on best financial practices
- **Computer Audit** – Internal audit of all I.C.T. policies, procedures and systems. Input into the development of I.C.T. systems and associated procedures.
- **Contract Audit** - Review of contract procedures (capital and revenue) ensuring compliance with the law, specifications and internal regulations.
- **Fraud and Irregularity Investigations** – Investigation of instances of suspected financial malpractice, fraud or irregularity to include the national fraud initiative.

4.7 Internal Audit delivers substantial benefits to the authority through its primary focus on the systems of internal control, resulting in better performance and better managed risk. This is the prime aim of the section and offers the greatest return from the resources available.

The benefits of Internal Audit are:

- assurance regarding the general level of internal control in the organisation measured against an assessment of the organisation's risk, and early warning of potential problem areas;
- specific identification of major control weaknesses and trends and recommendations for corrective action to reduce risk;
- advice on and facilitation of best practice and value for money in risk management and internal control, and education of managers in their risk management and control activities;
- advice on the appropriate controls to be implemented in projects and new systems;
- Optimisation of the total audit resource through appropriate division of the total audit effort between internal and external audit.

These benefits may not have an immediate direct monetary benefit. It is not therefore possible to evaluate any savings achieved through the recommendations made by the section, which are subsequently implemented by management.

- 4.8 Risk assessments of the systems in place within the Council to allow delivery of its services and meets its priorities has been undertaken by the Principal Auditor, in accordance with CIPFA guidelines. This assessment ensures that the audit resources are focused on those systems with a higher risk of financial error. An audit needs assessment was then prepared based on this risk assessment and the overall three year strategic plan 2012~15 developed to cover these risks as approved by the Audit Committee in March 2012. Operational annual plans are then prepared in order to meet the three year strategic plan.
- 4.9 In view of the changes to the financial environment for the council moving forward in 2014~15, and with a need to “balance” the audit needs against the changing environment, the current structure of the Internal Audit Team has been reviewed and the service costs have been reduced by £22k from 2014~15.
- 4.10 The third year of the 2012~15 formally approved Strategic Internal Audit Plan has been revisited to balance those areas subject to internal audit review with available audit days based on the revised structure which sees a reduction in available days from 550 to 449. This reduction of days is not detrimental to the proposed revised audit plan for 2014~15 included as a separate item on this agenda.
- 4.11 Following extensive work, it was not possible to progress the Shared Service option with Worcester City Council at this time, without incurring additional costs to this Council. Following consultation with the Chief Executive and Cabinet Member it was therefore agreed that the service remain in-house as the reduced hours and consequent required financial saving from April 2014 have been achieved.
- 4.12 Following discussions with WIASS on the review of the business case for Wyre Forest to consider joining the Shared Service, this Council was asked if we would consider providing an Internal Audit service to them. This would be at no detriment to the Internal Audit service at Wyre Forest as it would only seek to utilise our team up to 37 hours per week (full time) in total, so in theory could make up for hours reduced from April as a result of our review. This collaborative working would be in preference to them using temporary agency staff to cope with peaks in work. This was agreed in principle and an early 10 day trial (utilising hours up to full time) is currently in progress for the first external assignment.

5. FINANCIAL IMPLICATIONS

5.1 In House with a reduction in available audit days.

- 5.1.1 The current (2013~14) total budgeted salary costs of the Internal Audit Team with full establishment (3.2 FTE) are £105,450.
- 5.1.2 Should the establishment remain unchanged at (3.2 FTE) for 2014~15 the forecasted total direct salary costs would have been £107,110.
- 5.1.3 Currently there is limited scope to further top slice the Internal Audit Budget which excluding salary costs is governed predominantly by corporate recharges and support services costs. Under previous cost saving exercises, those flexible

budgets i.e. Rail & Other Public Transport, Car Allowances, General Office Expenses, Subscriptions to Periodicals and Book Purchases, and Subsistence have been revised to allow for a workable balance within the Internal Audit Team. The only area where a saving of £22k could be realised is against the direct salary costs. Therefore to meet the requested saving of £22k against the Internal Audit Services budget for 2014~15, the current 3.2 FTE establishment has been reduced to 2.6 FTE from April 2014 as follows:-

Principal Auditor (1 post) @ 30 hours (0.8FTE)
Senior Auditor (1 post) @ 20 hours (0.55 FTE)
Auditor (1 post) @ 24 hours (0.65 FTE)
Auditor (1 post) @ 22.5 hours (0.60 FTE)

- 5.1.4 Under the agreed reduction in the number of available audit days achieved by reducing the FTE establishment for 2014~15 the direct salary costs, based on actual for the internal audit team is £84,590.

This realises a physical saving of £22,520 (£107,110-£84,590) against the Internal Audit Team direct salary costs.

5.2 Collaborative Working Arrangement with WIASS

- 5.2.1 The service to WIASS will generate external income to cover costs plus reasonable additional on costs to make a contribution to the fixed costs of the service. The charge has been agreed at a flat daily rate of £170 per day. This is around what they advise they could source a temporary worker for and is sufficient to make a modest contribution to fixed costs. It is not yet known how much work will be required by WIASS so we will provide further updates to the Audit Committee on the progress of this new collaborative working arrangement.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit (England) Regulations 2011 section 6(1) require that:

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

7. RISK MANAGEMENT

- 7.1 In order to manage risks internal controls are used to mitigate and manage the identified risks to an acceptable level. Any weakness in the operation of internal controls therefore impacts directly on the management of risk.
- 7.2 Risk management issues could arise when weaknesses in internal controls are identified during the audit review process and management delay or defer implementation of the recommendations made.
- 7.3 The Internal Audit service is one element of the Council's assurance/internal control framework.

8. EQUALITY IMPACT NEEDS ASSESSMENT

- 8.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the nine protected characteristics.

9. CONCLUSION

- 9.1 The review of the Internal Audit Section, reduction in hours and subsequent adjustment of the Audit Plan has all been achieved in close consultation and collaboration with the team.
- 9.2 The need for reduced costs has been carefully balanced against business need and statutory requirements for the Internal Audit Service. Key controls remain in place and reductions have been made with due regard to risks to ensure the Internal Audit Service remains effective and that neither the team themselves or the position of the S151 Officer is compromised.
- 9.3 The revised structure effective from April 2014 will generate the required savings for the Wyre Forest Forward Programme whilst continuing to provide a robust and relevant Internal Audit Service.
- 9.4 Even after the revised Audit Plan with the reduced number of available days, Wyre Forest still has the most Internal Audit resources of all the Worcestershire districts.
- 9.5 The current team has been proven to be cost effective and highly productive, evidenced by the business case review of the previous decision not to enter WIASS. This is good news for the Council Tax payers of Wyre Forest and is testament to the Principal Auditor and her team.
- 9.6 The opportunity to provide WIASS with a service and generate external income is welcomed. This will be of no detriment to the Wyre Forest Internal Audit Service. Further updates will be provided as it is not yet known if this collaborative arrangement will work and how many days will be required.

10. CONSULTEES

- 10.1 Corporate Leadership Team.
- 10.2 Cabinet Member for Resources and Transformation.

11. BACKGROUND PAPERS

- 11.1 None.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
24th MARCH 2014**Internal Audit - Annual Audit Plan 2014-2015**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor Nathan Desmond
DIRECTOR:	S151 Officer
CONTACT OFFICERS:	Tracey Southall Extension No 2100 tracey.southall@wyreforestdc.gov.uk Cheryl Ellerton Extension No. 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Internal Audit ~ Annual Audit Plan 2014~2015 Appendix 2 - Briefing Note ~ Reduction of Available Audit Days

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit – Annual Audit Plan 2014–2015. The Plan has been prepared in accordance with the UK Public Sector Internal Audit Standards as endorsed by the Audit Committee on 2nd December 2013.

2. RECOMMENDATIONS

The Audit Committee is asked to:

- 2.1 Consider and approve the Internal Audit –Annual Audit Plan 2014 – 2015, attached as Appendix 1.
- 2.2 That approval be given for the Section 151 Officer to amend the plan in consultation with the Principal Auditor in light of developments arising during the year as described in paragraph 3.7 of this report.

3. BACKGROUND

- 3.1 The management of the authority are obliged to safeguard and use public funds in an efficient and effective way and so providing value for money. An effective internal audit service is vital in helping management to meet these important duties. It is an independent appraisal function for the review of the Council's internal control system.
- 3.2 The Internal Audit section operates in accordance with recognised Internal Audit Standards ¹

¹ The UK Public Sector Internal Audit Standards (UKPSIAS) from April 2013 (previously CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006).

“**Internal Audit** is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objective by bringing a systematic, disciplines approach to evaluate and improve the effectiveness of risk management, control and governance processes”

And adds:

“The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. **Internal Audit** plays a vital part in advising the organisation that these arrangements are in place and operating properly. The annual internal audit opinion, which informs the governance statement, both emphasises and reflects the importance of this aspect of internal audit work. The organisation’s response to internal audit activity should lead to the strengthening of the control environment and therefore contribute to the achievement of the organisation’s objectives”.

- 3.3 The role played by Internal Audit is key in **assessing the internal controls** in operation and **making recommendations** for improvement working in partnership **with management**. Further, the role assists in working with managers to the Council’s corporate plan striving for continuous improvement.
- 3.4 The UK Public Sector Internal Audit Standards set out the definitions and principles (the **standards**) which establish how a professional internal audit service should operate in the modern local government context.
- 3.5 The Audit Committee at its meeting on the 12th March 2012 approved the Internal Audit Strategic Plan 2012 – 2015. This plan provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the Authority. The plan prioritises the areas to be audited over the period and allocates internal audit resource to each area based on an Internal Audit needs assessment evaluating the materiality and risk of the Council’s activities.
- 3.6 The annual plan is viewed flexibly as issues may arise during the currency of the plan, which divert Internal Audit away from planned work.
- 3.7 The plan is therefore seen as a **statement of intent** that can be amended as necessary without having a damaging effect on the overall direction of the internal audit service. The audit plans have been prepared in accordance with the Internal Audit Charter..
- 3.8 The year 2014~15 is the final year of the three-year strategic audit plan.
- 3.9 Performance of the service is **monitored** against this plan during the year by way of a quarterly monitoring report to this committee, to the Corporate Leadership Team and to the external auditors.

4. KEY ISSUES

4.1 The Internal Audit Charter² requires:

An audit plan be prepared based on risk to provide assurance on the council's Services and activities in consultation with the S151 Officer and the Corporate Leadership Team.

The detailed operational plan will show how resources are to be allocated in the coming financial year in order to meet the requirements of the strategic plan.

- 4.2 As part of the preparations for this annual plan the Section 151 Officer has discussed with the Corporate Leadership Team their requirements for the forthcoming year for consideration for inclusion within the plan.
- 4.3 In order to ensure that the audit service cost is minimised to the authority the internal audit section work with external audit to ensure full liaison of planned internal audit work.
- 4.4 The Internal Audit – Annual Audit Plan 2014–2015 has been prepared in accordance with recognised Internal Audit standards.
- 4.5 The areas in the plan have been compiled following a review of the Strategic Plan 2012-2015 approved by members in March 2012, updating for changes in structure and processes during the period to date together with the reviews that have been completed and including any new areas as appropriate.
- 4.6 The areas in the audit plan have been identified by an objective risk assessment. This has produced an overall needs assessment for the internal audit service of 449 days. This is a reduction on the 550 days initially allocated within the 3 year 2012~15 Strategic Internal Audit Plan approved by the Audit Committee in March 2012. The main changes are as detailed in the attached brief paper at Appendix B.
- 4.7 The reduction in days follows a restructure of the in house team from April 2014 as part of the required reductions in corporate support services for 2014~15. The restructure of the Internal Audit Team ensures that it meets the staff resources required to audit the risks of the Council and provide management with an opinion of the control environment within the annual internal audit opinion. The need for savings has been carefully managed and balanced against the need for adequate resources for the continued provision of an effective Internal Audit Service. Further information on the restructure can be found in a separate report on this Agenda.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications arising from this report.

² Previously the Internal Audit Terms of Reference

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit (England) Regulations 2011 section 6(1) require that:

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

7. RISK MANAGEMENT

- 7.1 The Internal Audit - Annual Audit Plan 2014~15 has been prepared in accordance with the recognised Internal Audit Standards. This requires the plan to be informed by the Council's risk management, performance management and other assurance processes. Where the risk management process is not fully developed or reliable an independent risk assessment is undertaken by the Principal Auditor in consultation with the Section 151 Officer.
- 7.2 The recent restructure to be effective from April 2014 has been managed carefully against the service need to ensure sufficient Internal Audit resource is retained. This will be kept under regular review.
- 7.3 WFDC has more internal audit days within the Audit Plan than any other Worcestershire District. This ensures risk is mitigated as far as possible for this Council.

8. EQUALITY IMPACT NEEDS ASSESSMENT

- 8.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the nine protected characteristics.

9. CONCLUSION

- 9.1 The Annual Audit Plan 2014 – 2015 summarises the work to be undertaken by the Internal Audit section and provides its overall direction. It is presented to members in accordance with the Internal Audit Charter.

10. CONSULTEES

- 10.1 Corporate Leadership Team.
Cabinet Member for Resources & Transformation.

11. Background Papers

- 11.1 12th March 2012 ~ Audit Committee ~ Year Strategic Audit Plan 2012~15.
11.2 Accounts & Audit Regulations (England) 2011 (SI 817).
11.3 UK Public Sector Internal Audit Standards ~ April 2013.



INTERNAL AUDIT

INTERNAL AUDIT ANNUAL PLAN

2014 ~ 2015

Wyre Forest District Council affects the whole community and therefore aims to deliver public services to meet the needs of the Community and provide value for money. This includes identifying smarter ways of working to ensure delivery of services the community want as underpinned by the principles of systems thinking, ensuring the Council can meet its outcome priorities and purposes as identified by the Wyre Forest Forward Programme.

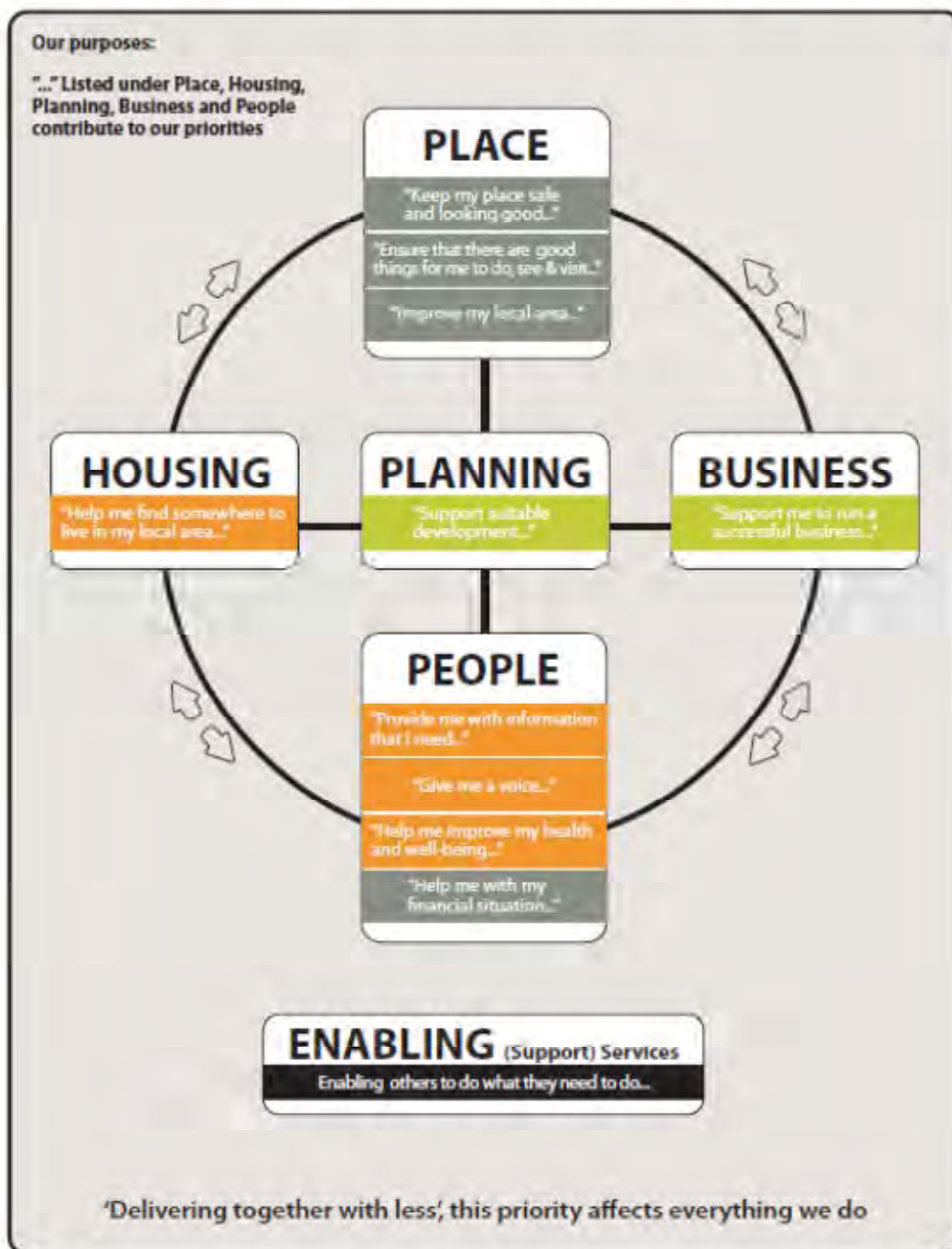
WYRE FOREST FORWARD

Our outcome priorities:

- Community well-being
- Economic prosperity
- The Underpinning priority (Delivering together, with less)
- Overlapping of both Community Well-being and Economic prosperity priorities

Our purposes:

"..." Listed under Place, Housing, Planning, Business and People contribute to our priorities



WYRE FOREST DISTRICT COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2014 ~ 2015

		<u>Year 3</u>
		<u>2014/15</u>
		<u>Days</u>
Systems and Probity	NOTE 1	289
Computer Audit	NOTE 2	40
Contract Audit	NOTE 3	25
Sub-total Planned Work		354
Consultancy and Advice		50
Irregularity Contingency		20
Specific Service Duties	NOTE 4	25
WORKLOAD/AVAILABLE DAYS		449

NOTES

- 1 The days per service are shown on Pages 121-123
- 2 An analysis of the areas covered is shown on Page 124-125
- 3 An analysis of the areas covered is shown on Page 126
- 4 A breakdown of the specific service duties follows on Page 127
- 5 An analysis of the available days is shown on Page 128

OVERALL COMMENTS

The areas in this plan have been identified by an objective risk assessment as denoted by “**RA**” in the attached pages. The Audit Risk Assessment uses a number of factors to calculate a risk score and to provide a weighted assessment as detailed in Schedule A. The resulting scores are branded into three risk categories and ranked to identify determine the audit universe for 2014~15 for Wyre Forest District Council.

- **High (Scores 76-100+)**
- **Medium (Scores 26-75)**
- **Low (Scores up to 25)**

WYRE FOREST DISTRICT COUNCIL		INTERNAL AUDIT ANNUAL PLAN 2014~15		Year 3 2014/15 Days	AUDIT SCOPE
AUDIT COVERAGE		RA			
Treasury Management (Risk: Failure to Maintain adequate controls over Key Financial Systems)		103	10		Assurance Review of the systems and procedures in place to manage the Council's Cash Flow and investments to maximise interest earned. To review and ensure borrowing is maximised to meet the Medium Term Financial Strategy.
Budgetary Control & Monitoring (Risk: Failure to Maintain adequate controls over Key Financial Systems)		94	10		Assurance Review of systems and procedures around the Council's Budget Cycle to record and monitor budgets to feed into the financial records and the final accounts.
Debtors: Accounts Receivable (Risk: Failure to Maintain adequate controls over Key Financial Systems)		89	10		Assurance review of the system and procedures in place for the raising of accounts for services provided by the Council in respect of Miscellaneous Debts to include the monthly reconciliations and aged debt reports.
Benefits (Risk: Failure to Maintain adequate controls over Key Financial Systems; April 2014 has seen the retirement of a Key member of Staff)		88	25		Assurance Review of systems and procedures to ensure entitlement to and payments in relation to Housing Benefit. To include Payments, Overpayments, Rent Referrals, Statistical and Subsidy Returns. Review changes to the Benefits System under the Welfare Reform Act and the WFDC local scheme as amended.
Trading Estates & Property Debts (Risk: Failure to Maintain adequate controls over Key Financial Systems)		86	8		Cyclical review of the systems and procedures in place in respect of the arrangement for leases, licenses and rental agreements; calculation of income due, collection and banking of income and the monitoring and recovery of arrears.
Procurement & Corporate Contracts (Risk: Failure to Maintain adequate controls over Key Financial Systems)		85	20		Consider adherence to the Procurement Strategy and the Contract Procedure Rules. Review of procurement card rules and spend. Review of detailed spend by analysis of the Financial Management System (Agresso).
Payroll/PAYE (Including Mileage & Subsistence claims) (Risk: Failure to Maintain adequate controls over Key Financial Systems; HR21 is in development for Employee/Member Claims with implementation planned in 2014)		85	15		Assurance Review of the systems and procedures in place at Wyre Forest District Council and Redditch BC to ensure accurate payments to bonafide employees, HMRC, Pensions and other deductions and allowances with detailed quarterly testing of both staff and member mileage & subsistence claims.
Car Parks (Risk: Failure to Maintain adequate controls over Key Financial Systems)		84	5		Cyclical review of the systems and procedures in place for amending the Car Parks Order, collection and banking of Income by an External provider.
NNDR (Risk: Failure to Maintain adequate controls over Key Financial Systems)		84	12		Assurance Review for the systems and procedures in place to calculate liability, raise bills, collect income and monitor arrears; review process for the Business Rate retention.
Council Tax (Risk: Failure to Maintain adequate controls over Key Financial Systems)		82	15		Assurance Review for the systems and procedures in place to calculate liability, raise bills, collect payment and monitor arrears. Review the local Council Tax Discount scheme as amended.

Agenda Item No. 14
Appendix 1

On Street Parking (Risk: Failure to Maintain adequate controls over Key Financial Systems)	81	3	Cyclical review of the systems and procedures in place for the issuing of notices, the collection and banking of income, monitoring of non payments having regard to the arrangements with Wychavon DC.
Creditors: Accounts Payable (Risk: Failure to Maintain adequate controls over Key Financial Systems)	80	20	Assurance review of the system and procedures in place for the payment of invoices for services and supplies across the Council to cover all aspects including the weekly reconciliations of BACS; Purchase Order Processing (requisition to invoice payment);, Periodical Payments and Payment by Procurement Card.
Debt Recovery Procedures (Risk: Failure to Maintain adequate controls over Key Financial Systems)	79	10	Assurance review of the systems and procedures for the recovery of outstanding debts having regard to the Legal requirements for Court Action (exc. Council Tax and NNDR)
Civil Contingencies Act & Business Continuity Planning	75	10	Cyclical review of the arrangements in place relating to the Council's Business Continuity Arrangements.
Accounting (Cash~Bank) (Risk : Failure to Maintain adequate controls over Key Financial Systems)	74	15	Assurance Review of systems and procedures around the Council's General Ledger to record financial transactions and produce the final accounts. To include Bank Reconciliation following the change in Bank for 2014; change of collection of payments from KIOSK to Allpay; Journals, Housing Act Advances and Miscellaneous Income Reconciliations.
Worcestershire Hub (Risk: Reputational Damage)	74	5	Cyclical review of the systems and procedures in place to provide a front line service to customers. To include Worcestershire County Council contributions.
Establishment (Risk: Failure to Maintain adequate controls over Key Financial Systems)	71	7	Assurance review of the systems and procedures in place for the maintenance of the WFDC Establishment data base; review the process for updating staff details following the implementation of the electronic staff record forms.
Fees & Charges (Risk: Reputational Damage; Failure to maintain a balanced budget)	69	20	Cyclical reviews of Fees & Charges not covered elsewhere within the Plan but on a rolling basis. Includes setting of the charges, assurance that sections are complying with the approved charges ~Open Spaces, Other Sports Facilities; Playschemes; Rangers; Air Pollution; Copy Documents, Minutes & Agendas; Building Control Fees; Food Safety Inspections; Licensing Income; Hackney Carriage Income; Pest Control; Garden Waste, Bulky Waste and Commercial Waste.
Management of Town Hall (Risk: Failure to Maintain adequate controls over Key Financial Systems)	63	5	Cyclical review of the systems and procedures in place to promote and offer the facilities to the general public to cover income collection, grant aid and Performing Rights Payments.
Post Opening Procedures (Risk: Failure to meet Regulatory Timeframes)	56	5	Cyclical review of adherence to corporate guidance and the Benefit Fraud Inspectorate; to account for changes in working practices at Wyre Forest House and the. Corporate arrangements with Birmingham City Council.

Agenda Item No. 14
Appendix 1

Development Control (Risk:Failure to Maintain adequate controls over Key Financial Systems)	54	8	Cyclical review of the systems and procedures in place for processing and approval of planning applications to include the collection and banking arrangements for fee income.
Garage & Vehicle Maintenance (Risk:Failure to Maintain adequate controls over Key Financial Systems) (Risk:Failure to Maintain adequate controls over Key Financial Systems)	54	10	Cyclical review of the arrangements in place for the maintaining and servicing of Council Vehicles, to cover Driver responsibilities, stock control and issue of fuel.
Litter Notices (Risk:Failure to Maintain adequate controls over Key Financial Systems)	49	5	Cyclical review of the systems and procedures in place for the issuing of notices, the collection and banking of income, monitoring of non payments; appeals and write offs.
Garage-MOT Station (Risk:Failure to Maintain adequate controls over Key Financial Systems)	38	5	Cyclical review of the systems and procedures in place to promote and offer the facilities to the general public, to include income collection and compliance with VOSA.
Partnerships, Joint Working & Shared Services (Risk: Reputational Damage)	~	8	Review of the arrangements for working in partnership/joint working with others to include governance arrangements and management procedures.
Corporate Governance (Risk: Reputational Damage; Failure to meet Statutory Requirements)	~	15	Cyclical review of the Council's Governance Arrangements to include Anti Fraud & Corruption Strategies; Data Protection; Freedom of Information; Contract Procedure Rules; Financial Regulations; Constitution; Code of Conduct; Gifts & Hospitality.
Risk Management	~	8	Review of the Risk Management Process to include the identification and managing risks to include the Strategic Risk Register (Covalent Computer Application).
TOTAL DAYS		289	

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2014~15

ICT Audits and Assistance (30 Days Per Annum)

Application Control Reviews:
Agresso (Upgrade)
Radius (Cash Receipting) ~ Allpay (Pay Points)
Wireless Technology
Network Security ICT Main Controls

Areas	Reason
IT Governance~ Physical Security	To ensure that physical security is in place and that protocols are adhered to.
IT Governance ~ Access Control	To ensure that system access is recorded and appropriately granted. To ensure that System administrators are appropriately trained. To ensure Roles and Permission are monitored To ensure employee starter, leaver and transfers access right set up and amendments are controlled and recorded.
IT Governance ~ Back up	To ensure system back ups are controlled and secure. To ensure back ups are tested and the tests are recorded. To ensure back up equipment is working appropriately.
IT Governance ~ Audit Trails	To ensure Audit trails are switched on, show an accountable trail, are retained for an appropriate length of time and the time stamps are accurate. To ensure significant events have been recorded.
IT Governance ~ Contingency Plans	To ensure contingency plans are in place and include security arrangements (including physical). To ensure off site arrangements have been tested.

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2014~15

Assistance & Advice (10 Days Per Annum)

Areas	Reason
Social Media to include: Facebook Twitter Press Releases	<p>The Council regularly updates the pages to ensure the Council.</p> <p>The sites are monitored with regard to mitigating risks in respect of branding and/or reputational damage</p> <p>The sites are accessible to all.</p> <p>Compliance with Data Security under:-</p> <ul style="list-style-type: none"> ~a privacy policy, ~social media policy, ~ risk policy ~Freedom of Information and Data Protection policies. <p>Ensure an internal policy include the employees use of social media.</p>
IT Governance ~ Inventories	<p>To ensure inventories are in place for both computer software and hardware.</p> <p>To ensure inventories are regularly reviewed and updated.</p>
Payments on Line ~ Procurement/Paypal	<p>To ensure that the Council procurement cards are secure and appropriately used.</p> <p>To ensure that the procurement cards are being used inline with Council policies when used on line.</p> <p>To ensure that purchases and payments are appropriately controlled.</p>

WYRE FOREST DISTRICT COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2014~2015

Contract Audit (25 Days Per Annum)

Contract Audit includes:

- Contract Specifications
- Tendering Process including opening & recording
- Award of Contract
- Contract Monitoring
- Contract payments
- Contract register
- Final accounts as appropriate

On contracts selected from the approved Revenue & Capital budgets.

Leisure Centre
Disposal of Council Assets
Community Asset Transfers
Cash Flow Support
Refurbishment of Vehicles

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2014 ~ 2015

Specific Service Duties – (25 Days Per Annum)

- National Fraud Initiative Data Matching Exercise/Protecting The Public Purse Annual Survey
- Year End Reconciliation of Petty Cash Balances
- Monitoring of Salaries/Wages BACS Limits
- Collation and Distribution of Authorised Signatory Lists

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2014 ~ 2015

	TOTAL Per Annum
GROSS (FTE*)	676
<u>Less: Leave Allocations</u>	
Bank Holidays	26
Annual Leave	71
Sick/Special Leave	13
Training	13
Sub Total	553
<u>Less: Administration</u>	
Management Meetings (Internal)	24
Corporate Briefings	8
Audit Committee Attendance	5
Audit Plans/Monitoring Reports/Annual Report	12
General Duties	35
Risk Management Support	20
Available audit days (FTE)	449

*FTE = Full Time Equivalent.

INTERNAL AUDIT SYSTEM RISK ASSESSMENT

SYSTEM

Assessed by:

Date:

Reviewed by:

Date:

SUMMARY:	
High Priority Risk Assessment (Maximum)	111
Tolerable/Low Priority Risk Assessment	27
Difference	84

Risk No.	Risk Element	Weighting factor	Scale of qualification	Points	Initial Points	Initial Value	Comments	Revised Points	Revised Value
1a	MATERIALITY: Expenditure	3	£0 - £10,000	1	1	3	Will Look at Budgets	7	21
			£10,001 - £50,000	2					
			£50,001 - £100,000	3					
			£100,001 - £250,000	4					
			£250,001 - £500,000	5					
			£500,001 - £1,000,000	6					
			£1,000,000 +	7					
1b	MATERIALITY: Income	5	£0 - £10,000	1		0	Will Look at Budgets		0
			£10,001 - £50,000	2					
			£50,001 - £100,000	3					
			£100,001 - £250,000	4					
			£250,001 - £500,000	5					
			£500,001 - £1,000,000	6					
			£1,000,000 +	7					
1c	MATERIALITY: Stores	2	£0 - £10,000	1		0			0
			£10,001 - £50,000	2					
			£50,001 - £100,000	3					
			£100,001 - £250,000	4					
			£250,001 - £500,000	5					
			£500,001 - £1,000,000	6					
			£1,000,000 +	7					

Appendix 1

Risk No.	Risk Element	Weighting factor	Scale of qualification	Points	Initial Points	Initial Value	Comments	Revised Points	Revised Value
2	VOLUME OF TRANSACTIONS	1	0 - 1,000	1	1	1		6	6
			1,001 - 10,000	2					
			10,001 - 100,000	3					
			100,001 - 200,000	4					
			200,001+	5					
3a	SYSTEM FACTORS: Stability	2	Very stable (no developments)	1	1	2		5	10
			Generally stable (under review)	3					
			Unstable (risk of control breakdowns)	5					
3b	SYSTEM FACTORS: Type	1	Manual	5	3	3		5	5
			Mixed	4					
			Computerised	3					
3c	SYSTEM FACTORS: Complexity of regulations and processing	2	Simple	1	1	2		5	10
			Moderately complex	3					
			Very complex	5					
4	MANAGERIAL AND CONTROL ENVIRONMENT	5	Adequate controls in place	1	1	5		5	25
			Control deficiencies / no prev. knowledge	5					
5	POTENTIAL FOR FRAUD	5	Minimal	1	1	5		5	25
			Significant	3					
			High	5					
6	SENSITIVITY	3	Confidentiality	2	2	6		3	9
			Impact on other systems	2					
			Political	3					
			Commercial	3					
LOW RISK ASSESSMENT:						27	HIGH RISK ASSESSMENT:	111	



Appendix 2

Briefing ~ Annual Audit Plan 2014/15~Reduction of Available Audit Days

- This plan is the third year of the 3 year strategic plan approved by the Committee in March 2012 to cover the 2012~2015 Financial Years.
- As noted at 4.6, there is a reduction of 101 available audit days for 2014/15 as detailed below:-
 - **Computer Audit Days ~ Reduction of 10 Days**
 - **Contract Audit Days~ Reduction of 5 Days**
 - **System Reviews ~ Reduction of 86 Days**

Computer Audit

The days in the 2014~15 Audit Plan have been reduced from 50 to 40.

These days encompass detailed reviews of applications in use throughout the council.

Permissions and access rights to these applications will now be considered as part of the system review and by continuous auditing.

Contract Audit

The days in the 2014~15 Audit Plan have been reduced from 30 to 25

These days are allocated to specific reviews of contracts from the tendering procedure to the awarding of the contract. These reviews also include the financial monitoring of the contract.

The contract audit days complement the specific days allocated to procurement spend via the procurement cards and detailed analysis of large spend as extracted from the Financial Management System (Agresso).

	Year 3 2014/15		Comments To Support Reduction in Days
	Revised	Original	
Corporate Governance	15	20	An annual assurance review allowing for policies, procedures and the constitution to be reviewed on a rolling basis across the audit cycle of 3 years.
Creditors	20	25	Detailed Testing has been undertaken since the introduction of Purchase Order Processing and with the Corporate Admin Team and the move to Wyre Forest House, the processes have been refined. In addition 2014 will see this as part of the Systems Thinking Reviews to compliment the work of Internal Audit.
Health & Safety	0	5	Subject to External Reviews from which Internal Audit can take assurance.
Petty cash payments	0	5	With the move to Wyre Forest House, the number of floats in circulation has reduced. This was previously an annual review, but will form part of the audit cycle of reviews every 3 years. Last Audited in 2012-13.
Procurement & Corporate Contracts	20	25	Supported by the days within the Plan for the review of large contracts to encompass the tendering process and awarding of contract, this review will capture the spend on Procurement Cards; and review detailed spend as extracted from the Financial Management System.
Fees & Charges	20	30	Cyclical reviews of Fees & Charges not covered elsewhere within the Plan but on a rolling basis across the 3 year audit cycle.. Within the audit year, a selection of services will be reviewed, the sample dependent on known or proposed changes.
Worcestershire Hub	5	20	Days reduced with the move away from Cash Collection via KIOSK to alternative methods, the required level of internal audit testing will be reduced as processes cease/reduce moving in to 2014..
Establishment	7	0	To be a separate annual review as responsibility for this function is with the HR Team located at Worcestershire County Council.
Accounting (Cash~Bank)	12	20	The Bank Reconciliation has provided for Full Internal Audit Assurance previously, and the number of Housing Act Advances has reduced, therefore this audit will concentrate on the changes to the new methods of income collection, but also have regard for the change in the Council's Bankers from April 2014.
Benefits	25	30	Annual Assurance review of a Core Financial Procedure. Available Days allow for detailed testing to be taken across the full financial year.
Budgetary Control & Monitoring	10	15	Annual Assurance review of a Core Financial Procedure. Review follows a stringent timetable to allow for a balanced budget to be prepared. No major issues reported from previous audits. The review will concentrate on the internal monitoring procedures.
NNDR	12	15	Annual Assurance review of a Core Financial Procedure. No major issues arising from previous reviews. Service still subject to regulation and change.
Risk Management	8	10	Annual Assurance review of a Core Financial Procedure.
Trading Estates & Property Debts	8	10	The monitoring of arrears will be included within the Corporate Debt Recovery Review which is a separate review within the audit plan for 2014-15.
Car Parks	5	10	Pay & Display Income subject to an external cash collection which is captured as part of the Cash to Bank Miscellaneous Income and reported on separately.
Development Control	8	10	Cyclical review of the systems and procedures in place for processing and approval of planning applications to include the collection and banking arrangements for fee income. This has already been subject to a recent System Thinking Review. The internal audit review will add further assurance.
Litter Notices	3	5	Light Touch on the systems and procedures in place for this service, as income collection will be included in the .general fees and charges reviews
On Street Parking	3	5	Light Touch on the systems and procedures in place for this service, as income collection will be included in the .general fees and charges reviews
Partnerships, Joint Working & Shared Services	8	15	To capture those arrangements that are stand alone from collaborative arrangements in place within the Council and therefore do not form part of a risk assessed system review already included within the Plan.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
24th MARCH 2014**Internal Audit Monitoring Report**
Quarter ended 31st December 2013

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	S151 Officer
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Internal Audit Monitoring Report for the Quarter ended 31st December 2013

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st December 2013, attached as Appendix 1.

2. RECOMMENDATIONS

The Audit Committee is asked to **CONSIDER:**

- 2.1 **The Internal Audit Monitoring Report for the Quarter ended 31st December 2013 as detailed in the Appendix to the report.**

3. BACKGROUND

- 3.1 The management of the authority are obliged to safeguard public funds and use them in a way which provides value for money and thereby best value. An effective internal audit service is vital in helping management to meet these important duties as it is an independent appraisal function for the review of the entire internal control system.
- 3.2 The Audit Committee approved the operational Annual Audit plan 2013~14 in March 2013 as part of the 3 year 2012~15 Strategic Audit Plan. This plan takes into account changes in priorities or risk.
- 3.3 The Internal Audit Strategic Plan 2012~15 approved in March 2012 provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the authority.

3.4 Actual performance of the Internal Audit service is monitored against the Audit Plan each quarter during the year by way of this quarterly monitoring report to the Audit Committee, Corporate Leadership Team and to the External Auditors.

3.5 The Report attached as an Appendix contains 5 sections which are:

- Section 1 **Final** internal audit reports issued in the quarter
- Section 2 **Follow up** reviews undertaken in the quarter incorporating Recommendations in progress
- Section 3 **Draft** internal audit reports issued in the quarter
- Section 4 **Work In Progress** to include draft reports issued following completion of Annual Audit Plan
- Section 5 **Performance Statistics**

A number of other reviews are currently in progress. To support the work-in-progress, a summary of **action plans** issued is detailed within section 4 for Member information. In addition to the managed audits, within the audit plan resources are allocated to **consultancy and advice** for which a summary of the requests dealt with by Internal Audit is included within the performance statistics.

3.6 The audit reports referred to in the Appendix are those where testing has been undertaken on an element of the internal control environment. It should be noted that the findings are on an **exception basis** i.e. reported if an internal control was found not to be operating satisfactorily, so giving rise to a control weakness and therefore an area for improvement. The findings of audit reviews in the report do not list those internal controls which were found to be operating satisfactorily. This approach has been adopted to enable the output of the review to focus on those areas considered by Internal Audit to require management's attention.

3.7 The Internal Audit review process is published on the Council's Intranet. This details the process whereby **Draft** internal audit reports arising from audits are forwarded to Chief Officers and nominated lead managers for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.

3.8 The Internal Audit Charter¹ requires an annual opinion on the Council's internal control environment. This takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment, which is reported to the June meeting of the Audit Committee.

3.9 The terminology within the reports presented to members is in line with that used by many other Internal Audit Teams of public authorities, private and public companies and external auditors.

3.10 Every organisation operates in the real world and errors/omissions/system weaknesses (manual or computerised) are inevitable. Management have to manage these known risks through the use of internal controls.

¹ Previously the Terms of Reference

- 3.11 It may be that an operational decision has been taken by management to accept the risk of the non operation of an internal control. Where the area is being reviewed by Internal Audit in such an instance the weakness and any associated recommendation would be reported. Management would record within the service's risk register the processes in place to mitigate the risk.
- 3.12 The Corporate Leadership Team have confirmed that action would be taken immediately should an internal audit review report a significant weakness which could lead to a potential serious issue.

4. KEY ISSUES

- 4.1 Internal Audit present recommendations to management on potential improvements to the internal control environment of the system under review. It is management's responsibility to take the necessary action to implement recommendations as agreed in the final internal audit report.
- 4.2 The Quarterly monitoring report contains details of internal audit reports issued in the quarter together with follow up reviews. The format of internal audit reports has been adopted to enable management and members to focus on those areas that Internal Audit wishes to draw to its attention. The success or otherwise of a service is reported via other dimensions of the Council's Performance Management Framework including regular reports in respect of the Council's performance in delivering the Wyre Forest Forward Programme.
- 4.3 The Internal Audit Team operate in accordance with recognised Internal Audit Standards². Procedures are monitored to ensure that the Internal Audit Team procedures remain compliant.
- 4.4 The Internal Audit Charter requires an annual opinion on the Council's internal control environment. This takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment, which is reported to the June meeting of the Audit Committee.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report. There may however be financial implications if the audit recommendations made within audit reports are not implemented on a timely basis.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit (England) Regulations 2011 section 6(1) require that:

² The UK Public Sector Internal Audit Standards (UKPSIAS) from April 2013 (previously CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006).

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

7. RISK MANAGEMENT

- 7.1 In order to manage risks, internal controls are used to mitigate and manage the identified risks to an acceptable level. Any weakness in the operation of internal controls therefore impacts directly on the management of risk.
- 7.2 Risk management issues could arise when weaknesses in internal controls are identified during the audit review process and management delay or defer implementation of the recommendations made.
- 7.3 The Internal Audit service is one element of the Council's assurance/internal control framework.
- 7.4 A relevant member of the Internal Audit Team will be involved in future Systems Thinking reviews to oversee and advise on proposed system changes to ensure Key Controls are not compromised as part of the Consultancy and Advisory role detailed within the Internal Audit Plan.

8. EQUALITY IMPACT NEEDS ASSESSMENT

- 8.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the nine protected characteristics.

9. CONCLUSION

- 9.1 The work undertaken by the Internal Audit Team in the quarter ended 31st December 2013 is reported within Appendix 1. This information is presented to members in accordance with the Internal Audit Charter¹ for the Internal Audit Team.

10. CONSULTEES

- 10.1 Corporate Leadership Team.
Cabinet Member for Resources & Transformation.

11. BACKGROUND PAPERS

- 11.1 18th March 2013 ~ Audit Committee ~ Internal Audit Annual Plan 2013~14.
- 11.2 12th March 2012 ~ Audit Committee ~ Strategic Audit Plan 2012~2015.
- 11.3 Accounts and Audit (England) Regulations 2011 (SI 817).

APPENDIX 1

INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
31st December 2013**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 31st December 2013

INDEX	PAGE
SECTION 1 Final Audit Reports issued in the Quarter	139
SECTION 2 Follow up Reviews undertaken in the Quarter	141
SECTION 3 Draft Audit Reports issued in the Quarter	142
SECTION 4 Work In Progress (Including Action Plans Issued)	142
SECTION 5 Performance against Annual Plan for the Financial Year 2013/14 Including Consultancy & Advice for the Quarter	143 144

Cheryl Ellerton
PRINCIPAL AUDITOR

Tracey Southall
SECTION 151 OFFICER

24th February 2014

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st December 2013		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
Key Systems		
Payroll Compliance (Collaboration with Redditch BC) ~ 2012/13	S	140
Treasury Management ~ 2013~14	F	-
CONTRACT SYSTEM REVIEWS		
Procurement of Splash Pads 2013~14 (Awarding of Contract)	F	-

KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
U = Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations ~ provides little or no assurance. A significant internal control is one which is key to the overall framework of controls.	Summary page of Audit Report and significant findings and associated recommendations.
L = Limited	Significant lapses/breakdown in individual controls ~ at least on significant weakness ~ provides partial assurance.	Summary page of Audit Report and significant findings and associated recommendations.
S = Some	Sufficient framework of controls but some weaknesses identified ~ provides adequate assurance.	Summary page of Audit Report together with any significant findings and associated recommendations where appropriate.
F = Full	Robust framework of controls, any recommendations are advisory ~ provides substantial assurance.	The title of the review undertaken is reported.

AUDIT REPORT TITLE: Payroll Audit 2012~13 BUDGET: £45,000 (RBC~SLA Only) Estimated Net Payroll £6,373,719 ~ 2012-13 REF: VARIOUS		ACTION PLAN: 16th October 2012/18th March 2013 DRAFT REPORT DATE ISSUED: 18th July 2013 FINAL REPORT ISSUED: 5th November 2013		SERVICE: Redditch Borough Council (21.3 of SLA) Resources Directorate ~ Accountancy RESPONSE RECEIVED: 2nd August 2013/21st October 2013/29th October 2013	
Assurance Levels	Definition			Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.			Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.			Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.			Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.				

Overview:
 This Audit forms part of the annual assurance reviews undertaken as part of the 2012~13 annual audit plan. Both Human Resources and Payroll services are provided by external suppliers, Worcestershire County Council and Redditch Borough Council respectively. The review sought to ensure that the WFDC payroll, processed by Redditch Borough Council, was correct and accurate. The Service Level Agreement between Wyre Forest District Council and Redditch Borough Council provide for the audit of the service to be undertaken by the Internal Audit Team of Wyre Forest District Council (Section 21.3 SLA) and that the outcome of the audit should be reported to the Director of Resources (RBC) for information.

The review examined the control sheet reconciliations, exception reporting and the system parameters. Verification was made on a selection of salary payments made in the June and October 2012 payrolls to ensure they were accurate, processed correctly and in a timely manner. Following the June testing an action plan was issued to the Redditch Borough Council Financial Services Manager. The aim of the action plan being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken. This action plan was revisited in March 2013 to review those issues still outstanding. Initial testing found payroll adjustments being made without prior confirmation from WFDC to include the household allowance paid to home workers. Testing undertaken on the October payroll identified that an employee's contract had expired and there had been a delay in the Human Resources team actioning an extension to the contract. However, the employee was still undertaking work for WFDC and monthly salary payment had continued to be made against duly authorised timesheets.

Conclusion:
 This report specifically concentrated on the services delivered by Redditch Borough Council under the Service Level Agreement and has concluded that there are some areas where there are opportunities for improvement and where risks could be reduced. At the time of the audit review, **SOME** assurance could be given on the controls in place for the administration of the Wyre Forest District Council payroll by Redditch Borough Council as detailed in the report below.

Signed:_____ **T. Southall Chief Finance Officer (Section 151 Officer)**

Date:_____

SECTION 2

Quarter Report to the 31st December 2013

Summaries of Follow up Reviews undertaken in the Quarter

KEY	
Assurance Levels	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.

TITLE	SYSTEM TYPE K=Key S=Subsidiary	ASSURANCE LEVEL OF FINAL REPORT	IMPLEMENTATION STAGE PER CHIEF OFFICER AND/OR RESPONSIBLE MANAGER AT TIME OF FOLLOW UP REVIEW				Page No.
			No of Recommendations	No of Recommendations Implemented	No of Significant Recommendations	No of Recommendations Implemented	
CORE FINANCIAL SYSTEMS							
Cash To Bank ~ (Car Parks Pay & Display Income) Reconciliations 2012~13	K	S	2	2	-	-	-

SECTION 3**Quarter Report to the 31st December 2013**

DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st December 2013		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
Cash Income Reconciliation (Housing Act Advances) 2013~14	23.12.13	-

SECTION 4

Eleven Action Plans have been issued to Managers during the quarter. The table below shows the status of reviews currently in progress to cover the current on ~ going testing within the 2013~14 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

<u>WORK IN PROGRES AS AT 31st December 2013</u>			
AUDIT REVIEW	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3
<u>Core Financial Systems</u>			
Bank Reconciliation (Quarter 3) ~ 2013/14	-	-	12.12.13
Cash To Bank (Worcestershire HUB) (Quarters 2 & 3) ~ 2013/14	-	18.11.13	23.12.13
Corporate Creditors (Compliance) 2013~14	18.10.13	-	-
Corporate Debtors (Compliance) 2013~14	11.10.13 & 21.11.13	-	-
Corporate Debtors (Reconciliations) 2013~14	21.10.13	-	-
Housing Benefit Housing Allowance/Overpayments (Phase 2) ~ 2013/14	-	08.10.13	-
<u>Subsidiary System Reviews</u>			
Mileage & Subsistence 2013~14 (2 nd Phase)	-	04.10.13 & 14.10.13	-
<u>Computer Audit Reviews</u>			
ICT Inventories & Disposals 2013~14	21.10.13		-

SECTION 5

Performance Against Annual Plan For The Financial Year 2013/14**Quarter ended 31st December 2013****Year to 31st December 2013**

	<u>Quarter Actual</u>	<u>Quarter Plan</u>	<u>Quarter Actual as a % of Plan</u>	<u>Previous Year Comparison</u>		<u>Year Actual</u>	<u>Annual Plan</u>	<u>Year to Date Actual as a % of Plan</u>
	<u>Days</u>	<u>Days</u>	<u>%</u>	<u>Quarter to 31.12.12</u>		<u>Days</u>	<u>Days</u>	<u>%</u>
System and Probity	102.25	93.75	109.07%		System and Probity	304.75	375	81.27%
Computer Audit	14.00	12.50	112.00%		Computer Audit	21.00	50	42.00%
Contract Audit	0.50	7.50	6.67%		Contract Audit	11.25	30	37.50%
Consultancy and Advice	4.00	12.50	32.00%		Consultancy and Advice	24.75	50	49.50%
Irregularity	1.75	5.00	35.00%		Irregularity	8.25	20	41.25%
Specific Service Duties	5.25	6.25	84.00%		Specific Service Duties	20.00	25	80.00%
Sub Total	127.75	137.50	92.91%	93.64%	Sub Total	390.00	550	70.91%

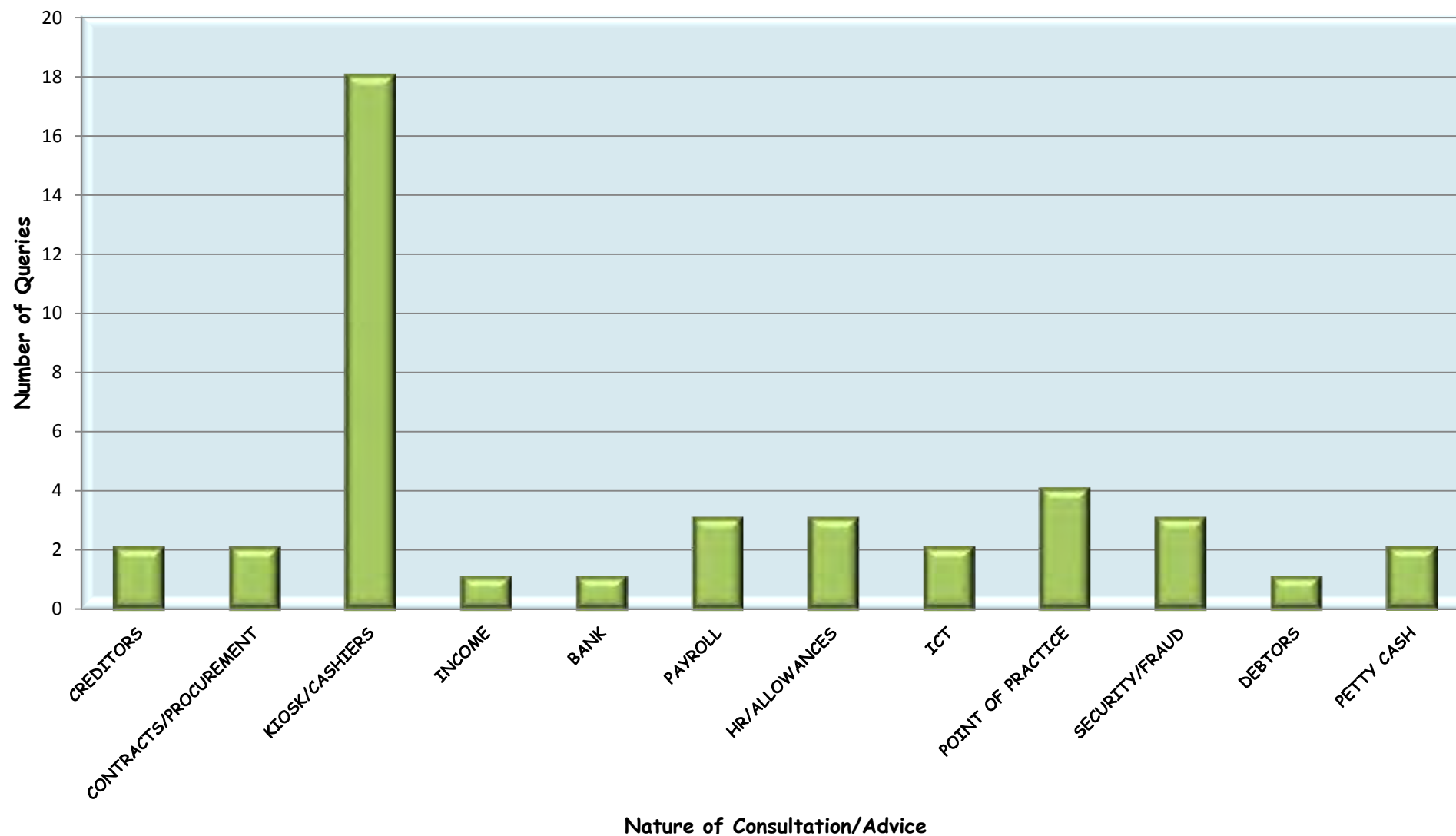
TARGET 95.00%

Audit Resource Statistics

For the quarter to 31st December 2013 actual against plan is 92.9 % compared to a target of **95%**. The fall below target is explained by the annual Cipfa Audit Training Seminars falling within this quarter which along with the Christmas Office Close down are classified as non chargeable time for the Internal Audit Team, thus impacting on the available chargeable days for the quarter to meet the target of 95%.

Within the time allocated in the above table, during this third quarter of 2013~14 the Internal Audit Team have responded to 42 requests for advice and consultancy as categorised in the graph overleaf.

Annual Summary of Audit Advice October to December 2013-14



WYRE FOREST DISTRICT COUNCIL

CABINET
24TH MARCH 2014

Corporate Procurement Strategy

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	All
CORPORATE PLAN PRIORITY:	All
CABINET MEMBER:	Councillor N J Desmond
RESPONSIBLE OFFICER:	Chief Financial Officer
CONTACT OFFICER:	Alex Haslam Ext 2102 alex.haslam@wyreforestdc.gov.uk Kathryn Pearsall Ext 2165 kathryn.pearsall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Corporate Procurement Strategy

1. PURPOSE OF REPORT

- 1.1 To propose an updated Corporate Procurement Strategy.

2. RECOMMENDATION

The Audit Committee is asked to RECOMMEND to Cabinet that:-

- 2.1 **The updated Corporate Procurement Strategy, attached as Appendix 1 be approved.**

3. BACKGROUND

- 3.1 Council adopted the current Procurement Strategy in January 2008.
- 3.2 The Procurement Strategy has now been reviewed and linked to Council Objectives.

4. KEY ISSUES

- 4.1 The Corporate Procurement Strategy provides a framework by which procurement will assist the Council in meeting its aims and objectives by achieving value for money in the way it procures and delivers its services. It will also ensure it uses its resources in an economic, efficient, effective and sustainable way.
- 4.2 The continued reduction in local government funding means the Council needs to maximise the procurement savings that can be achieved while making sure that the social, economic and environmental benefits are considered and small business, the voluntary, community and faith sectors are included in our procurement process.

- 4.3 The strategy will be kept under review to ensure it reflects progress made and emerging best practice.

5. FINANCIAL IMPLICATIONS

- 5.1 Procurement needs to be carried out in accordance with the Corporate Procurement Strategy to ensure that value for money is achieved.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 Procurement needs to be carried out in accordance with the Corporate Procurement Strategy to ensure that the Contract Procedure Rules are complied with.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 There are no discernible equality and impact assessment needs relating to this report.

8. RISK MANAGEMENT

- 8.1 Without a Corporate Procurement Strategy, the Council risks both non-compliance with the Contract Procedure Rules and failing to identify and reduce spending.

9. CONCLUSIONS

- 9.1 Gains from smarter procurement will contribute to the Wyre Forest Forward tranche of savings and the adoption and use of a Corporate Procurement Strategy will enable smarter procurement to occur.

10. CONSULTEES

- 10.1 Corporate Leadership Team.
WF20 Members.

11. BACKGROUND PAPERS

- 11.1 Council Procurement Strategy 2008.



PROCUREMENT STRATEGY

Corporate Procurement at Wyre Forest District Council

The Procurement function is a Shared Service within Accountancy in the Chief Executive Unit of Wyre Forest District Council, supporting Services across the organisation and in the front line. In Procurement we support the Wyre Forest transformation strategy through better contracting and a flexible and responsive attitude to customers providing all required support and guidance to ensure customers are able to procure whatever is required for them to deliver their objectives.

Our Purpose –To enable and support the priorities of the Council:

- **Support you to contribute to a successful local economy**
- **Support you to live in clean, green and safe communities**

Our Vision

Wyre Forest – where people have the opportunity to enjoy a good quality of life and want to live, work, visit and invest.

We are committed to assisting the Council to meet its aims and objectives by achieving value for money from the way in which it procures and delivers its services and to ensure it uses its resources in an economic, effective and sustainable way.

Our Values will be included in everything we do:

Put the Customer First

We will create public value by improving outcomes for residents

In Procurement we will use outcome-based specifications for our contracts where appropriate, and develop improved supplier management to monitor performance and deliver cost effective & transparent services

Work as One Team and Support each Other

We will work with our partners in the interests of Wyre Forest

In Procurement, we will deliver strong partnerships with public sector colleagues, and use this to leverage better value and drive greater efficiencies from contracts we let

Celebrate Good Performance

We will ensure the highest quality
And encourage innovation

In Procurement, we will bring high quality commercial insight to our programme of work and benchmark regularly against best practice. We will work alongside suppliers to encourage innovation

Be confident and honest in expressing our views

We will ensure, on all appropriate contract competitions, that any potential suppliers /contractors work to our high standards and values

In Procurement, we will seek from suppliers/contractor (and any sub-contractors) written evidence of robust policies and procedures to ensure high ethical principles and standards in line with current legislation, also a commitment to participating in a multi agency approach to safeguarding



Invest in giving people the skills to do the Job

We will develop and equip our officers to provide excellent service and seek our Internal customer's views and input wherever possible to ensure the best possible fit for procurement of goods, services and consultancy

In Procurement, we will develop our people with the professional and personal skills they will need to deliver excellence and work to build strength, capability and capacity and involve internal customers in all procurement

Be innovative and flexible in the ways we work

We will look after Wyre Forest District Council's internal resources responsibly

In Procurement, we will use all legal means to help deliver increasing levels of Councils' business to local SMEs, Micro Organisations and others by tailoring contractual and other opportunities and removing process and minimizing qualification requirements

Background

The Council established a corporate procurement service in 2008, this in turn became a 'shared' service in 2011 which is currently responsible for advising on and managing the procurement processes for Wyre Forest and both Bromsgrove District and Redditch Borough Councils with a combined annual external spend of £122m on goods and services.

With the introduction of the Corporate Procurement Strategy in 2008, the aim was to obtain value for money through the planned and appropriate management of procurement and supply chains in order to deliver high standard, cost effective, efficient and sustainable services to the District's residents.

This new strategy will help us continue to support the re-design and development of services for residents, and to support economic development in the Wyre Forest, making it easier for local and smaller organisations to access procurement opportunities and compete for contracts.

We have instigated a spend analysis exercise, which will provide much greater insight into our spend, and better information on markets and suppliers to ensure we make the most effective spending decisions at the right price for The Council.

We are involved in a wide range of procurement projects in partnership across the region including leading on significant projects with other Councils. Our challenge is to continue to provide an experienced professional team to support the delivery of further and increased savings from our procurement spend over the period of the medium term financial strategy.

Our Track Record

Every year since our inception as a Corporate service, we have delivered increased savings, working with other services to contribute a steadily increasing proportion of Wyre Forest District Council's overall budget savings. However, the initial tranche of savings have now been delivered. Further savings in an environment of rising costs will be more difficult to sustain and are likely to require service re-design, deployment of different commercial models, more partnership working and stronger commercial contract management with our supply base.



Delivering Saving Over The Medium Term Financial Strategy

We have identified five strategic development themes to deliver our vision:

The measure of success will be the sustained delivery of savings through procurement against Wyre Forest District Council's Medium Term Financial Plan. Our aim is to increase the proportion of overall savings delivered each year through better procurement and management of our suppliers.

Contract and Supplier Management

We will ensure that sections manage contracts more actively to drive continuous improvement in performance and efficiency and further develop contract management across the Council. Firstly, by working with operational contract managers in Services to spread best practice and provide training in contract management techniques.

Secondly, taking on a clearer lead role as the commercial owners of our major suppliers and contracts, responsible for delivering improvements and efficiencies.

The outcome of this change will be measured by the monitoring of contract performance being made more visible and accessible to senior officers across the organisation and by the identification of improvements in performance levels and additional efficiencies during the life of a contract. Furthermore, with our strong relationships with key suppliers, we will be recognised as their 'customer of choice' and improve our access to innovation in the marketplace.

Better Sourcing

We are improving the efficiency and effectiveness of our tender process for suppliers/contractors and internal customers by simplifying and reducing unnecessary process to add more value. We are taking steps to streamline the process of tendering our requirements, evaluating responses and awarding contracts. We will make better use of technology to support the process to reduce the time the process takes. We are making a start by using Wyre Forest Forward transformation strategy to ensure we drive out waste and reflect our customers' feedback. We will include local Small Medium Enterprises (SMEs) and the voluntary sector in the improvement to our sourcing process to further develop our commitment to engagement with these important partners.

We will know this change has been successful if our customers report greater satisfaction, and the process takes less time to complete without compromising quality. We will also seek feedback from suppliers who take part in sourcing projects to assess their experience and satisfaction with the process, and will be looking particularly for positive feedback from SMEs and voluntary sector providers.

We are also seeking to introduce and encourage greater innovation and divergence to ensure contract flexibility thus helping ensure that our contracts can meet the changing needs of residents in the most cost effective manner.

Partnership Working and Collaboration

We will continue to work with organisations such as the West Midland Regional Improvement Efficiency Partnership (WMIEP) and the Worcestershire Districts Procurement Group to build our capability and capacity for working with partners across the public sector. We have already achieved success by working with other local Councils across Worcestershire, Warwickshire and Staffordshire. Pursuing a partnership approach will enable greater leverage of common areas of spend, create a more resilient resource model and support the sharing of skills, and position us as a professional leader across the public sector.



The percentage of spend through collaborative contracts will be a key indicator for the service. In addition we will agree a target for generating income from partnership activity and through providing services to others.

Making Use of Technology

We will continue to explore and implement the latest purchasing techniques and sourcing expertise to ensure we have effective and efficient systems to help deliver savings, lower our process costs and to support opportunities for local businesses to bid for work, and to provide a better buying experience for customers.

We will establish a secure electronic portal for our suppliers which will make it easier to access and bid for contract opportunities at all levels, a contract management system to support the development described above, and continuing development of our purchasing and reporting systems.

Supporting Small Businesses in Wyre Forest District Council

Wyre Forest has some 3,715 businesses, and around 83% of these businesses have fewer than ten employees. The Council works with partners to deliver a number of business support programmes, some of which also include grant funding. In the current challenging financial climate, we want to encourage local businesses as they offer a diverse and competitive market from which to source our goods and services.

We realise the economic, environmental and social benefits to communities through procurement activity in assisting local suppliers.

We are committed to promote the local economy where possible to ensure that Wyre Forest Council continues to be a contributor to both the welfare of its residents and to provide a driving force for the local economy.

We aim to make our procurement processes easily accessible to all, and to make the process as slick as possible with the minimum of bureaucracy.

The Procurement Service works with Services, stakeholders and the market to continually review the options for service provision. New supplier models are continuously developing, including social enterprises and mutual as examples. Through the procurement and contract award process, the Council will continue to seek the best possible commercial model.

Our Aims for A More Diverse Supply Market

Working with the Voluntary, Community and Faith Sector

Under the Public Services (Social Value) Act 2012, we will actively consider how the commissioning and the procuring of services might improve the economic, social and environmental well being of the area. We will promote the focusing upon social value alongside other factors to drive more efficient and effective services in the long-term.

We try to work closely with the sector and the infrastructure organisations that support them. Working with commissioners we will ensure that they inform and are informed about needs and how they can support meeting the needs in The Wyre Forest.



New Ways of Providing Services

The Corporate Procurement Service works with Services, stakeholders and the market to continually review the options for service provision. New supplier models are continuously developing, including social enterprises, commissioning, mutuals and public/private joint ventures. Through the procurement and contract award process, the Council will continue to seek the best possible commercial model, reflecting the fast pace of change within particular market sectors. We are also spending more time advising current Council services how to trade more effectively and help identify new areas where there may be potential to/or services are looking to exploit existing opportunities or indeed expand into new areas to increase revenue.

Apprenticeships

A key element of our work with the business community will be to support Wyre Forest District Council's overall policy of encouraging the employment and development of young local people by helping create apprenticeships through the procurement of goods and services.

1. We will hold a minimum of two supplier engagement events each year –these will be designed and targeted for maximum impact on the business in the Wyre Forest.
2. We continue to support the Wyre Forest District Council in our procurement activities – ensuring the earliest possible engagement with the VCFS community on procurement decisions that may have an impact.
3. We will work with the VCFS to ensure they are in a strong position to respond to opportunities and organise themselves to maximise opportunities.
4. We will promote supply-chain opportunities and drive forward the use of apprentices.

To achieve our vision, there are five key actions we are taking from April 2014:

1. Implement our people development plan, putting in place a new programme of training, coaching and mentoring
2. Roll out stronger contract and supplier management across the Council for key contracts, identifying clear roles and responsibilities and providing professional support for Services.
3. Deliver a more accessible and simplified sourcing process, by simplifying processes and increased use of electronic technology
4. Engage and involve all potential stakeholders and interested/affected parties in procurements of goods and services
5. Use our partnerships with other bodies to drive greater efficiencies and leverage best value for money



By 2017, we will have:

- Delivered substantial cost savings through better contracting, to help meet Wyre Forest Council's budget targets
- Provided maximum support to the Wyre Forest Forward transformation programme by addressing the journey the organisation has embarked upon by working to radically change the way we do business
- Developed a best-in-class service which is highly responsive to the needs of our internal customers and is valued by them as a strong partner in developing their own plans as part of a customer led Council
- Moved additional amount of our spend to local suppliers and have a thriving relationship with the Wyre Forest District Council's business and VCFS communities

Measuring our achievements

Key Performance Measures

		2014/15	2015/16	2016/17
1	Cashable Savings from better contracting (£m)			
2	% of spend via collaborative contracts			
3	% of spend with local suppliers			
4	Timely re-tender of key contracts	- Insurance -Home Improvement Agency -Temporary Accommodation -Occupational Health -ICT Servers	-Electricity -Cash Collection	- Multi Functional Devices (Print)

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****24th MARCH 2014****Annual Governance Statement**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
RESPONSIBLE OFFICER:	Chief Financial Officer
CONTACT OFFICER:	Chief Financial Officer Ext 2100 tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Annual Governance Statement Action Plan 2012/13

1. PURPOSE OF REPORT

- 1.1 This report is to present the current position in relation to the action plan which was developed to address the issues identified within 2012/13.

2. RECOMMENDATION

- 2.1 **The Audit Committee is asked to approve the progress against the Annual Governance Statement Action Plan 2012/13 which is attached at Appendix 1.**

3. BACKGROUND

- 3.1 Regulation 4 of the Accounts and Audit Regulations 2011 states:

4. Responsibility for financial management

- 1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.
- 2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.
- 3) The findings of the review referred to in paragraph (2) must be considered –
 - (a) in the case of a larger relevant body, by the members of the body meeting as whole or by a committee, and
 - (b) in the case of a smaller relevant body, by the members of the body meeting as a whole, and following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

- 3.2 Further statutory guidance received by the Council requires the authority to widen the scope of the Statement on Internal Control to include further governance issues. CIPFA/SOLACE prepared guidance for Local Authorities in response to this move which now results in Councils being required to prepare an Annual Governance Statement which is to be included within the Statement of Accounts.
- 3.3 Full details were provided to the Audit Committee in March 2008 on these requirements in relation to the Annual Governance Statement. The Annual Governance Statement itself this was presented and approved at the June 2013 meeting of the Audit Committee.
- 3.4 In determining the Annual Governance Statement to the Council is required to take into account all relevant information. In relation to the Statement that was approved in June 2013 the following sources of evidence were used. In establishing the draft documents the following pieces of evidence were considered within the current Assurance Framework:
- Internal Audit reports;
 - External Audit reports;
 - Assurance Statements completed by senior staff;
 - Strategic Risk Register;
 - External Inspection findings including;
- 3.5 Following consideration by the Corporate Management Team the Annual Governance Statement was approved by the Audit Committee at the meeting in June 2013.

4. KEY ISSUES

- 4.1 The Annual Governance Statement identified areas of Corporate Governance which needed to be addressed during 2013/14. An action plan has been developed and is attached at Appendix 1, which identifies these areas and the progress that has been made in addressing these points.
- 4.2 Members are requested to review and approve the action plan and to note the current progress in relation to the delivery of the necessary improvements.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications arising from this report.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 It is a requirement under the Accounts and Audit Regulations 2011 that the Council prepares an Annual Governance Statement.

7. EQUALITY IMPACT NEEDS ASSESSMENT

- 7.1 There are no discernible equality and impact assessments relating to this report.

8. RISK MANAGEMENT

- 8.1 The Governance Framework pulls together all of the Council's information in relation to governance. In doing so the Council has regard for the Corporate Risk Register and approach to Risk Management. It is essential that the Council acts upon the significant governance issues that have been identified within the Annual Governance Statement.

9. CONCLUSION

- 9.1 From 2007/8 the Authority has been required to complete an Annual Governance Statement which is required to:
- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement;
 - Consider the robustness of the Authority's governance arrangements;
 - Monitor any actions arising from the review of arrangements.
- 9.2 This report identifies the progress that has been made to date in relation to the Annual Governance Statement approved on 25th June 2012.

10. CONSULTEES

- 10.1 Corporate Leadership Team.
- 10.2 Cabinet Member for Resources and Transformation.

11. BACKGROUND PAPERS

- 11.1 24th June 2013 – Annual Governance Statement 2012/13.

Corporate Governance Action Plan Progress 2012/13

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
The progression of the Leisure Future project to ensure that the Council meets the future needs of the District and achieves the most affordable and sustainable option	2012/13 No. 1	<p>Pre qualification Questionnaires</p> <p>Site purchase</p> <p>Sport England Funding</p> <p>ITT complete</p>	<p>11/02/2014</p> <p>Subject to legals June 2014</p> <p>March 2014</p>	Director of Community Well-Being and Environment	<p>Complete</p> <p>In progress</p> <p>Stage 1 successful</p> <p>On target</p>
Continued priority to be given to the ongoing recovery of the Council's "Icelandic" investments	2012/13 No. 2	<p>Sale of Landsbanki Claim via auction process run by Bevan Brittan and the LGA in January 2014.</p> <p>Continue to monitor remaining £985k outstanding and keep Members briefed on the recovery of Icelandic investments</p>	On-going reports to Council	Chief Financial Officer	<p>97% of original deposit recovered</p> <p>Just under 84% of original deposits on two remaining investments recovered Repayments continue to be recovered to decrease the sums outstanding..</p>

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
Continued progression with the Wyre Forest Forward Programme and associated transformation projects, including robust monitoring with the opportunity to challenge as appropriate, against savings plans	2012/13 No. 3	<p>Systems Thinking being used to achieve savings, alongside other efficiency measures Framework in place for future reviews, dates being agreed where reviews not already under way</p> <p>Higher targets for 2014-15 onwards agreed as part of medium term financial strategy</p>	Monthly progress reports to Cabinet/CLT and Group Leaders	Chief Executive and Chief Financial Officer	<p>Ongoing</p> <p>For 2013/14 we have achieved £295k of a £313k target so just a small shortfall of £18k currently.</p>

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
Maintaining financial resilience by securing approval of a medium term Financial Strategy with a fully balanced budget, taking into account the challenges presented by the Local government Resource Review, including further work around forecasting and profiling of income	2012/13 No. 4	Establish Strategic Review Committee	June 2013	Chief Executive	Achieved. Proposals produced by October 2013
		Revised Budget Timetable – earlier consideration of budget proposals	June 2013	Chief Financial Officer	Achieved. Council adopted medium term financial strategy Nov 2013
		Tough but achievable Cabinet Proposals	Nov 2013	Cabinet and CLT	Achieved
		Enhancement of Monthly Budgetary Control reports to CLT/Cabinet	June 2013 – onwards	Chief Financial Officer	In Progress. Significant improvements already made to scope and quality of reporting

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
Maintaining financial resilience with reduced resources in the Finance Team	2012/13 No.6	<p>Appointment of deputy S151 Officer</p> <p>Restructure of team to make further savings planned from April 2014</p> <p>Use of temporary resources where required.</p> <p>Training and support/mentoring of team and CFO as required</p>	<p>August 2013</p> <p>Jan- March 2014</p> <p>Ongoing as required</p> <p>July 2013 onwards</p>	Chief Financial Officer	<p>Completed</p> <p>In progress</p> <p>Ongoing</p> <p>2nd year of support for CFO agreed</p>

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
Maintaining resilience in the governance process following the management restructure	2012/13 No.5	<p>Appointment of deputy S151 Officer – mentoring, training and support for new CFO and deputy</p> <p>CLT/Cabinet support of officers with changed roles</p> <p>Chief Executive assuming responsibility for services within his direct line management</p> <p>Strategic Review Committee, earlier budget timetable</p>	<p>August 2013</p> <p>July 2013</p> <p>July 2013</p> <p>From June 2013</p>	<p>Chief Financial Officer</p> <p>CLT and Cabinet</p> <p>Chief Executive</p>	The new management structure has settled down and all deadlines have been met .

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****24TH MARCH 2014****Risk Management – Corporate Risk Register**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together With Less
CABINET MEMBER:	Councillor N J Desmond
RESPONSIBLE OFFICER:	Chief Financial Officer
CONTACT OFFICER:	Tracey Southall Tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Corporate Risk Register as at 31 st December 2013

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee of the current Corporate Risk Register, attached as Appendix 1.

2. RECOMMENDATIONS

- 2.1 The Audit Committee are asked to **CONSIDER AND NOTE** the Corporate Risk Register and the associated mitigating actions as at 31st December 2013.

3. BACKGROUND

- 3.1 Council approved a Risk Management policy statement and strategy in February 2008. The approved Risk Management strategy requires that the risk register entries for the Council, both strategic and operationally are considered by the Audit Committee.
- 3.2 The authority manages a corporate risk register for the significant organisational risks. The risk registers are held within the Covalent computer application. Arrangements are in place to ensure that access is available to all officers who require it.
- 3.3 The Corporate Risk Register was reviewed during 2011, this review was undertaken by the then Corporate Management Team and the Cabinet in discussions facilitated by Zurich Municipal Management Services. The Corporate Risk Register taken forward for 2013~14 has been developed and approved by the then Corporate Management Team.

4. KEY ISSUES

- 4.1 Risk Management is embedded within the Council through the Corporate Risk Register. Any report considered by Councillors includes a Risk Management Section and specific registers are monitored separately for significant individual projects.
- 4.2 The external auditors Grant Thornton have recognised the work the Council has achieved in this area. This was documented within the Financial Resilience Report 2012/13, considered by the Audit Committee in 23rd September 2013, This report observed that improvement have been made to the Risk Register and stated:

“The Framework’s size and number of risks reported is pitched appropriately to allow Cabinet/Executive to keep the main risks under adequate review.”

A “green” assessment was made as part of the Assurance Framework/Risk Assessment.

- 4.3 It is appropriate for the Audit Committee to consider the current Corporate Risk Register attached at Appendix 1, updated to the end of December 2013 (Quarter 3) and agreed by CLT. It is suggested that the Corporate Risk Register continue to be reported on a 6 monthly basis to the Audit Committee, following consideration by the Corporate Leadership Team.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 Regulation 4 of the Accounts and Audit Regulations 2011, state that:
“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk”.
- 6.2 In addition Regulation 5 of the Accounts and Audit Regulations 2011 also state that:
“The accounting control systems determined must include measures to ensure that risk is appropriately managed”.
- 6.3 The Council’s corporate Governance Framework considered by the Audit Committee on 17th March 2008, includes Core Principle 4 - Taking informed transparent decisions which are subject to effective scrutiny and management of risk.

7. RISK MANAGEMENT

- 7.1 The consideration and management of risk is good practice. Risk Management processes are required to effectively manage and evidence the management of key risks as an aid to achieving the Council’s corporate objectives and demonstrating good Corporate Governance allowing Managers to manage their risks and bring to a corporately acceptable level.

8. EQUALITY IMPACT NEEDS ASSESSMENT

- 8.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the nine protected characteristics.

9. CONCLUSION

- 9.1 Further progress and actions on taking forward the corporate risk management process have been made thus ensuring that risks are monitored and action taken to minimise the impact on the Council. The Corporate Risk Register as attached at Appendix 1 provides a realistic overview of the major risks affecting the Council and will be monitored on a regular basis by the Corporate Leadership Team with six monthly reports to the Audit Committee.

10. CONSULTEES

- 10.1 Corporate Leadership Team.
10.2 Cabinet Member for Resources and Transformation.

11. BACKGROUND PAPERS

- 11.1 Audit Committee ~ 23rd September 2013~Corporate Risk Register.

Corporate Risk register 2013/14 snapshot report

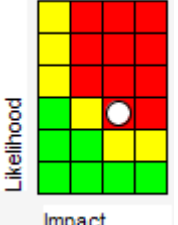
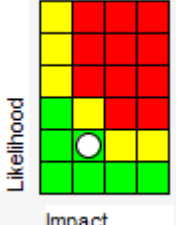
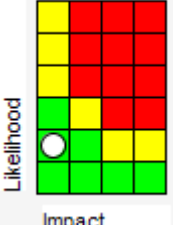




Action Status	
	Cancelled
	Overdue; Neglected
	Check Progress
	Not Started; In Progress; Assigned
	Completed

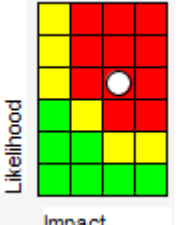
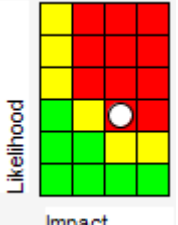
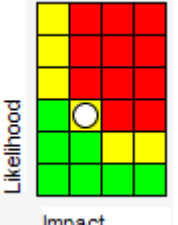

CORPRISK01	Regular change in the political balance /direction of the Council. The Council has a history of being hung and the current political situation is finely balanced. Having elections by thirds does not help to provide political stability and a vote on this issue in July 2013 failed to secure the required 2/3 majority. These issues have led to consensus politics.
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Original Matrix		Current Risk Matrix		Target Risk Matrix		
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	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 01 Corporate Plan Priorities	ESO Executive Support Team; Alison Braithwaite	31-Mar-2014	AB - A successful session was held on the 3rd February which covered the content outlined below.	100%	
	RA13/14 02 Updating Members	ESO Executive Support Team; Alison Braithwaite	31-Mar-2014	AB - Member Champions for the various elements of the Wyre Forest Forward Programme are currently being sought.	100%	
	RA13/14 03 Delivery of the Wyre Forest Forward Programme	ESO Executive Support Team; Alison Braithwaite	31-Mar-2014	AB - AS per the comment below. Savings for 2013/14 remain on target.	100%	

CORPRISK02	Unable to implement and embed new ways of working. The Council is undergoing major transformational change that embraces review of processes cultural and behavioural change, increased standards of delivery etc.						
Original Matrix		Current Risk Matrix		Target Risk Matrix			

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 03 Delivery of the Wyre Forest Forward Programme	ESO Executive Support Team; Alison Braithwaite	31-Mar-2014	AB - AS per the comment below. Savings for 2013/14 remain on target.	<div data-bbox="1765 651 1966 687">100%</div>	

CORPRISK03	Unable to improve the economic prosperity of the district. Lack of vitality in the local economy - although the District is holding up reasonably well in the current economic conditions it still aims to stimulate growth to support the economic recovery and to support the recovery of the local economy.						
Original Matrix		Current Risk Matrix		Target Risk Matrix			

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 04 State of the Area Debate	ESO Executive Support Team; Mike Parker	31-Mar-2014	Planning application for Hoobrook link road submitted by WCC w/c 14th October expected to be validated by week commencing 21st October; WFDC will be a consultee and WCC will be the determining authority. Additional funding for remainder of outstanding amount still being sought from GBS LEP through the Local	<div data-bbox="1765 1257 1966 1294">20%</div>	


				<p>Growth Fund.</p> <p>North Worcs Employment & Skills Board meeting for third time on 24th October with a number of new business sector members having been recruited.</p> <p>'Space' incubator unit conversion progressing well, expected completion week commencing 11th November.</p> <p>Next meeting of Cabinet Review Panel expected to be convened shortly to consider proposals, inc. a skills offer from CROWN and Town Centre shop conversion grants.</p>		
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CORPRISK04

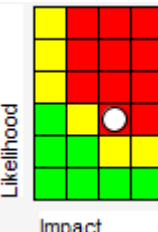
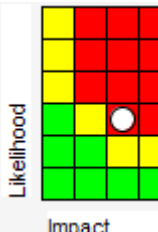
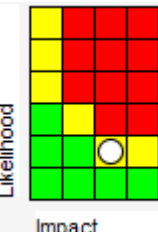

Unable to deliver good quality, affordable homes. The need for good quality, decent and affordable homes in the district is increasing but supply is decreasing.



Original Matrix		Current Risk Matrix		Target Risk Matrix			
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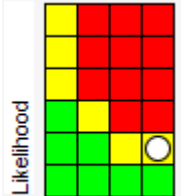
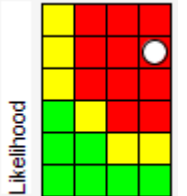
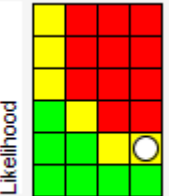

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 05.1 Local Authority Mortgage Schemes including Shared Ownership Model	ESO Executive Support Team; Tracey Southall	31-Mar-2014	To be considered as part of Capital budget report in January 2014.	40%	▶
	RA13/14 06 Delivering actions set out in Housing Strategies	ESO Executive Support Team; Kate Bailey; Paul Curry	31-Mar-2014	Implementation of year 2/3 actions underway	75%	▶
	RA13/14 07 Council Scrutiny of Housing	ESO Executive Support Team; Kate Bailey; Paul	31-Mar-2014	Implementation of HRP recommendations underway. Affordable housing SPD to LDF in Sept	100%	✓

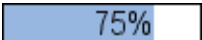

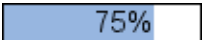

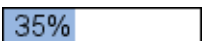

		Curry		and then early engagement commences.		
	RA13/14 08 Procuring a new contract for Housing Services	ESO Executive Support Team; Kate Bailey; Paul Curry	31-Mar-2014	TS: Tenders now complete.	<div><div>100%</div></div>	

CORPRISK05

Do not meet achieve savings targets. Plans are in place to achieve savings but these must be delivered for the budget to balance.						
Original Matrix		Current Risk Matrix		Target Risk Matrix		

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 09 Efficiency Strategy	ESO Executive Support Team; Tracey Southall	31-Mar-2014	Monthly budgetary control reports to Directorates to timetable. Refine depending on process review in late 2013/14.	<div><div>75%</div></div>	
	RA13/14 10 Annual Procurement	ESO Executive Support Team; Tracey Southall	31-Mar-2014	A joint working arrangement with Redditch and Bromsgrove Council is being trialled. Progress will be monitored to ensure we continue to meet procurement savings.	<div><div>75%</div></div>	

CORPRISK06	Unable to deliver a sustainable budget for the long term. Reserves are being used in the short term to meet shortfalls but increased savings are required so that the budget becomes sustainable from 2014 onwards. In addition, the Government’s proposals policies, including Universal Credit, Localisation of Council Tax Benefit and Retention of Business Rates represent significant change to key funding streams. The risk of this change having an adverse impact on the sustainability of the budget is high and must be managed carefully. for example, further significant reductions in Government grant and top slicing of new homes bonus in 2015/16 onwards significantly increase this corporate risk.						
Original Matrix		Current Risk Matrix		Target Risk Matrix			

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 11 Preparing Budgets	ESO Executive Support Team; Tracey Southall	31-Mar-2014	Medium Term Financial Strategy approved by Council on 27/11/13. Provisional Finance Grant Settlement just before Christmas. Further reports updated to finalise Council Tax Setting and Consideration of Alternative Budget Proposals.		
	RA13/14 12 Collection of Council Tax and Business Rates	ESO Executive Support Team; Tracey Southall	31-Mar-2014	All Council Tax Payers now have to pay at least 8.5%. Processes for introducing monitoring are being set up. Report to Strategic Review Committee on 31st July and monthly monitoring arrangement now in place.		
	RA13/14 13 Leisure Future Project	ESO Executive Support Team; Kay Higman	31-Mar-2014	Milestone due dates amended as per previous note to reflect new site. Currently the Heads of Terms for acquisition of the new site are being finalised. The procurement opportunity was readvertised and one further prospective tenderer was submitted on a PQO evaluation. Outline planning permission for the new site is being progressed and should be determined in February/March 2014. A funding application to Sport England for up to £2 million has been submitted and		

				will be determined in January. This money will be used for some additional sporting facilities i.e. two extra courts in the sports hall and a climbing wall which reflects Sport England outcomes, strategic planning and public consultation.		
	RA13/14 14 Municipal Mutual Insurance Clawback - Budget Pressure	ESO Executive Support Team; Tracey Southall	31-Mar-2014	Payments made January 2014 from funds set aside in Final Accounts 2012/13. Further provision may be required but not enough information to determine presently.	<div><div>70%</div></div>	
	RA13/14 34 Individual Electronic Registration	ESO Executive Support Team; Alison Braithwaite	30-Jun-2015	AB - No further information yet on additional funding due to change in paper size. Training has been completed and will be cascaded to other officers over the coming weeks.	<div><div>35%</div></div>	

CORPRISK07

Council 'misses' important issues and/ or is in breach of a requirement. The Council is a small organisation but it is still expected to respond to, and comply with, new legislation, strategies, audit requirements etc.

Original Matrix		Current Risk Matrix		Target Risk Matrix		
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	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 15 Support and advise on major strategic projects	ESO Executive Support Team; Jane Alexander	31-Mar-2014	JA: Advice and support continues to be given on an ongoing basis for all major projects including STC4 and the Leisure Centre.	<div><div>50%</div></div>	
	RA13/14 34 Individual Electronic Registration	ESO Executive Support Team; Alison Braithwaite	30-Jun-2015	AB - No further information yet on additional funding due to change in paper size. Training has been completed and will be cascaded to other officers over the coming weeks.	<div><div>35%</div></div>	

CORPRISK08	Fully formed IT strategy is not developed and implemented. There continues to be significant investment in the development of technology at the Council. In 2011/12 there was major improvement in the delivery of ICT across the Council, including the move to the Exchange email system and upgrade to MS Office 2007. There was a successful migration of the server room to Wyre Forest House in 2012. The focus now is on implementing a new website and supporting the move to greater self-service by customers.						
Original Matrix		Current Risk Matrix		Target Risk Matrix		Dave Johnson	

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	WFF 13/14 13 Delivery of the ICT Strategy	ESO Executive Support Team; Dave Johnson	31-Mar-2014	As part of the Mid Term Financial Strategy the ICT Strategy will need to be revised.	<div> <div>57%</div> </div>	

CORPRISK10	Not able to maintain a skilled and motivated workforce. Against the background of low or zero pay increases and other changes to conditions the Council needs to continue to maintain a workforce with adequate capacity, skills, experience and motivation – so still being seen by staff as a good employer. The restructure following the move to the Wyre Forest House has provided slimmer management structures and more devolution of responsibility which should assist in motivation and retention of the workforce, alongside rolling out a management development programme.						
Original Matrix		Current Risk Matrix		Target Risk Matrix			

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 17 Wyre Forest Management Development Programme	ESO Executive Support Team; Rachael Simpson	31-Mar-2014	Further session of Insights held for Transformation & Communications Section, dates to be arranged for Finance Mgmt Team. Customer Service Managers and Supervisors	<div> <div>80%</div> </div>	

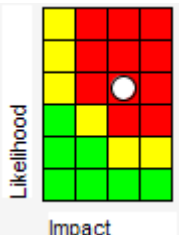
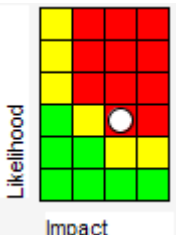
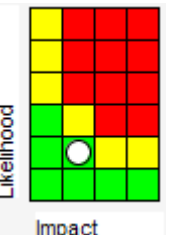

				received Managing Beyond the Basics Training		
	RA13/14 19 Initiatives to support colleagues through organisational change	ESO Executive Support Team; Rachael Simpson	31-Mar-2014	Two Health Fairs held in February for Staff at WFH and Depot. Ongoing facilitated sessions with Depot managers and supervisors. Ongoing support to WF20 managers with Service Reviews	85%	▶




CORPRISK11

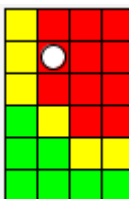
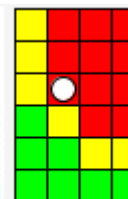


Capacity to do everything is insufficient. A flexible resource is required to do everything that the Council has committed itself to – transformation, core service review, review of partnerships. The Management Review, together with the prospect of further restructuring, the pace of change and need to continue to deliver key projects, represent a significant resourcing risk over the next 12 months.







Original Matrix		Current Risk Matrix		Target Risk Matrix			
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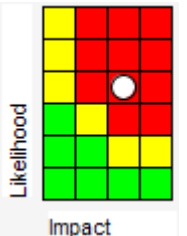
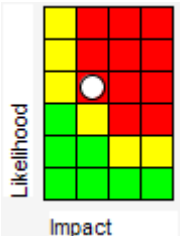
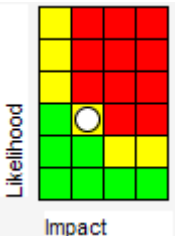

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 20 Monitoring and Managing Resources	Corporate Leadership Team; ESO Executive Support Team; Ian Miller	31-Mar-2014	Programme to ensure all relevant staff receive a basic induction in the Vanguard method commencing January 2014.	30%	▶
	RA13/14 21 Involving appropriate staff to spread resources	Corporate Leadership Team; ESO Executive Support Team; Ian Miller	31-Mar-2014	Accountancy review underway with involvement from staff from other teams. Opportunities for staff to be involved in other reviews to be advertised.	20%	▶
	RA13/14 34 Individual Electronic Registration	ESO Executive Support Team; Alison Braithwaite	30-Jun-2015	AB - No further information yet on additional funding due to change in paper size. Training has been completed and will be cascaded to other officers over the coming weeks.	35%	▶



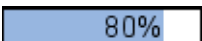

CORPRISK12	Significant Corporate Projects leading to operational/efficiency savings not delivered effectively. The Council has a number of complex significant projects to deliver, approved and reflected in the medium term financial strategy. These will be challenging to deliver to time and to budget and will require excellent project management supported by appropriate resourcing.						
Original Matrix		Current Risk Matrix		Target Risk Matrix			

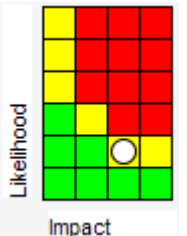
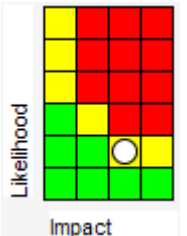
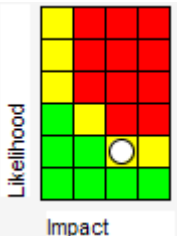

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 03 Delivery of the Wyre Forest Forward Programme	ESO Executive Support Team; Alison Braithwaite	31-Mar-2014	AB - AS per the comment below. Savings for 2013/14 remain on target.	<div>100%</div>	
	RA13/14 22 Systems Thinking	Corporate Leadership Team; ESO Executive Support Team; Ian Miller	31-Mar-2015	Accountancy review underway. Plan for further reviews being put in place.	<div>35%</div>	
	RA13/14 34 Individual Electronic Registration	ESO Executive Support Team; Alison Braithwaite	30-Jun-2015	AB - No further information yet on additional funding due to change in paper size. Training has been completed and will be cascaded to other officers over the coming weeks.	<div>35%</div>	

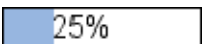

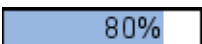

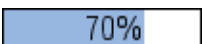





CORPRISK13	Unable to effectively improve the Council's reputation. The Council's reputation is extremely important, progressive improvement is important and can be subject to political influence that is difficult to predict and control. Effective consultation and communication with increased focus on customer engagement (both internal and external) are key to this gradual progression - along with purposeful service delivery.						
Original Matrix	Likelihood  Impact	Current Risk Matrix	Likelihood  Impact	Target Risk Matrix	Likelihood  Impact		

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 24 Council's Reputation	ESO Executive Support Team; Jane Doyle; Suzanne Johnston-Hubbold	31-Mar-2014	Meetings with the Chief Executive continue and are currently establishing new priorities for key communications projects.		
	RA13/14 25 Employee and Member Engagement	ESO Executive Support Team; Jane Doyle; Suzanne Johnston-Hubbold	31-Mar-2014	Staff Survey undertaken in September 2013 and it was agreed that the Members Survey would be undertaken every other year so will next be undertaken in December 2014. Two 'Meet Ups' have been held and the next is scheduled for April. Attendance is growing amongst employees and 'Meet Ups' continue to be promoted on COLIN and in Wyred Weekly. Another set of Corporate Briefings have been organised for March/April.		
	RA13/14 26 Systems Thinking - Leadership Action Plan	Corporate Leadership Team; ESO Executive Support Team	31-Mar-2014	Session for CMT and other senior managers with Vanguard held 20th November. Plan being out in place for further reviews.		

CORPRISK14	Member skills and/or competencies are inadequate. All political groups sometimes struggle to find suitable candidates to stand. This may be alleviated to a degree by the reduction in size of the Council in 2015. Member training takes place but is not universally attended. Increased pressure on members to develop specialist roles and devote more time.						
Original Matrix		Current Risk Matrix		Target Risk Matrix			

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 02 Updating Members	ESO Executive Support Team; Alison Braithwaite	31-Mar-2014	AB - Member Champions for the various elements of the Wyre Forest Forward Programme are currently being sought.		
	RA13/14 27 Member Training	ESO Executive Support Team; Alison Braithwaite	31-Mar-2014	AB: Members have been reminded that if they have any specific training needs to let the Committee Section know so they can be advised of any suitable courses as they come up.		

CORPRISK15	Unable to ensure a secure network which would make it vulnerable to attacks and threats. ICT to regularly review and assess threats and impacts on the network and generate a formal risk/incident log and any remedial account required or acceptance of residual risk by the organisation where judged appropriate.						
Original Matrix		Current Risk Matrix		Target Risk Matrix		Dave Johnson	

	Code & Title	Assigned To	Due Date	Latest Note		
Linked Action	RA13/14 28 Quarterly review of network security	ESO Executive Support Team; Dave Johnson	31-Mar-2014	Network review included as part of SCCM project and submission for PSN		
	RA13/14 29 Annual Penetration Tests	ESO Executive Support Team; Dave Johnson	31-Mar-2014	Annual Penetration test complete, critical actions have been addressed including server patching		
	RA13/14 30 Ongoing patching of servers/workstations	ESO Executive Support Team; Dave Johnson	31-Mar-2014	Server patching is an on-going task with 80% + currently full patched		
	RA13/14 31 Cessation of unmanaged end user devices	ESO Executive Support Team; Dave Johnson	31-Mar-2014	Plans in place to remove un-manged devices and roll out hardware certificates and tow factor authentication to those user that don't already have it		
	RA13/14 32 Monitor OS support and upgrade accordingly	ESO Executive Support Team; Dave Johnson	31-Mar-2014	Plans to update XP to Windows 7 once SCCM implemented.		
	RA13/14 33 Carry out security assessments prior to any infrastructural changes	ESO Executive Support Team; Dave Johnson	31-Mar-2014	On-going as we perform any infrastructure upgrades	