

Open

Audit Committee

Agenda

**6pm
Monday, 21st March 2016
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster**



Audit Committee

Members of Committee:

Chairman: Councillor J Phillips
Vice-Chairman: Councillor T A Muir

Councillor P Dyke
Councillor J A Shaw

Councillor A T Hingley
Councillor J D Smith

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.

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 Louisa Bright, Principal Committee and Member Services Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732763 or email louisa.bright@wyreforestdc.gov.uk

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At the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed.

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Wyre Forest District Council

Audit Committee

Monday, 21st March 2016

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, 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 30th November 2015.	6
5.	Audit Update To receive an audit update from Grant Thornton.	9
6.	Certification Report To receive a report from Grant Thornton on the certification work for year ended 31 st March 2015.	24
7.	Informing the Audit Risk Assessment To receive a report from Grant Thornton on informing the Audit Risk Assessment.	26
8.	Grant Thornton – The Audit Plan for Wyre Forest District Council To receive a report from Grant Thornton on the Audit Plan.	48

9.	Presentation on the Accelerated Accounts Closedown To receive a presentation from the Finance Manager on the accelerated accounts closedown (handouts of the presentation will be available at the meeting).	-
10.	Internal Audit – Annual Audit Plan 2016/17 To receive a report from the S151 Officer and the Audit Manager which informs Members of the Internal Audit – Annual Audit Plan 2016-2017.	70
11.	Internal Audit Monitoring Report Quarter Ended 31st December 2015 To receive a report from the S151 Officer and the Auditor Manager which informs Members of the Internal Audit Monitoring Report for the quarter ended 31 st December 2015.	87
12.	Annual Governance Statement To receive a report from the Chief Financial Officer which asks the Committee to approve the progress against the Annual Governance Statement Action Plan 2014/15.	100
13.	Risk Management To receive a report from the Chief Financial Officer which informs Members of the current Corporate Risk Register and the Budget Risk Matrix.	109
14.	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.	
15.	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

16.	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
30TH NOVEMBER 2015 (6PM)

Present:

Councillors: J Phillips (Chairman), T A Muir (Vice-Chairman), P Dyke, A T Hingley, J A Shaw and J D Smith.

AUD.11 Apologies for Absence

There were no apologies for absence.

AUD.12 Appointment of Substitutes

There were no appointments of substitutes.

AUD.13 Declarations of Interests by Members

No declarations of interest were made.

AUD.14 Minutes

Agreed: The minutes of the meeting held on 28th September 2015 were confirmed as a correct record of the meeting and signed by the Chairman.

AUD.15 Audit Update

Mark Stocks, Engagement Lead of Grant Thornton advised the Committee that Richard Percival had been promoted to Associate Director and will therefore take over the Engagement Lead role. Zoe Thomas will attend future meetings in the role as manager. Mark Stocks explained that due to these changes he would no longer be attending the Audit Committee meetings and wanted to express his thanks to Members and the teams that he has worked with over the past few years and wished Wyre Forest District Council well for the future. The Chairman, on behalf of the Committee, thanked Mark for all his work with the Council.

Richard Percival led the Committee through the Audit update. Although there was not currently much to report, Richard did highlight the following:

- Summary of key events on page 5 of the update
- Revenues/Benefits claim – gave thanks for the support of the team

Agenda Item No. 4

- Making Devolution Work – looking at progress made nationally
- Turn up the Volume Business Index – data analysis
- Growing Healthy Communities Health and Wellbeing Index
- Audit Committee Effectiveness Review
- Code of Audit Practice

Councillor Hingley queried the reference that Worcestershire has a lot to do to meet the NHS deficit. Richard Percival advised that there is a national issue around social care/Clinical Commissioning Groups (CCGs) that the Working Together Agenda is trying to address. Worcestershire County Council is an example where the financial challenge is quite severe and there is a lot of work to be done. Councillor Hingley wanted it noted that she considered Worcestershire County Council to be handling a difficult situation very well and commended the CCGs in Wyre Forest for their often forward thinking approach.

Councillor Shaw questioned the usefulness of Devolution and the Business Link Index for a small, local authority such as Wyre Forest. Richard Percival confirmed that, in terms of Devolution, it is useful to be able to feed into processes such as these. Also, in terms of the Business Link Index, the quality and cost analysis advises authorities how best to make an area more attractive to firms/businesses. Councillor Shaw said he considered the Business Link Index to be the more useful of the two.

Councillor Shaw commented that consideration needs to be given to our location when trying to attract businesses into the area and what can be done about the existing transport problems. Councillor Hingley remarked that this work had already started in the form of business plans for Worcestershire.

Decision: The Audit Update was noted.

AUD16. Annual Audit Letter and Audit Opinion

Richard Percival advised the Committee that the Audit Letter was very short due to there being no key findings to report on this occasion. Attention was drawn to the certification of the housing benefit grant claim. This has not yet been certified for 14/15 but the work is currently in progress.

Councillor Shaw queried the reference to Place Analytics and asked for an explanation as to what it was. Richard Percival advised it is a service Wyre Forest District Council subscribes to which provides a broad range of demographic data.

Decision: The Annual Audit Letter and Audit Opinion was noted.

AUD17. Internal Audit Monitoring Report Quarter Ended 30th September 2015

Agenda Item No. 4

The Audit Manager led Members through the report. The following aspects in the report were highlighted and briefly explained:

- Council Tax Reconciliation
- Housing Benefits Reconciliation
- Work in progress on the Annual Audit Plan 2015/16

Councillor Shaw queried the performance of the annual plan and in particular the reference to 47.5%. The Audit Manager confirmed that the 47.5% is half of the 95% annual target. Although it is slightly below target at the moment (44.65%), this is expected due to the time of year (summer period). The new Audit Apprentice will also help to progress the workload and the benefits of this role should start to show in quarter 3.

The Internal Audit Monitoring Report was noted.

The meeting ended at 6.39 pm.

Audit Committee Wyre Forest District Council Progress Report and Update Year ended 31 March 2016

March 2016

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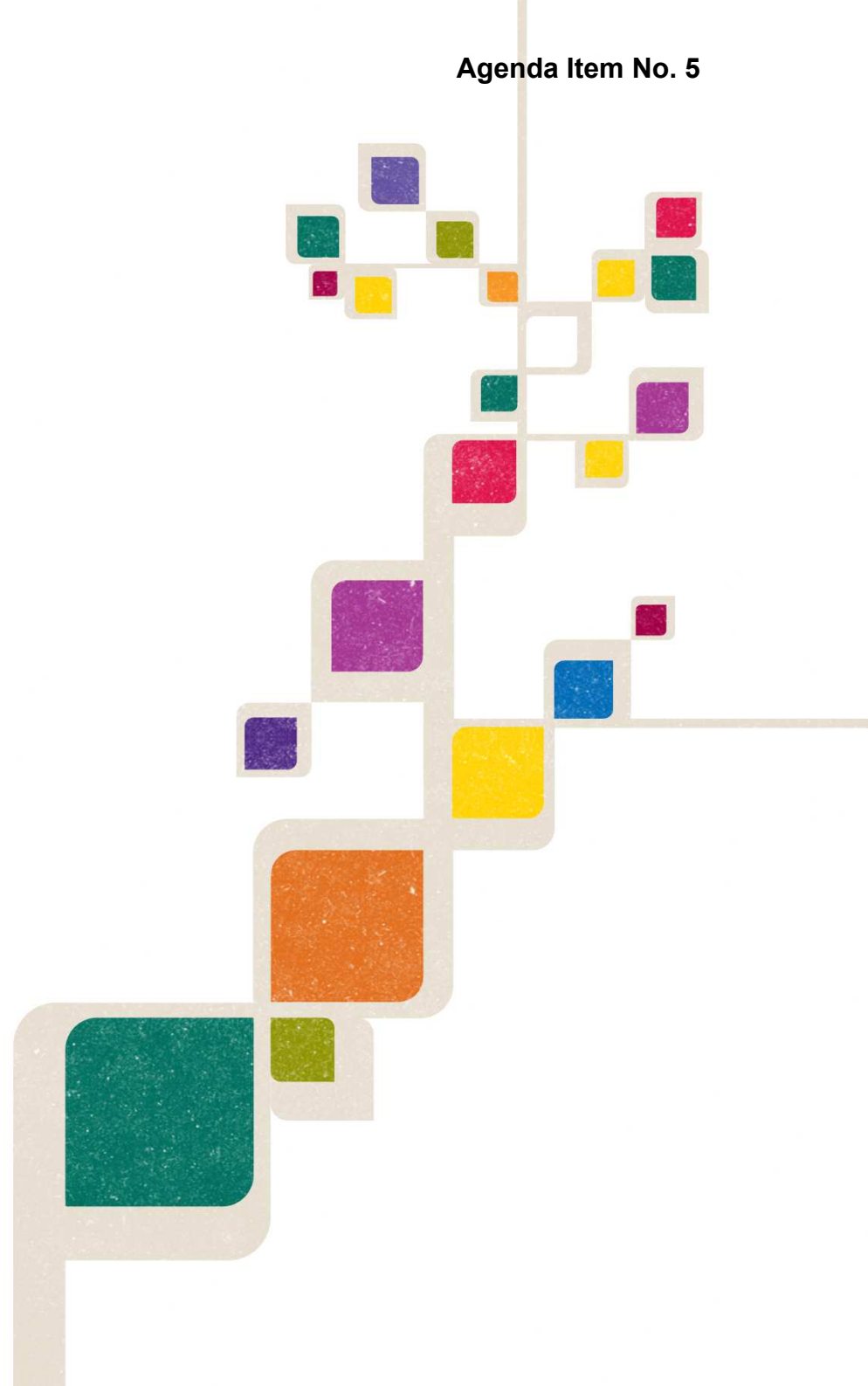
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Kathryn Kenderdine

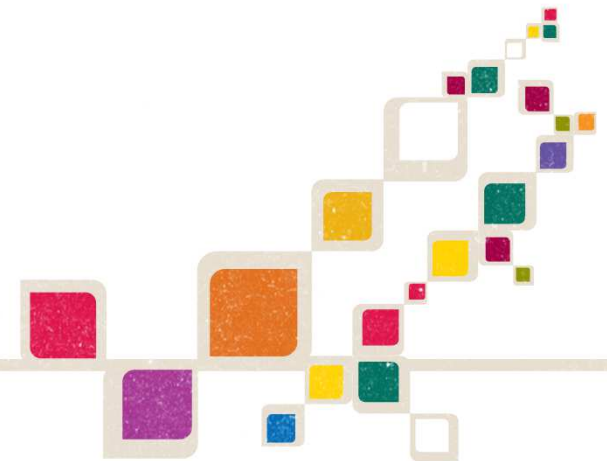
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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



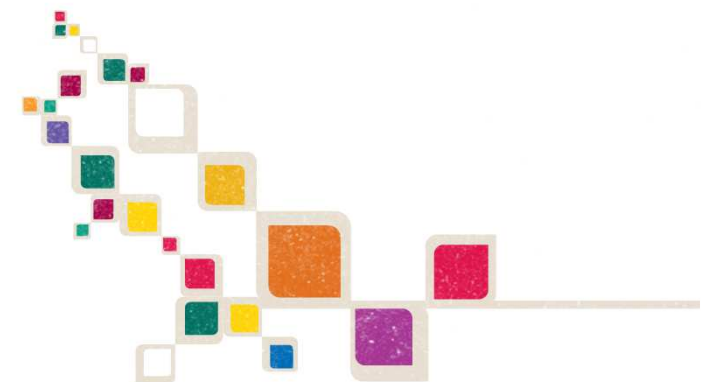
Introduction

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

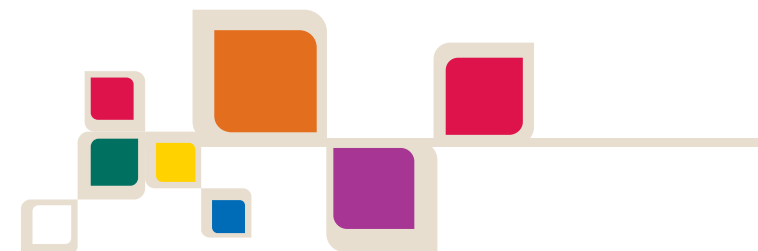
Members of the Audit and Assurance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes-audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/

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 Engagement Manager.

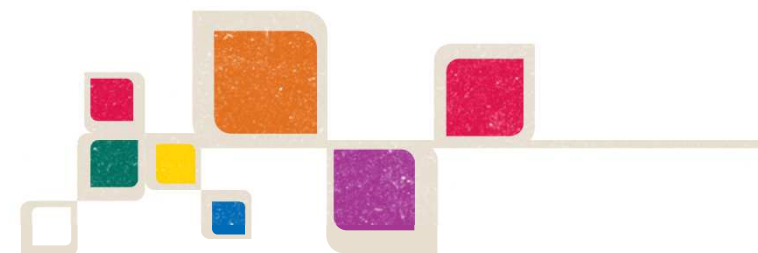


Progress at 4th March 2016



2015/16 work	Planned Date	Complete?	Comments
Fee Letter We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015		Yes	The 2015/16 fee letter was issued in April 2015
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.	March	Yes	Our audit plan has been drafted and is included as a separate agenda item for the Audit Committee to consider.
Interim accounts audit Our interim fieldwork visit plan included: <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money risk assessment 	February – March April	In progress	Our interim audit work is in progress. This includes early audit testing where practical to support a more efficient final accounts audit. We are planning to undertake further early substantive testing during April. We are discussing closedown matters with officers as they arise. The main issue currently being discussed is around fixed assets valuation.
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • Proposed value for money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	June - August	Not started	We are planning to complete our audit by the end of July as part of the transition to the earlier closedown and audit cycle from 2018. We are working with the Financial Accounts Team to support improvements in accounts production efficiency and the project management of the audit visit.

Progress at 4th March 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	March - July	In progress	<p>We have considered the potential significant risks for our VfM conclusion and these are referred to in the audit plan.</p> <p>We will carry out key document reviews and interviews to inform our conclusion.</p>
<p>Other areas of work</p> <p>Meetings with Members, Officers and others</p>	On-going		<p>We hold regular meetings with key officers.</p> <p>Members of your finance team attended the CIPFA/Fan workshop hosted in our Birmingham offices.</p> <p>We also recently attended the Finance Directors meeting for Worcestershire and presented our CFO highlights software.</p>

Local Government Accounting and other issues



IFRS 13 'Fair value measurement

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out in a single framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.

Local Authorities need to:

- review their classification of surplus assets and investment properties
- discuss IFRS 13 with their property valuers and treasury advisers to ensure that fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard.



Unlodged non-domestic rate appeals

Last year, there were primarily no provisions for unlodged non-domestic rates appeals as appeals received on or after 1 April 2015 were only backdated to 1 April 2015. The effect of last years announcement was supposed to put authorities in the position as if the revaluation had been done in 2015 as initially intended before the extension to 2017. This was only a one year reprieve and so any unlodged appeals at 31 March 2016 will only be backdated to 1 April 2015 and therefore may not be material.

However, this year, local authorities will need to estimate a provision for unlodged appeals but as above it may not be material.

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and the Code it is in only extremely rare cases that a reliable estimate cannot be made. Therefore, if your local authority does have such an instance, the rationale needs backing up: both in terms of disclosures (as a contingent liability) and in providing evidence to those charged with governance as to why a reliable estimate for the provision cannot be made.

Local Authorities need to:

take steps to identify any unlodged appeals and consider the requirements of IAS37 in making disclosures in the 2015/16 accounts.



Grant Thornton Publications



Reforging local government: Summary findings of financial health checks and governance reviews

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.



Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.

Our report is available at <http://www.granthornton.co.uk/en/insights/reforging-local-government/>, or in hard copy from your Engagement Lead or Engagement Manager.

CFO Insights – driving performance improvement

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.



We are happy to organise a demonstration of the tool if you want to know more.

Innovation in public financial management

In December 2015 we issued a report, which drew on a survey of almost 300 practitioners worldwide, also includes insights from experts at the International Consortium on Governmental Financial Management (ICGFM) and the Massachusetts Institute of Technology's Centre for Finance and Policy.

The report is the latest in a decade-long series jointly published by Grant Thornton and the ICGFM and it covers four major topics that, globally, will impact on the future of public financial management:

Changing practices. Our research showed that the biggest issue ahead will be finding the political commitment to support more difficult innovations on the agenda – such as increasing public engagement.

The right PPP formula. 90% of respondents felt that substantial investment in infrastructure was required to drive economic growth. In this age of austerity, most governments are also seeking ways to attract outside investment – with the majority using some form of public-private partnership (PPP). Many countries remain inexperienced with such arrangements and the results of

their application have been mixed. There has been little improvement since our 2011 survey, which shows that it takes a long time to develop the requisite skills and experience to make PPPs work.

Transparency with technology. Public financial managers are convinced of the importance of enhancing transparency and most are trying to be innovative in this area. However, most are using outdated digital tools. Fewer than half use social media to enhance openness. Even among the best, most transparency efforts are focussed on releasing data sets than data insights.

The new normal. Public financial management remains weighed down by the effects of the global financial crisis, but respondents also focussed on important developments since 2008, such as the Eurozone problems and the collapse of commodity prices. This suggests that public financial management is having to come to terms with not just the lessons one major financial crisis, but with how governments can live with less over the long term.

Our report, Innovation in public financial management, can be downloaded from our website:
<http://www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/>

Grant Thornton reports



2016 Transparency Report

Grant Thornton's commitment to quality underpins all that we do and this is reflected in our 2016 Transparency Report.

We have more than 42,000 people in over 130 countries and this report is a public statement of our commitment to provide high-quality services to businesses and organisations operating throughout the world.

It is designed to help clients, audit committees, regulators and the public, who make up our many stakeholders, understand us better.

The report covers the three key aspects of our business, namely:

- Audit and assurance;
- Taxation; and
- Advisory services.

The report provides information on our audit methodology and sets out how we monitor the quality of our work and engage with external regulators.

It also covers our arrangements for governance and management and sets our most recent financial information.

The report can be downloaded from our website:

www.grantthornton.global/globalassets/1.-member-firms/global/grant-thornton-global-transparency-report-2016.pdf

Alternatively, hard copies can be provided by your Engagement Lead or Audit Manager.

Grant Thornton reports



Transparency report 2016

Our commitment to brighter futures



2016 Transparency Report

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Grant Thornton reports



Transparency report 2016

Our commitment to brighter futures





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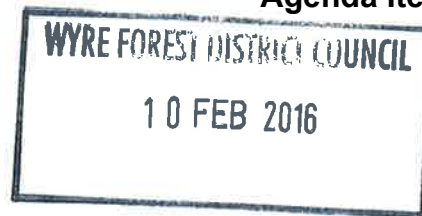
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27th January 2016

Dear Tracey

Certification work for Wyre Forest District Council for year ended 31 March 2015

We are required to certify certain 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.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

The total amount Certified for HB COUNT is £32.1m. Further details are set out in Appendix A. No significant matters were raised and we are satisfied that the Council has appropriate arrangements to compile and complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2014/15 for the Council is based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification under the Audit Commission regime (such as the national non-domestic rates return, teachers pensions return and pooling housing capital receipts return) have been removed and the indicative fee adjusted accordingly. The indicative scale fee set by the Audit Commission for the Council for 2014/15 is £12,220 and reflects the fee for the housing subsidy claim only.

Yours sincerely

Richard Percival
Associate Director
For Grant Thornton UK LLP

Details of claims and returns certified for 2014/15

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	32,125,729	Yes	£216	Yes	<p>We identified a small number of errors in the benefit claim. As a result the claim was amended and we issued a qualification letter. The errors were minor and consisted of:</p> <ol style="list-style-type: none"> 1. The overstatement of a claim by £6 due to the incorrect assessed income figure / pension credit figure being used in the calculation of benefit. If extrapolated across the sub population of these claims this indicates an estimated overpayment of £79 2. An error in the calculation of wages in 2 claims that resulted in the understatement of benefit of £2.48 in total for these 2 claims. <p>The amendment to the claim was made in respect of Non-HRA claims, for the errors identified in the initial sample (incorrect number of breakfast rates taken and no ID for one claimant) the Council tested all claims with this tenancy type for these errors and as a result the claim was amended. The amendment resulted in the Council claiming £216 less subsidy.</p>

Fees for 2014/15 certification work:

Claim or return	2012/13 fee (£)	2014/15 indicative fee (£)	2014/15 actual fee (£)	Variance (2012/13 to 2014/15) (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£13,883	£12,220	£12,220	£nil	The fee for the Housing Benefits Subsidy is based on the 2012/13 fee, reduced by 12.5% to reflect the removal of council tax benefit subsidy.



Informing the audit risk assessment for Wyre Forest District Council

Year ended - 31 March 2016

March 2016

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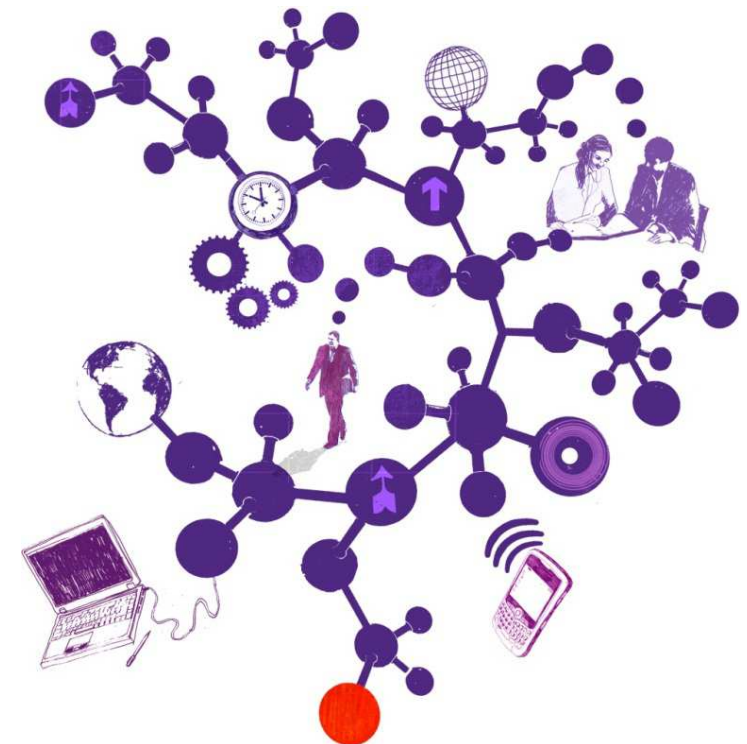
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Purpose

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
<p>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?</p>	<p>Although there is an on-going risk of fraud being committed against the Authority 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. The new part-time post of fraud officer within the Internal Audit team is additional resource to mitigate risk of fraud.</p>
<p>2. Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1 April 2015?</p>	<p>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:</p> <ul style="list-style-type: none"> ■ Council Tax ■ Benefit fraud ■ Single person discount <p>Following the transfer of the responsibility for Housing Benefit Fraud together with dedicated benefits investigation team to the DWP, Wyre Forest has invested in new resource to work on fraud/compliance in respect of local taxes/Council Tax Reduction Scheme within the Revenues and Benefits section.</p>
<p>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?</p>	<p>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.</p>

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>2014/15 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 the Audit Manager 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. A report of the work of the new dedicated part-time Fraud Officer post is planned for June 2016 Committee and annually thereafter.</p>
<p>9. Are you aware of any whistleblowing reports under the Bribery Act since 1 April 2015? 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 2015</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 2015 with an on-going impact on the 2015/16 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 closely aligned with 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
<p>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?</p> <p>If not, what action is being taken to obtain those skills?</p>	Yes
<p>7. Does the Council have procedures in place to assess the Council's ability to continue as a going concern?</p>	<p>The Medium Term Financial Strategy (MTFS) underpins the strategic, transformational and operational intentions for Wyre Forest District 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.</p>
<p>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?</p>	No
<p>9. Are arrangements in place to report the going concern assessment to the Audit Committee?</p> <p>How has the Audit Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?</p>	<p>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.</p>

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 Members and senior managers/officers requiring confirmation that they have 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	
<p>Matters in relation to accounting estimates</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • the estimate is reasonable; and • estimates have been calculated consistently with other accounting estimates within the financial statements. <p>We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.</p>	
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	Council's 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 Council's 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 the aged debt listing..	The finance team use the aged debt listing as a basis for calculating 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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The Audit Plan for Wyre Forest District Council

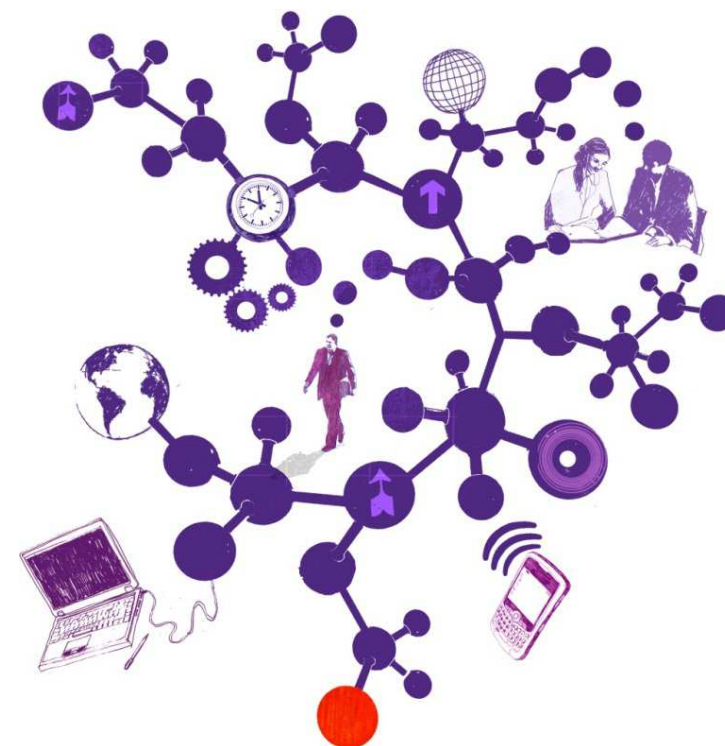
Year ending 31 March 2016

21 March 2016

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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.



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21 March 2016

Dear Members of the Audit Committee

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Audit Plan for Wyre Forest District Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Wyre Forest District Council, the Audit Committee, an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Richard Percival
Engagement Lead

Chartered Accountants

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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.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- The Council agreed its budget in February 2016 covering the period to 2017/18. During this period the Council will be both drawing on reserves and making large savings.

2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- The devolution proposal for West Midlands Combined Authority has been agreed and the new organisation is in the process of being set up.
- The Council has decided not to be a non-constituent member of WMCA and is planning to be part of Worcestershire devolution arrangements.

3. Corporate Priorities

- Your vision is for Wyre Forest to give people opportunity to enjoy a good quality of life and want to live, work and invest in the area.
- The corporate plan 2014 to 2019 has two key priorities.
Support you to contribute to a successful local economy.
Support you to live in clean, green and safe communities.

4. Investing in the Future

- The capital programme includes £14.2 million for the Future Leisure Provision. Spend on this project commenced in 2014/2015
- The new leisure centre is due to be operational in the summer of 2016. It will provide a significant 'upgrade' of leisure facilities and an enhanced revenue stream to the Council,

Our response

- We consider the Council's plans for addressing its financial challenges as part of our work on the VFM conclusion.
- Our regular meetings with the Chief Financial Officer include briefings on progress with delivering the Financial Strategy.
- We are also supporting the Council with briefings on Alternative Delivery Models and attending the Financial Strategy Review Panel.

- We will consider how your devolution plans are developing as part of our regular updates with Corporate Leadership Team.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- As part of our value for money risk assessment we will the progress the Council is making on delivering its Wyre Forest Forward plan. This will include how your decision making is informed by your corporate priorities and how you are working with partners to do this.

- We will review the accounting transactions for the scheme as part of our 2015/16 financial statements audit.
- We will also consider the accounting treatment of the current leisure centres that are being replaced.

Developments and other requirements relevant to your 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 and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets and investment properties, which are now to be valued at fair value in line with IFRS 13 requirements.
- There are a number of additional disclosure requirements of IFRS 13.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are also required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. Working with partners

- Local Government is facing unprecedented financial challenges and will need to develop alternative delivery models and joint working arrangements.
- The Council's corporate plan recognise the need to work with partners to deliver the strategic priorities.

4. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.

Our response

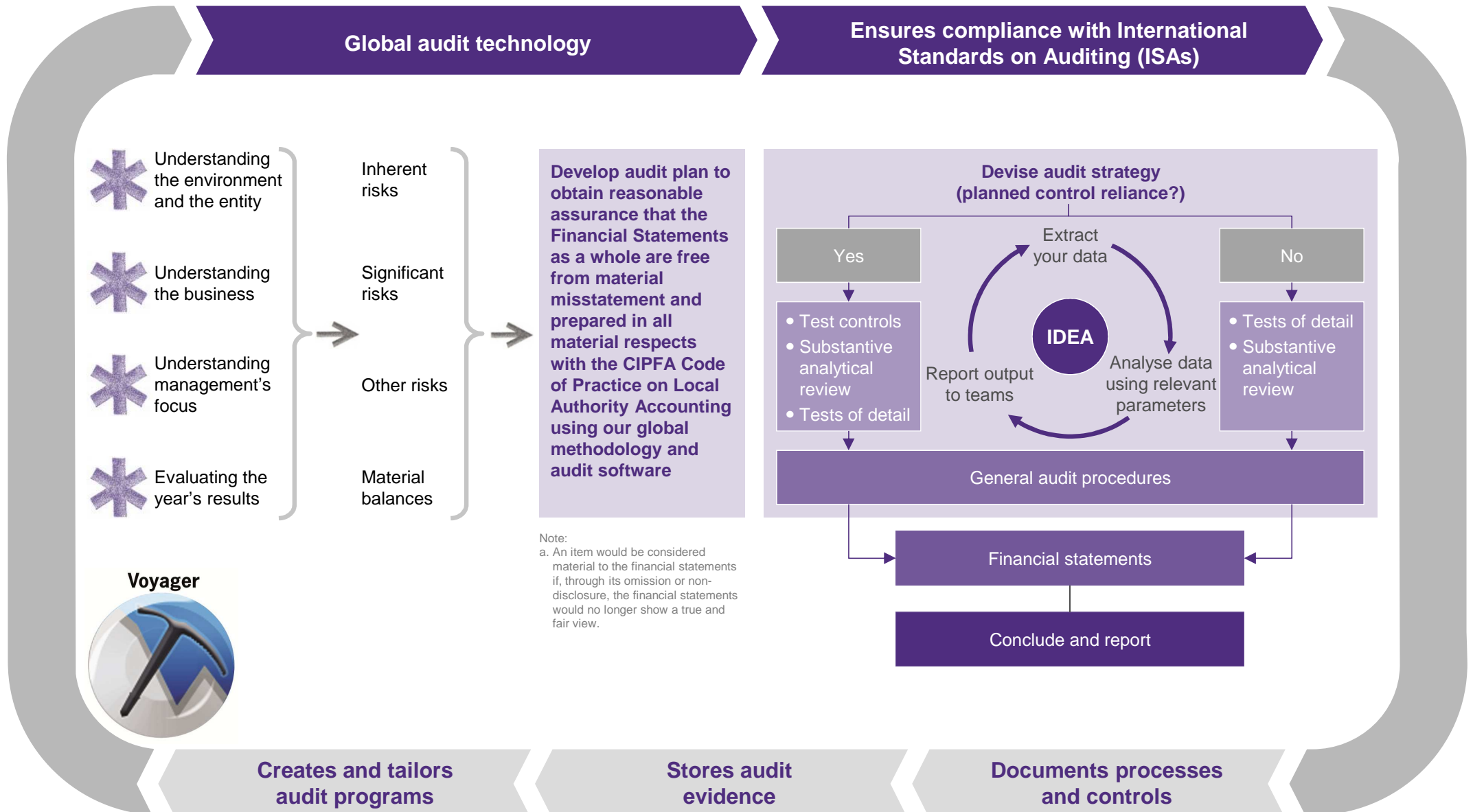
- We are keeping the Council informed of the IFRS 13 and other financial reporting requirements for 2015/16 through ongoing discussions and our technical update workshops.
- We are discussing the implications for the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the appropriate basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- Our VFM conclusion criteria includes the requirement to consider how well you are working with partners and other third parties.
- We will also continue to provide briefings on the good practice we see elsewhere in local government to help inform your decision making on partnership working.

- We are bringing forward audit testing to our interim visit to reduce the amount of work to be completed in the peak final accounts period.
- We are discussing with the Finance Team how the accounts production process can be streamlined through the greater use of estimates and other initiatives.
- We are planning to complete our accounts audit work by 31 July 2016 as a 'dry run' for earlier accounts and audit closure.

Our audit approach



Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £996,000 (being 1.8 per cent budget of gross revenue expenditure for 2015/16). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £49,000.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.	This is treated as a sensitive item although no specific materiality value is set.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000

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	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Wyre Forest District Council, we have determined that the risk of material fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities in general and Wyre Forest District Council in particular, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management. • Determining our journal testing strategy <p>Further work planned:</p> <ul style="list-style-type: none"> • Further review of accounting estimates, judgements and decisions made by management detailed in the financial statements • Testing of 'unusual' journal entries • Review of unusual significant transactions

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of Investment and surplus assets in line with the requirements of IFRS13.	Officers have considered the requirements of IFRS 13. An asset management plan is also in the process of being agreed by Council. These two factors mean that there are likely to be changes in previous assumptions around the classification and valuation of assets. The impact is likely to be material.	<p>Work planned:</p> <p>Our testing strategy for non current assets will include reviewing the reasonableness of the classification and basis for valuation of surplus assets and investment properties. We will also consider whether there is adequate information to enable the Council to make disclosures in line with the Code and updated IFRS 13 requirements.</p>

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 (UK & Ireland) 315).

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

Other risks	Description	Audit approach
Operating expenses	Creditors related to core activities understated or not recorded in the correct period	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have conducted a walkthrough of the key controls for this system. <p>Further work planned:</p> <ul style="list-style-type: none"> We will search for unrecorded liabilities by reviewing payments after the year end. We will review the Council's accruals process and test accordingly (including good receipted)
Employee remuneration	Employee remuneration and benefit obligations and expenses understated	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have conducted a walkthrough of the key controls for this system. We have completed a trend analysis on employee remuneration covering the period to January 2016. We have tested a sample of employees remuneration covering the period to January 2016. <p>Further work planned:</p> <ul style="list-style-type: none"> We will review the reconciliation of the payroll system to the general ledger We will complete our trend analysis and testing of individual employees for the 2015/16 year

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include the following.

- Heritage assets
- Assets held for sale
- Investments
- Cash and cash equivalents
- Borrowing and other liabilities
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Segmental reporting note
- Officers' remuneration note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Value for Money

Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to consider 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.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015.

The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria opposite.

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of good governance Understanding and using appropriate cost and performance information to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements
- the findings of other inspectorates and review agencies
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

We have set out on the next page the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
Engagement with Partners The Council's two priorities 'Support you to contribute to a successful local economy' and 'Support you to live in clean, green and safe communities' include strategic actions of 'Working with Partners'	This links to the Council's arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.	We will discuss with the Council how they are working with partners now and how they plan to in the future to achieve their strategic priorities. We will consider the examples of partnership working, including their governance arrangements and the reporting of outcomes.
Financial Sustainability The Council has seen a reduction in government financing over the past year and this will continue.	This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.	We will review the reporting of delivery of savings and progress with the Wyre Forest Forward plan. Our review the actions taken to achieve these savings and planned actions for future savings delivery.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

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	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have 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 provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Review of information technology controls	We are carrying out a high level review of the general IT control environment, as part of the overall review of the internal controls system.	Our work is not yet complete. We will update the Audit Committee on the status of this work and whether there are any matters of concern identified.
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.

Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review.</p>	<p>We will complete the testing of the journals at the post-statement stage of the audit.</p>
Early substantive testing	<p>For a sample of assets in the fixed asset register we have confirmed that the assets are still owned by the Council by review of deeds or invoices.</p> <p>We have also reviewed a sample of fees and charges up to January 2016.</p> <p>We have obtained the evidence for the precepts in the Collection fund for 2015/16.</p>	<p>We will review the assets as part of our work in April 2016 to confirm that the assets exist and are still owned by the Council at the balance sheet date.</p> <p>We will completed our testing on fees and charges during our post statement testing in July 2016.</p> <p>We will compare the precept evidence to the Collection Fund as part of our post statement work in July 2016.</p>

Key dates

The audit cycle



Date	Activity
February 2016	Planning
February & April 2016	Interim site visit
21 st March 2016	Presentation of audit plan to Audit Committee
July 2016	Year end fieldwork
22 nd July 2016	Audit findings clearance meeting with Chief Financial Officer
26 th September 2016	Report audit findings to those charged with governance (Audit Committee)
26 th September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	48,936
Grant certification	6,790
Total audit fees (excluding VAT)	55,726

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.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services:	
• Place Analytics	5,000
Non-audit services	5,000

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

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 requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (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 Report 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 Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

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 at the time of our appointment. 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 NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). 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 issues 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**
21st MARCH 2016**Internal Audit - Annual Audit Plan 2016-2017**

OPEN	
CABINET MEMBER	Councillor N J Desmond
RESPONSIBLE OFFICER	S151 Officer
CONTACT OFFICERS:	Tracey Southall Extension No 2100 tracey.southall@wyreforestdc.gov.uk Cheryl Ellerton Extension No. 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Internal Audit ~ Annual Audit Plan 2016~17

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit – Annual Audit Plan 2016–2017. 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 2016~17, attached as Appendix 1.
- 2.2 Approve that the Chief Financial Officer as Section 151 may amend the plan in consultation with the Audit Manager in light of developments arising during the year as described in paragraph 3.6 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 Standards¹ which aim to promote further improvement in professionalism, quality, consistency and effectiveness of Internal Audit across the Public Sector.

“**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 objectives by bringing a systematic, disciplined approach

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).

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 aiming for continuous improvement and provides assurance that the Council maintains an effective internal control environment and ensures that effective and efficient operations are maintained, safeguards its resources and provides assurance that the Council has good governance arrangements in place.
- 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 annual plan is viewed flexibly and treated as a working document subject to amendment as required to reflect changing corporate conditions or demands as well as issues that may arise during the currency of the plan, which divert Internal Audit away from planned work.
- 3.6 The plan is therefore seen as a **statement of intent** and provides the direction of travel and a framework for audit engagements in the forthcoming year that can be amended as necessary without having a damaging effect on the overall direction of the internal audit service. The audit plan has been prepared in accordance with the Internal Audit Charter.
- 3.7 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.

² Previously the Internal Audit Terms of Reference

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 2016~17 has been prepared in accordance with recognised Internal Audit standards and considers many factors to provide assurance to the Council in terms of the adequacy and effectiveness of financial and management controls in the areas under review.
- 4.5 The Annual Audit Plan should focus on areas where it can add most value and provide assurance that the Council's risks are being properly managed. In doing so, Internal Audit has a role in ensuring the Council achieves its strategic aims. In addition to this, the audit plan should be realistic and achievable.
- 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. In accordance with the Internal Audit Public Sector Standards, the Internal Audit Section must be appropriately staffed and qualified and undertake Continuing Professional Development to fulfil its role. From the 1st April 2014 a new Internal Audit Structure was in place as part of the required reductions in corporate support services for 2014~15 onwards; this continues to operate effectively and meet business need.
- 4.7 The core structure of the Internal Audit Team remains unchanged for 2016~17 ensuring 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. From November 2015, the Corporate Apprenticeship fund is providing resource for an Internal Audit Apprentice as part of the Internal Audit succession planning, to ensure continuity in view of potential changes within the Internal Audit Team from November 2017. This new training post is working well.
- 4.8 During 2015~16 additional audit days have been worked to provide necessary assurance as part of Payroll, HR21 and the Finance Interventions. This has been funded from transformational reserves. It is anticipated that this will continue into 2016~17 using the flexible resource of the Internal Audit team

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2015 section 5(1) require that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

7. RISK MANAGEMENT

- 7.1 The Internal Audit - Annual Audit Plan 2016~17 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 Audit Manager in consultation with the Section 151 Officer.
- 7.2 The restructure of the Internal Audit Team effective from April 2014 has been managed carefully against the service need to ensure sufficient Internal Audit resource is retained. The reduced Internal Audit Team continues to work with the S151 Officer on a flexible basis and work additional hours if required to cover specific projects. The arrangement has worked well throughout 2015~16 and will continue for 2016~17 with the assistance of an Internal Audit Apprentice as part of a succession plan for the Internal Audit Team ensuring continuity.

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 2016~17 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

11. Background Papers

Accounts & Audit Regulations 2015 (SI 314)
UK Public Sector Internal Audit Standards ~ April 2013
Internal Audit Charter ~ Audit Committee ~ 24th March 2014

INTERNAL AUDIT

INTERNAL AUDIT ANNUAL PLAN

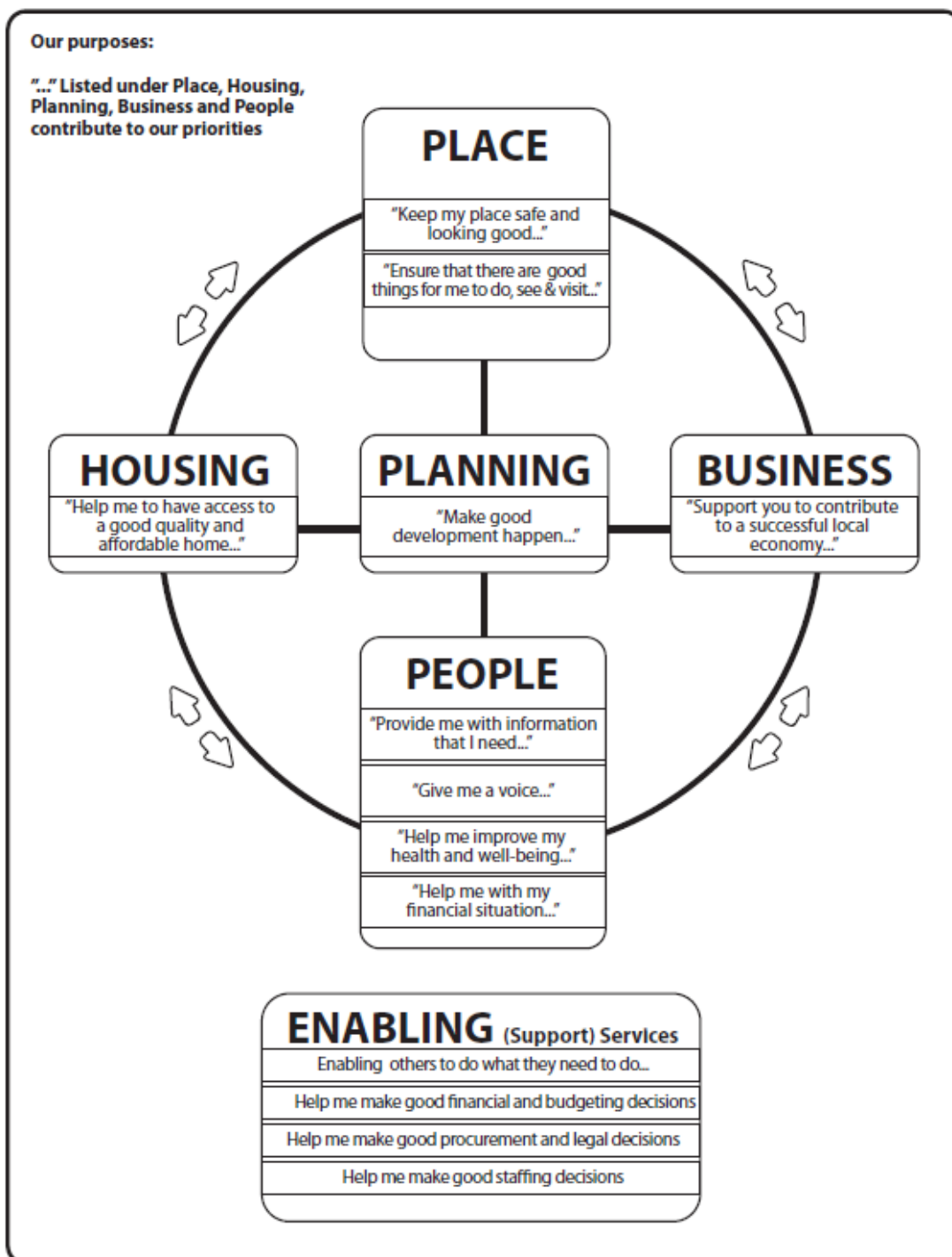
2016 ~ 2017

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 Corporate Plan priorities 2014 - 2019:

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



WYRE FOREST DISTRICT COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2016 ~ 2017

		<u>2016/17</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 {Audit Resource Set Aside}		
→ Provide professional advice on emerging risks and issues		30
→ Management Requests for ad-hoc commissioned work		20
Irregularity Contingency {Audit Resource Set Aside}		
→ Provide advice and assistance on required investigations		20
Specific Service Duties	NOTE 4	25
WORKLOAD/AVAILABLE DAYS		449

NOTES

- 1** The days per service area are shown on Pages 77-79
- 2** An analysis of the areas covered is shown on Page 80-81
- 3** An analysis of the areas covered is shown on Page 82
- 4** A breakdown of the specific service duties follows on Page 83
- 5** An analysis of the available days is shown on Page 84

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)**

Agenda Item No. 10
Appendix 1

AUDIT COVERAGE	RA	2016/17 Days	AUDIT SCOPE
Annual Assurance Reviews			
Treasury Management (Risk: Failure to Maintain adequate controls over Key Financial Systems)	103	10	Assurance Review to capture changes to the systems and procedures in place to manage the Council's Cash Flow and investments to maximise interest earned within the approved Treasury Management Strategy and consequent risk appetite.. To review and ensure borrowing is managed to meet the Medium Term Financial Strategy.
Budgetary Control & Monitoring (Risk: Failure to Maintain adequate controls over Key Financial Systems)	94	10	Assurance Review to capture changes to the systems and procedures around the Council's Budget Cycle to record and monitor budgets to feed into the financial records and the final accounts. Including follow up on change processes from on-going finance intervention.
Corporate Debtors: Accounts Receivable (Risk: Failure to Maintain adequate controls over Key Financial Systems) To include Property Debtors.	89	10	Assurance Review to capture changes to the systems 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. Including follow up on change processes from on-going finance intervention. Including work in relation to the ICON cash receipting system.
Benefits (Risk: Failure to Maintain adequate controls over Key Financial Systems; This Service continues to be subject to significant change imposed by DWP and is under continuous review to align processes/systems. Team changes/ staffing restructures continue to meet the changing business need.)	88	25	Assurance Review to capture changes to the 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, Single Fraud Investigation Service and the WFDC Local Council Tax Reduction Scheme as amended.
Payroll (Including Mileage & Subsistence claims) (Risk: Failure to Maintain adequate controls over Key Financial Systems; 2015 saw HR21 development for Employee/Member Claims, further development of the system will continue during 2016). Shared Service with Redditch BC (SLA) renewed from 1 st April 2016. New Payroll Manager appointed at Redditch BC.	85	20	Assurance Review to capture changes to 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.
NNDR (Risk: Failure to Maintain adequate controls over Key Financial Systems)	84	12	Assurance Review to capture changes to the systems and procedures in place to calculate liability, raise bills, collect income and monitor arrears; review process for the Business Rate retention including contributions to/from the Worcestershire pool. NNDR 3 return.
Council Tax (Risk: Failure to Maintain adequate controls over Key Financial Systems)	82	12	Assurance Review to capture changes to 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. Review changes to the system for the detection/prevention of fraud on Single Person Discounts following the transfer of the Fraud Team to DWP under SFIS.
Creditors: Accounts Payable (Risk: Failure to Maintain adequate controls over Key Financial Systems/Roll out of procurement cards and change to processes for payment and budgetary management).	80	15	Assurance review to capture changes to 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 arrangements. Including follow up on change processes from on-going finance intervention (such as the cessation of Petty Cash imprests) from April 2016).

Agenda Item No. 10

Appendix 1

Debt Recovery Procedures (Risk: Failure to Maintain adequate controls over Key Financial Systems) To include Corporate & Property Debtors 2015 Corporate Debt Recovery Officer in post, changes to procedures.	79	15	Assurance review to capture changes to the systems and procedures for the recovery of outstanding debts having regard to the Legal requirements for Court Action (exc. Council Tax and NNDR).
Accounting (Income~Bank) (Risk :Failure to Maintain adequate controls over Key Financial Systems)	74	15	Assurance Review to capture changes of systems and procedures around the Council's General Ledger to record financial transactions and produce the final accounts. To include Bank Reconciliation review the change of collection of payments arising from the Finance Intervention; Journals, Housing Act Advances, Miscellaneous Income Reconciliations & ICON Income receipting system. . Including follow up on change processes from on-going finance intervention.
Establishment (Risk: Failure to Maintain adequate controls over Key Financial Systems)	71	15	Assurance review to capture changes to 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.
Cyclical Reviews			
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; Enforcement Notices; Parking Fines; Land Charges.
Human Resources (Risk: Failure to meet commitments with the return of the service to be delivered in house from April 2016)	63	10	Cyclical review of the systems and procedures in place(Note end of the Shared Service arrangements with Worcestershire County Council from end of March 2016) to include in house procedures for a detailed establishment reconciliation, processing of Staff Record Forms and the maintenance of any Training Budget; maintaining and implementation of Corporate HR Policies.
Information Governance (Risk: Breach of the Data Protection Act leading to penalties up to £500k – Note report commissioned as part of long term agreement from our insurers Zurich Municipal on Information governance risk)	~	10	Review to support the work of the Data Protection Officer in reviewing procedures, processes including the training and awareness of relevant policies and guidelines. To provide assurance on controls implemented to manage information {including disposal} within the Council; to include not just ICT but manual records and information. Confirm compliance with data protection legislation
Partnerships, Joint Working & Shared Services (Risk: Reputational Damage)	~	8	On-going review of the arrangements for working in partnership/joint working with others to include governance arrangements and management procedures. To include a review of the arrangements under Service Level Arrangements.
Corporate Governance (Risk: Reputational Damage; Failure to meet Statutory Requirements; Ineffective governance, note the creation of Kidderminster Town Council from December 2015 and significant asset transfers April 2016)	~	20	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; Members Allowances; Data Quality/Performance Management. Arrangements with third party sections, partnerships and localism arrangements.
TOTAL DAYS		227	

2015/16 Cyclical Reviews Brought Forward:

AUDIT COVERAGE	RA	2016/17 Days	AUDIT SCOPE
Trading Estates; Asset Management/Fixed Asset Valuations (Risk: Failure to Maintain adequate controls over Key Financial Systems)	88	12	Cyclical review of the system and arrangements in place to record, manage and maintain the Council's physical assets and property portfolio. 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.
<u>Waste Collection Services</u>			
→ Trade Waste (Risk: Failure to meet customer expectations; Reputational Damage)	82	15	Cyclical review of the systems and procedures in place for the provision of a Trade Waste Service, to include the collection and banking of income, promotion of the Service as part of the current Depot commercialism drive.
→ Kerb Side~Waste Collection & Recycling-Domestic (Risk: Failure to meet statutory obligations)	79		Cyclical review of the systems and procedures in place for the kerb side collections of domestic refuse and the provision of recycling. To include domestic bulky waste collections and Garden Waste as part of the current Depot review.
→ Garden Waste			
Homelessness (Risk: Failure to meet Customer expectation; Reputational Damage; Assessments may not be adequate)	68	10	Review of the systems and controls in place for the provision of the homelessness service to include cross working arrangements with the Community Housing Group.
TOTAL DAYS		37	

2016~17 Wyre Forest Forward Programme {Corporate Interventions}:

AUDIT COVERAGE	RA	2016/17 Days	AUDIT SCOPE
Housing Grants including (Disabled Facilities Grants's) (Risk: Fraudulent claims; insufficient fund; misappropriation of funds – note additional funding allocation of circa £1m for 2016/17)	69	10	Review as part of Strategic Housing the system changes to the process of awarding Disabled Facilities Grant arising from the Housing Needs Intervention as part of the Wyre Forest Forward Programme.
Garage & Vehicle Maintenance (Risk: Failure to Maintain adequate controls over Key Financial Systems)	54	10	Review of the arrangements in place for the maintaining and servicing of Council Vehicles, to cover Driver responsibilities, stock control and issue of fuel. As part of the Depot review and current on going Garage Intervention.
Garage~MOT Station (Risk: Failure to Maintain adequate controls over Key Financial Systems)	38	5	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 as part of the current on going Garage Intervention.
TOTAL DAYS		25	
TOTAL AVAILABLE AUDIT DAYS		289	

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2016~17

ICT Audits and Assistance (30 Days Per Annum)~ Corp Risk Register CORPRISK07

Application Control Reviews:
<p>Agresso</p> <p>Icon Radius (Cash Receipting) ~ Allpay (Pay Points)/PDQ' machines</p> <p>Wireless Technology (Security & Set Up)</p> <p>Network Security ICT Main Controls</p> <p>Civica/IBS Open Revenues System</p>

Areas	Reason
IT Governance~ Physical Security	To ensure that physical security is in place and that protocols are adhered to. Ensure that there is effective management of assets throughout to manage changes and restructuring.
IT Governance ~ Public Services Network	To ensure actions from penetration testing are implemented to allow for continued connectivity to government systems.
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 ~ Upgrade/Patch Management	To ensure there is a system in place for upgrading software and applying security and other supplier patches.
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 (Monitoring of Cyber Risks)	To ensure contingency plans are in place and include security arrangements (including physical). To ensure off site arrangements have been tested. To ensure that the cyber environment is reviewed to maintain pace with current threats; addressing the risk of financial loss, disruption or damage to the reputation of the Council.

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2016~17

Assistance & Advice (10 Days Per Annum) ~ Corp Risk Register CORPRISK07

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 (Risk: The planned extension of the new procurement cards and change in process from 2015)	<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>
Payment Card Industry Data Security (Risk: Financial Penalties or withdrawal of payment facilities)	<p>To ensure that appropriate processes are in place for adherence to industry standards in relation to the use of payment card technology.</p>
ICT Strategy Board	<p>To attend and provide consultative advise and support on information governance and expected internal controls.</p>

WYRE FOREST DISTRICT COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2016~2017

Contract Audit to include Procurement(25 Days Per Annum)

Contract/Procurement Audit includes:

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

Procurement Cards: Review the controls in place for the use of the Council's purchasing cards and for the recording and verification of purchases via this method following the change processes implemented in 2015.

➔ Detailed review of corporate spend following the cessation of petty cash imprest accounts from 1st April 2016

➔ Ensure compliance with the Local Government Transparency Code.

On contracts selected from the approved Revenue & Capital budgets.

Leisure Centre
Public Realm Expenditure
Disposal of Council Assets {2016 Leisure Centre Sites}
Community Asset Transfers including Kidderminster Town
Council
Refurbishment of Vehicles

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2016 ~ 2017

Specific Service Duties – (25 Days Per Annum)

- Continual review of Financial Regulations/Contract Procedure Rules/Corporate Fraud Policies
- Cabinet Office National Fraud Initiative Data Matching Exercise
➔ Participation by management and coordination in mandatory data matching exercise across public bodies to identify anomalies which may signify fraudulent transactions.
- Counter Fraud Arrangements to include a review of Counter Fraud Arrangements with a review against best practice guidance as produced by CIPFA in Managing the Risk against Fraud.
- Participation in the national surveys for Fraud {Previously Audit Commission Protecting The Public Purse}.
- Grant certifications where the contractual arrangement requires Internal Audit to confirm that expenditure is in line with grant terms and conditions.

WYRE FOREST DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2016 ~ 2017

	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					

Agenda Item No. 10
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

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE
21ST MARCH 2016
INTERNAL AUDIT MONITORING REPORT
QUARTER ENDED 31ST DECEMBER 2015

OPEN	
CABINET MEMBER	Councillor N J Desmond
RESPONSIBLE OFFICER	Tracey Southall, Extension 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 31 ST December 2015

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st December 2015, attached as Appendix 1.

2. RECOMMENDATION

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

- 2.1 The Internal Audit Monitoring Report for the Quarter ended 31st December 2015 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 2015~16 in March 2015. This plan takes into account changes in priorities and risk and 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 **Follow up** reviews undertaken in the quarter (cyclical)
Incorporating Recommendations in progress
 - Section 2 **Final** internal audit reports issued in the quarter
 - 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. The final audit report will recognise those areas of improvement and recommendations promptly actioned during the course of the audit, in order to raise the overall level of assurance given by Internal Audit at the completion of the full review.
- 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 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.
- 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.
- 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 potentially serious issue.

4. KEY ISSUES

- 4.1 Internal Audit make 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 Standards¹. 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 2015 section 5(1) require that:

"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

7. EQUALITY IMPACT NEEDS ASSESSMENT

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

¹ The UK Public Sector Internal Audit Standards (UKPSIAS) from April 2013

8. RISK MANAGEMENT

- 8.1 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.
- 8.2 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.
- 8.3 The Internal Audit service is one element of the Council's assurance/internal control framework.
- 8.4 A relevant member of the Internal Audit Team will continue to be involved in future Wyre Forest Forward 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.

9. CONCLUSION

- 9.1 The work undertaken by the Internal Audit Team in the quarter ended 31st December 2015 is reported within Appendix 1. This information is presented to members in accordance with the Internal Audit Charter for the Internal Audit Team.

10. CONSULTEES

- 10.1 Corporate Leadership Team
Cabinet Member for Resources

11. BACKGROUND PAPERS

- 11.1 25th March 2015 ~ Audit Committee ~ Internal Audit Annual Audit Plan 2015~16
24th March 2014 ~ Audit Committee ~ Internal Audit Charter
Accounts and Audit Regulations 2015 (SI 234)

INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
31st DECEMBER 2015**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 31ST DECEMBER 2015

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 <i>Cheryl Ellerton</i> AUDIT MANAGER	
 <i>Tracey Southall</i> SECTION 151 OFFICER	

29th February 2016

SECTION 1

Quarter Report to the 31st December 2015

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.

THERE ARE NO REVIEWS TO REPORT FOR THIS QUARTER. THIS SECTION HAS BEEN LEFT FOR CONTINUITY.

SECTION 2

SECTION 1 FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31 st December 2015		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
<u>Key Systems (Annual Assurance Reviews)</u>		
2015/16 ~ Income To Bank {Housing Act Advances}	F	-
<u>Subsidiary System Reviews</u>		
2015/16 ~ Corporate Fees & Charges ~ Land Charges	F	-

KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
F = Full	Robust framework of controls, any recommendations are advisory ~ provides substantial assurance.	The title of the review undertaken is reported.
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.
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.
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.

SECTION 3

Quarter Report to the 31st December 2015

DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st December 2015		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
2015~16 ICT Governance ~ System Back Ups	20.11.2015	Reminder 01.03.16/Final Issued 03.03.16
2015~16 Corporate Fees & Charges {Road Closures}	02.12.2015	Reminder 01.03.16/Final Issued 03.03.16
2014~15 Accounts Receivable {Compliance & Reconciliations}	14.12.2015	Reminder 01.03.16
Development Control 2014~15 & 2015~16	23.12.2015	Reminder 01.03.16/Holding Response 08.03.16
2015~16 ICT Governance ~ Cyber Security Controls {Secure Configuration, Network Security, User Privileges & Incident Management}	05.01.2016 {For Q3 31.12.15}	Reminder 01.03.16/Final Issued 08.03.16

Agenda Item No. 11
Appendix 1
SECTION 4

The following Action Plans have been issued to Managers. In addition, the table below shows the status of reviews currently in progress to cover the current on ~ going testing within the 2015~16 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 31st December 2015		Status	Action Plans		
RISK ASSESSMENT	AUDIT REVIEW	As At 31.03.15	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 (Annual Assurance Reviews)~ 2015/16 Annual Audit Plan</u>				
RA74	<u>Accounting Cash To Bank</u> Income & Expenditure Bank Reconciliation	Stage 1	06.07.15	-	22.12.15
	Corporate Income To Bank	Stage 4	-	-	-
RA88	<u>Benefits {Inc Council Tax Discounts (Local Scheme)}</u> Council Tax Reduction {Local Scheme} ~ Compliance	Stage 1	-	02.10.15	-
	Housing Benefit {Rent Allowances/Overpayments} ~ Compliance	Stage 1	-	01.10.15	-
	Housing Benefit ~ Overpayment Debtor Accounts	Stage 3	-	-	15.12.15
RA82	<u>Council Tax</u> Ctax Reconciliations ~ {To include Gross Debit 2015/16}	Stage 1		16.10.15	-
	Ctax Compliance/Recovery	Stage 3	-	-	-
RA80	<u>Creditors (Accounts Payable)</u> Creditors {Accounts Payable} ~ Compliance	Stage 4	06.07.15	-	-
	Creditors {Accounts Payable} ~ Reconciliation	Stage 4	-	-	-
RA89	<u>Debtors (Accounts Receivable)</u> Debtors {Accounts Receivable} ~ Compliance	Stage 3	-	-	-
	Debtors {Accounts Receivable} ~ Reconciliations	Stage 3	-	-	14.12.15
RA71	<u>Establishment</u> Establishment Reconciliation	Stage 3	-	-	-
	Establishment {Staff Record Forms}	Stage 3	-	-	-
RA84	<u>National Non Domestic Rates</u> NNDR ~ Reconciliations ~ {To include Gross Debit 2015/16}	Stage 1	-	01.10.15	-
	NNDR ~ Compliance {Change of Circumstances & Recovery Actions}	Stage 4	-	03.11.15	-
RA85	<u>Payroll (Including Mileage & Subsistence Claims)</u> Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team) ^	Stage 3	-	-	11.11.15
	^ Field Work includes Local Government Pension Scheme & Local Pay Award				
	Payroll ~ Reconciliations {WFDC Accountancy Team}	Stage 3	-	-	-
RA103	<u>Treasury Management</u>	Stage 4	-	-	-

KEY

Stage 1 Phases 1 Field Work Complete with Action Plan to Service Manager.
Stage 2 Phases 1 Field Work Complete and Peer Reviewed ~ Action Plan/Report to be issued by Principal Auditor
Stage 3 Field Work In Progress ~ {With Individual Auditor}
Stage 4 Audit Complete awaiting review by Principal Auditor
Stage 5 Draft Report Issued
Stage 6 Final Report Issue

Performance Against Annual Plan For The Financial Year 2015/16

Quarter ended 31st December 2015

1st April - 31st December 2015

	<u>Quarter Actual</u>	<u>Quarter Plan</u>	<u>Quarter Actual as a % of Plan</u>		<u>Year To Date 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>Days</u>	<u>Days</u>	<u>%</u>
System and Probity	68.75	72.25	95.16%	System and Probity	196.00	289	67.82%
ICT Audit (Governance, Advice & Assistance)	2.75	10.00	27.50%	ICT Audit (Governance, Advice & Assistance)	8.00	40	20.00%
Contract Audit/Procurement	15.75	6.25	252.00%	Contract Audit/Procurement	35.50	25	142.00%
Consultancy and Advice	9.50	12.50	76.00%	Consultancy and Advice	29.50	50	59.00%
Contingency for Investigations	3.00	5.00	60.00%	Contingency for Investigations	13.00	20	65.00%
Specific Service Duties	4.75	6.25	76.00%	Specific Service Duties	23.00	25	92.00%
Sub Total	104.50	112.25	93.10%	Sub Total	305.00	449	67.93%

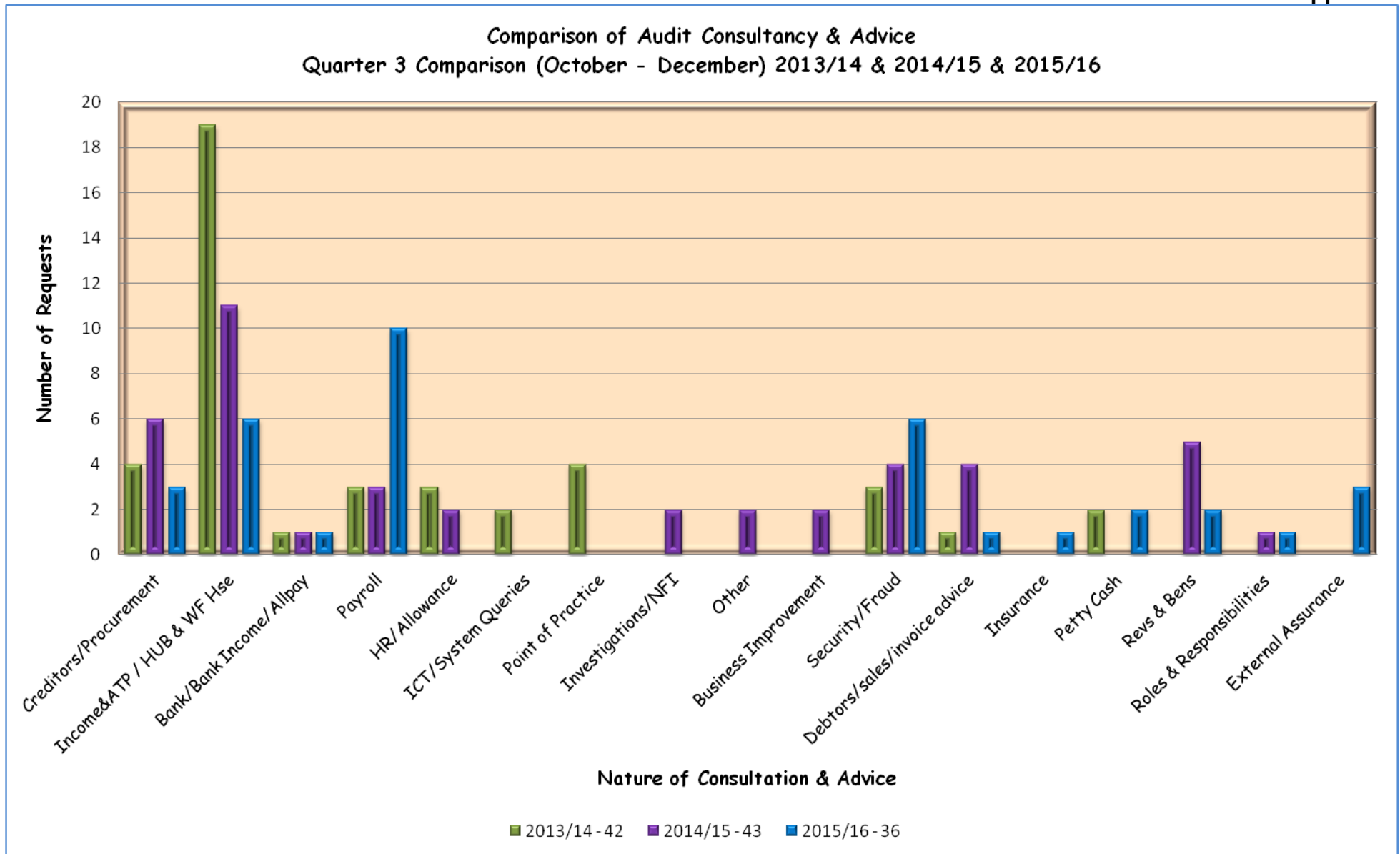
TARGET

71.25%

Audit Resource Statistics

➔ For the quarter to 31st December 2015 actual against plan is 93.10 % compared to a target of **95%** (94.65% against 95% target for quarter 31st December 2014).

➔ Within the time allocated in the above table, during this third quarter of 2015~16 the Internal Audit Team have responded to 36 requests for advice and consultancy as categorised in the graph overleaf, in comparison to the 43 requests received and actioned for the same period in 2014/15 and the 42 requests received and actioned for the same period in 2013/14.



Additional Assurance Work Undertaken by Internal Audit

In addition to the planned work detailed above, the Internal Audit Team have also undertaken work in other areas for which a formal report has not been issued, however time has been allocated within the Internal Audit Annual Plan as approved by the Audit Committee in March 2015 as summarised below:-.

Information Communications Technology (ICT)

- Continuation of the full review of the corporate ICT policy to include full acknowledgement by all Staff.
- Assistance to the Human Resources Team in the implementation of electronic staff record forms.
- Attend the ICT Security Group; assist the Data Management and Transformation Officer in his role as Data Protection Officer for the Council.

Contracts & Procurement

- Monitor the contract payments for the Leisure Centre build {Capital Scheme}
- Monitor the spend against the Public Realm Scheme.{Capital Scheme}
- Review the Procurement Card Guidance with the implementation of new p-cards.
- Assist with a review of the Corporate Contract Procedure Rules & Financial Regulations.
- Review corporate petty cash spend to progress a full implementation of the corporate procurement cards resulting in a formal paper presented to the Corporate Leadership Team resulting in approval to discontinue with petty cash from April 2016.

Wyre Forest Forward ~ Interventions

As part of the Consultancy and Advisory role detailed within the Internal Audit Plan, members of the Internal Audit Team continue to be involved in Wyre Forest Forward Systems Thinking reviews; overseeing and advising on proposed system changes to ensure Key Controls are not compromised.

Where it is not possible to accommodate this work within the Internal Audit Plan, costs will be met from the Transformation Project funds. The role of the Audit Team is to ensure that risk is mitigated in the event of proposed changes to current systems and maintain good governance and financial systems resilience.

Corporate Issues

During the quarter, Internal Audit have also undertaken work in connection with the mandatory National Fraud Initiative hosted by the Cabinet Office.

Other corporate issues have also featured within the work of the audit team whereby specific projects have been commissioned requiring Internal Audit assistance in the review of protocol and procedures for which a formal Outcome report has been issued to the Service Manager commissioning the review. During this third quarter independent reviews were undertaken in respect of Third Party Cash Donations and Employee Time Recording.

This quarter also saw the appointment of an Internal Audit Apprentice as part of the succession planning within the team. Whilst this post is not factored into the Internal Audit Plan being funded as part of the corporate apprenticeship programme, it is intended that this post will contribute to providing assurance on corporate governance within the Council, as part of their individual mentoring. This will be accomplished by enhanced testing of the audit areas identified within the approved plan, as well as supporting the Audit Team as and when involved within the Wyre Forest Forward Programme and interventions.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****21st MARCH 2016****Annual Governance Statement**

OPEN	
CABINET MEMBER:	Councillor N J Desmond
RESPONSIBLE OFFICER:	Chief Financial Officer
CONTACT OFFICERS:	Chief Financial Officer Ext 2100 tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Annual Governance Statement Action Plan 2014/15

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 2014/15.

2 RECOMMENDATION

- 2.1 **The Audit Committee is asked to approve the progress against the Annual Governance Statement Action Plan 2014/15 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.
- 3.1 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.

- 3.2 Full details on these requirements in relation to the Annual Governance Statement have been reported to the Audit Committee and are regularly refreshed as part of annual Member training. The Annual Governance Statement was presented and approved at the June 2015 meeting of the Audit Committee.
- 3.3 In determining the Annual Governance Statement the Council is required to take into account all relevant information. In relation to the Statement that was approved in June 2015 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.
- 3.4 Following consideration by the Corporate Leadership Team the Annual Governance Statement was approved by the Audit Committee at the meeting in June 2015.

4 KEY ISSUES

- 4.1 The Annual Governance Statement identified areas of Corporate Governance which needed to be addressed during 2015/16. 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 30th June 2015.

10 CONSULTEES

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

11 BACKGROUND PAPERS

- 11.1 30th June 2015 – Annual Governance Statement 2014/15

CORPORATE GOVERNANCE ACTION PLAN PROGRESS - MARCH 2016

Issue:	Action No:	<u>Action:</u>	By when?	Person(s) Responsible	Update:
Progression of the Leisure Future project to ensure that the Council meets the future needs of the District and that our appointed partner Places for People remains on target to deliver the affordable and sustainable leisure facility on the Silverwoods site.	2014/15 No. 1	<p>Progress construction contract-</p> <ul style="list-style-type: none"> • First phase ground works, provisional sums • Second Stage Topping out ceremony • Half way point • Continue to programme and budget <p>Secure phased payment of Sport England Funding</p>	<p>April to Sept 2015</p> <p>Sept 2015</p> <p>Jan 2016 March 2016</p>	Director of Community Well-Being and Environment/ Project team	<p>Complete</p> <p>Complete</p> <p>Complete</p> <p>On schedule and on budget</p> <p>Draw down of Sport England funding is progressing to plan</p> <p>This project is progressing to schedule and to budget with funding in place and additional savings over the business case target achieved. Regular updates are made to Group Leaders.</p>
Continued progression of the challenging Wyre Forest Forward programme and associated transformation projects, including robust monitoring with the opportunity to challenge as appropriate,	2014/15 No. 2	<p>Systems Thinking being used to achieve savings, alongside other efficiency measures</p> <p>Framework in place for future reviews, dates being agreed where reviews not already under way</p>	Monthly progress reports to Cabinet/CLT and Group Leaders	Chief Executive and Chief Financial Officer	<p>Ongoing</p> <p>For 2015/16 we have achieved £1,714,810 of a £1,854,640 target (Wyre Forest Forward and Cabinet Proposal savings) so a shortfall of £140k currently. 92.5% of savings overall achieved.</p>

Agenda Item No. 12 Appendix 1

Issue:	Action No:	<u>Action:</u>	By when?	Person(s) Responsible	Update:
against savings plans, including the potential depot relocation.	2014/15 No. 2 continued	Targets for 2015/16 onwards agreed as part of medium term financial strategy			
Maintain financial resilience by securing approval of a Medium Term Financial Strategy with a fully balanced budget, taking into account the ongoing challenges of the impact of further resource reviews following the General Election including the Business Rate Review, progression of Welfare Reform and further work around income generation and expenditure reductions;	2014/15 No. 3	Continue with Cabinet Financial Strategy Advisory Panel	June 2015	Chief Executive	Achieved. Proposals produced by November 2015
		Budget Timetable – consideration of budget proposals at December Cabinet then onto February Council	Feb 2016	Chief Financial Officer	Achieved. Council adopted medium term financial strategy Feb 2016
		Continuation of approved savings transformation programme.	June 2015 – onwards	Cabinet and CLT	Achieved Good progress made with the savings programme in 2015/16 and unachieved savings for this year have been reflected (ie not assumed) in approved budget. The position going forward however remains challenging and is being carefully monitored by CLT.
		Continued enhancement of Monthly Budgetary Control reports to CLT/Cabinet	April 2015 – onwards	Chief Financial Officer	Significant improvements continue to be made to scope and quality of monthly reporting both to CLT/Cabinet and more generally as part of the Finance Intervention.
Maintaining resilience in	2014/15 No. 4	WRS Revised Partnership Arrangements	October 2015	Director of Economic	Revised Arrangements to September 2015 Cabinet and final approval by

Agenda Item No. 12 Appendix 1

Issue:	Action No:	<u>Action:</u>	By when?	Person(s) Responsible	Update:
the governance process following the all-out local elections in May 2015, with particular regard to the increasingly complex array of partnership agreements the Council signs up to as part of its pursuit of innovative alternative service delivery solutions including localism, joint operations and potentially devolution and combined authorities;	2014/15 No. 4 continued	Kidderminster Town Council – set up and finalisation of partnership arrangements Due diligence on all other alternative service delivery solutions explored	End of March 2016 Ongoing as required	Prosperity and Place Chief Executive CLT	Council 30 th September 2015 Successful set-up of new Town Council and finalisation of negotiations to agree legal agreements achieved and confirmed at Cabinet February 2016 CLT continue to consider governance arrangement for all alternative service delivery options explored.
Maintaining financial resilience with reduced resources across Enabling teams, particularly in view of the two-phase “Help me Make Good Financial Decisions” Intervention work stream.	2014/15 No.5	The Finance Intervention continues following the implementation of Phase 1 findings with membership from across the Council including Internal Audit for the Phase 2 work. Focus on retention of key controls Pilots for redesigned processes and systems held to ensure financial resilience is maintained and make any necessary adjustments	Oct 2016 Ongoing as required	Chief Financial Officer and Intervention team Intervention team	The Phase 1 restructure has worked well and the physical move of Support Services to join with the Finance team has helped develop new synergies. Phase 2 continues to progress well with careful focus on retention of key controls in redesigned systems/processes. Proposals for restructure due by end of July 2016. Including a review of the reception service at Wyre Forest House. A trial of further team reductions (by a temporary reduction in hours of 3 officers) is due to start from 1 st May 2016. In progress, pilots are carefully evaluated and processes adjusted to ensure key controls to protect good governance are maintained. Continuous improvement is being

Agenda Item No. 12 Appendix 1

Issue:	Action No:	<u>Action:</u>	By when?	Person(s) Responsible	Update:
	2014/15 No.5 continued	Additional resources from reserves/transformation fund approved to ensure resource is sufficient to support the implementation of changes	Ongoing as required	Chief Financial Officer and CLT	<p>achieved as the intervention progresses.</p> <p>Extra resource is being funded to ensure staff can cope with their workloads whilst Phase 1 changes embed and also to ensure Phase 2 can progress. Resource is being released by the redesign work to ensure there can be continued focus on financial resilience going forward.</p>
Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats;	2014/15 No.6	Quarterly review of network security	March 2016	ICT Manager	<p>Next External and Internal penetration tests due 3 months prior to PSN submission now due September 2016. Security infrastructure upgrades :-</p> <ul style="list-style-type: none"> • Email gateway upgraded Autumn 2015 • Corporate backup solution upgraded September 2015 • Internet Gateway due to be upgrade in next couple of months • Corporate Firewalls due for upgrade June / July 2016. Supported by February's ICT Strategy Board • Investigating costs of external ¼ network scans; these are vulnerability scans of the network. This would help back up our annual penetration health check.

Agenda Item No. 12 Appendix 1

Issue:	Action No:	<u>Action:</u>	By when?	Person(s) Responsible	Update:
Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats; continued	2014/15 No.6 continued	Cessation of unmanaged end user devices	March 2016	ICT Manager	Following recently released guidance from the cabinet office regarding the use of Bring Your Own Device (BYOD) it has been agreed that anyone wanting to have continued BYOD access to Good will need to sign up to the arrangements in order for us to maintain our PSN accreditation. Initially this facility will only be available to Cabinet members and current BYOD users. New users will need to be approved by line managers with a valid business need. Access to the network other than Good continues to be via managed devices.
		Review of Insurance policies for “cyber threats”.	June 2015	Chief Financial Officer	Advice taken from Zurich Municipal after tender exercise that resulted in their retention as our insurers. A further policy taken out as part of renewal to protect against financial loss as the result of any such “cyber threat” to the Council on high value treasury transactions processed electronically.
Focus on non benefit fraud utilising the Compliance Officer and new Corporate Fraud Investigator/ Corporate Debt Recovery resources. Performance	2014/15 No.7	Compliance Officer within the Revenues & Benefits Section in post since March 2015. Also there has been a recent decision to invest in more staff for recovery and compliance for Council	April 2016	Chief Financial Officer/Audit Manager	Following the move of the dedicated Housing Benefit Fraud Officers to the new Single Fraud Investigation Service hosted by the DWP, this post is the primary liaison between the Council and the SFIS for providing relevant information for potential

Agenda Item No. 12 Appendix 1

Issue:	Action No:	<u>Action:</u>	By when?	Person(s) Responsible	Update:
<p>and impact of these new resources to be closely monitored.</p> <p>Focus on non benefit fraud utilising the Compliance Officer and new Corporate Fraud Investigator/Corporate Debt Recovery resources. Performance and impact of these new resources to be closely monitored</p>	2014/15 No.7 continued	<p>Tax Discount Claims and other Council Tax Discount applications.</p> <p>Appointment of a Corporate Fraud Investigator/Corporate Debt Recovery Officer</p>	September 2015	Chief Financial Officer/Audit Manager	<p>fraudulent housing benefit applications. Proactively, this post ensures compliance within the Council in terms of reviewing council tax {ensuring correctly claimed discounts/reductions/exemptions} and Business Rates {increase in chargeable dwellings, reviewing reliefs and voids.</p> <p>Corporate Fraud Investigator/Corporate Debt Recovery Officer now in post; Corporate Fraud Polices under review; Annual Report on outcomes from this new post will be reported to the Audit Committee. This is a relatively new position for the Council and the full impact of this resource will be closely monitored.</p> <p>In terms of the debt recovery there is evidence that by having in situ a dedicated resource, corporate debt management is more structured and by prompt collection of debts it is intended that this post will be self funding.</p>

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
21st MARCH 2016**Risk Management**

OPEN	
CABINET MEMBER:	Councillor N J Desmond
RESPONSIBLE OFFICER:	Chief Financial Officer
CONTACT OFFICER:	Tracey Southall tracey.southall@wyreforestdc.gov.uk
APPENDIX 1	Corporate Risk Register as at 31 st January 2016
APPENDIX 2	Budget Risk Matrix

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee of the current Corporate Risk Register and the Budget Risk Matrix attached as Appendices 1 and 2.

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 January 2016 and the 2016/19 Budget Risk Matrix.

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 operational 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 subject to a fundamental review during 2011, this review was undertaken by the Corporate Management Team and the Cabinet in discussions facilitated by Zurich Municipal Management Services.
- 3.4 Since this externally facilitated fundamental review, the Risk Register is reconsidered and updated annually by the Corporate Leadership Team (CLT). This ongoing review is led by the Chief Financial Officer in liaison with the Cabinet Member for Resources and Transformation. The Corporate Risk Register for 2015~16 attached as Appendix 1 has been developed and approved by the Corporate Leadership Team with input from all Service Managers as appropriate.
- 3.5 The Corporate Risk Register is closely allied to the Budget Risk Matrix approved annually by Council as part of the Medium Term Financial Strategy.

4. KEY ISSUES

- 4.1 Risk Management is embedded within the Council through the Corporate Risk Register. Any report considered by Members includes a Risk Management Section and in addition to this, specific registers are maintained and monitored separately for significant individual projects.
- 4.2 The Budget Risk Matrix is closely allied to the Corporate Risk Register and is reported to Members as part of the budget process. It is updated at least quarterly and reported as part of the regular Budget Monitoring Reports to Cabinet.
- 4.3 The external auditors Grant Thornton have recognised the work the Council has achieved in this area. This was documented within the Audit Findings Report 2014/15, considered by the Audit Committee on 28th September 2015. This report stated:

“The Financial Strategy identifies relevant risk management issues” and “There is also an effective Audit Committee in place (which GT attend) which provides robust challenge on financial matters and assurance on risk management arrangements”
Source: Value for Money conclusion, Strategic financial planning and Financial governance pages 29 and 31 of agenda papers

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

- 4.4 It is appropriate for the Audit Committee to consider the current Corporate Risk Register attached at Appendix 1, updated to the end of January 2016 and agreed by CLT, together with the Budget Risk Matrix at Appendix 2. It is suggested that the Corporate Risk Register and Budget Risk Matrix 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 3 of the Accounts and Audit Regulations 2015, state that:

A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk.

- 6.2 In addition Regulation 4 of the Accounts and Audit Regulations 2015 also state that:
“The financial 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 There are no discernible equality and impact assessment needs relating to this report.

8. CONCLUSION

- 8.1 The corporate risk management process ensures that risks are monitored and action taken to minimise the impact on the Council. The Corporate Risk Register and Budget Risk Matrix as attached at Appendices 1 and 2 provide 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.

9. CONSULTEES

- 9.1 Corporate Leadership Team.
9.2 Cabinet Member for Resources.

10. BACKGROUND PAPERS

- 10.1 Audit Committee ~ 28th September 2015 - Corporate Risk Register
10.2 Cabinet 22nd December 2015 – Financial Strategy 2016/19 Report

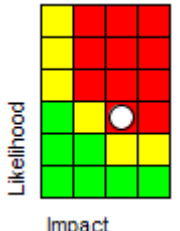
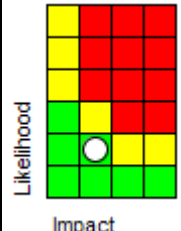
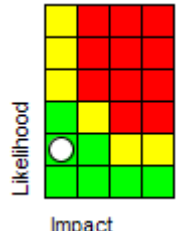

Corporate Risk Register 2015/16- Update for March Audit Committee 2016





CORPRISK01	Regular change in the political balance/direction of the Council. The Council has a history of being hung and the financial position at the start of the year was finely balanced. However, the results of the All-Out elections in May 2015 mean we now almost certainly have a period of political stability for several years. Currently, having elections by thirds does not help to provide political stability should there be a more finely tuned balance in the Council in the future but the February 2016 Council decision to have “All-Out” elections every four years from 2019 will mitigate this risk going forward. The LGA would provide a package of support to help mitigate risk in the transitional period should this be necessary.						
Original Matrix		Current Risk Matrix		Target Risk Matrix			

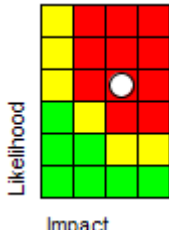
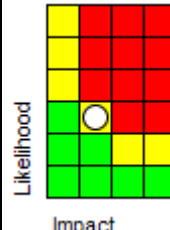
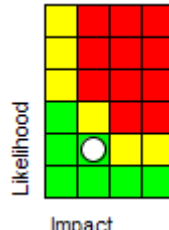

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward. This also includes regular meetings of the Group Leaders and the Corporate Induction Plan May - July 2015.	Alison Braithwaite	31-Mar-2016	An update on the Wyre Forest Forward projects is a standing agenda item at all meetings of Group Leaders. The minutes of these meetings are published on COLIN which all Members have access to.		
LGA Assistance	Ian Miller	31-Mar-2016	No need for LGA assistance following May 2015 election.		




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., Phase 2 of which has commenced.					
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Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Apply systems thinking methodology to the purposeful system of 'Help me make good financial and budgeting decisions'	Tracey Southall	01-Sep-2016	Phase 1 restructure implemented 01.09.15. Phase 2 commenced in October 2015 and now well in progress.	<div><div>80%</div></div>	
Apply systems thinking methodology to the purposeful system of "Our greatest resource is our people, and we will support and enable them to 'work well' for WFDC"	Ian Miller	31-Mar-2016	Notable progress has been against phase one priorities. Phase 2 is underway.	<div><div>84%</div></div>	

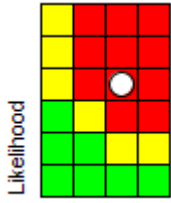
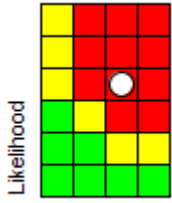


CORPRISK03	<p>Unable to improve the economic prosperity of the district. Lack of vitality in the local economy - although the District is holding up reasonably well in the current economic conditions it still aims to stimulate growth to support the economic recovery and to support the recovery of the local economy. The Council is now in its fourth year of the State of the Area Programme which includes a number of projects to assist in the stimulation of economic recovery. The Council as part of the North Worcestershire Economic Development and Regeneration Service it is part of two local enterprise partnerships and continues to maximise the benefit of that position. The Business Rates Retention Scheme introduced in 2013/14 increases the incentive to promote growth as there is significant financial risk to this Council if we are unable to sustain the baseline level of the business rates reflected in government projections. Membership of the Worcestershire Business Rates Pool can only mitigate this risk to a certain extent and economic growth is key to the future financial sustainability of the Council.</p>
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Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Collection of Council Tax and Business Rates Local Council Tax Discount now requires approximately 5000 Customers to pay at least 10% of their Council Tax liability. Failure to pay their liability will result in lower collection rates. Business Rates Retention Scheme now requires Local Authorities to focus on Business Rate collection to avoid further financial pressure.	Ian Miller	31-Mar-2016	Council agreed to increase the minimum amount of council tax all working age people have to pay to 20% of their liability from April 2016. Collection rates for council tax are 0.11% up on this time last year and an extra £1.22m has been collected (as at end of Feb 16). NNDR collection rates are up 0.95% compared to the same time last year and an extra £25k collected. Following a successful pilot in 2015 which demonstrated improved performance and generated greater income than costs, CLT recently agreed to increase resource in recovery to improve collection rates from April 2016 alongside increased hours in compliance to protect and increase the tax base.	75%	
Bewdley Medical Centre	Corporate Leadership Team; Mike Parker	30-Jun-2016	Work commenced 15th June 2015. Additional car parking space provision at Gardners' Meadow now completed.	87%	
Kidderminster Town Centre Public Realm Framework	Mike Parker	31-Mar-2016	Phase 3 works commenced in Exchange Street/Town Hall as planned.	75%	

Redevelopment of former Lloyds Garage site and adjoining land (STC.4)	Mike Parker	31-Dec-2016	Meeting with H2O in January 2016 to continue progress towards submission of planning application in first quarter of calendar year.	50%	
Business Rates Retention Scheme	Mike Parker; Tracey Southall	31-Mar-2016	Confirmation of the revised Worcestershire Business Rates Pool (without Malvern Hills) has been received. The Government has plans to reform Business Rates Retention with a view to 100% retention. It is unlikely that the detail of this will be known until June 2016 at the earliest when consultation is expected.	85%	

CORPRISK04	Unable to deliver good quality, affordable homes. The need for good quality, decent and affordable homes in the district is increasing but supply relative to demand is decreasing. Adopted plan is being reviewed in 15/16. The emerging national position regarding changes in Right to Buy legislation could lead to a review of this risk.				
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Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to implement actions from the Housing Strategy including any outcomes as a result of the review of the Local Development Plan.	Kate Bailey	31-Mar-2016	Implementing actions from the Housing Strategy are under increasing strain due to public sector austerity. Substantial funding cuts have been implemented to the Public Health RFG which is funding supported housing and the Homes and Communities Agency have now cut grants for any rented social housing. This in addition to	75%	




			Right to Buy and rent reductions plus ongoing cuts to Housing Benefit will have an impact on the supply of affordable housing. The Housing Strategy has now ended and will be replaced with a Partnership Plan currently being developed.		
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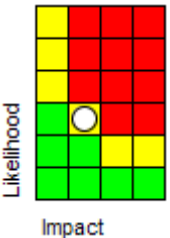
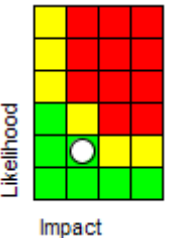

CORPRISK05	Unable to deliver a sustainable budget for the long term. Although the 2015/18 Medium Term Financial Strategy projects a much lower level of reserves being used over the next 3 years, the success of this strategy is reliant on the delivery of significant savings of over £1m per annum between now and 2018. This ambitious programme of savings and income generation must be carefully managed by the Leadership team (officers and members) and achieved. The reliance of external income streams/funding brings with it increased risk around the continuation of these income streams that are based on the decisions of third parties. Continuing risks around the Business Rates Retention Scheme and the potential for the imposition of further reductions/cessation in Government funding streams post the 2015 General Election represent significant corporate financial risk. These risks include the uncertainty around the future of New Homes Bonus; although it will not be abolished there will be a review of the passporting arrangements. The Final Settlement was issued on the 8 th February confirmed further funding reductions of on average 27.5% over the coming 4 years, taking into account assumed business rates and council tax growth. For this Council, as for many other districts the reduction is higher than the average. It also confirmed the complete phasing out of Revenue Support Grant over the next 3 to 4 years (for this Council by 2019/20). To balance the budget increases to the Wyre Forest Forward Savings Target were approved of £100k in 2017/18 and £750k in 2018/19. Business Rates growth and the risk of Appeals resulting in lower Business Rates yield is an increasingly important funding element of the budget and represent a key risk to future sustainability. This is closely allied to Corporate Risk 03.				
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Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Delivery of the Wyre Forest Forward Programme likely to be even more challenging given the growth in the	Tracey Southall	31-Mar-2016	Savings continue to progress well.	93%	▶




target savings assumed in the approved budget requiring £1.263m further savings in the next 3 years					
Municipal Mutual Insurance Clawback - Budget Pressure	Tracey Southall	31-Mar-2016	Provision was made within the 16/17 budget for the additional levy. Confirmation of final amount due April 2016.	<div><div>70%</div></div>	
Waste Disposal Costs - the planned closure of the Hartlebury tipping site will mean the District incurs additional transport and staffing costs and there is a risk that the County will not fully reimburse these costs. Negotiations will seek to mitigate this.	Steve Brant; Linda Collis	31-Mar-2016	Agreement reached with Worcestershire County Council on covering extra associated costs. Situation will be monitored on a quarterly basis.	<div><div>100%</div></div>	
Income generation and car parking income. There are ambitious assumptions for generating additional income included in the Medium Term Financial Strategy and the Income Generation Group will work to achieve these. The car parking review due to be reported in June 2015 should result in recommendations that protect this significant income stream going forward.	Linda Collis	31-Mar-2016	Decision made on increase to parking charges with an implementation date of 1st October 2015. Will see four year income increase of £67,000. Cultural services income targets exceeded. Generating income group monitoring situation regularly.	<div><div>100%</div></div>	
Potential extension of the Local Council Tax Reduction Scheme up to 20% may be considered as part of this year's budget strategy.	Ian Miller	31-Mar-2016	Changes to scheme with effect from April 2016 were agreed by Council in December. Awareness raising in hand.	<div><div>100%</div></div>	
Rationalisation of current provision to provide sustainable future leisure centre	Linda Collis	31-Jul-2016	Progressing as per the timetable. Artwork on the hoardings at the site completed. Successful topping out ceremony and improved budget position remains on track. 26th January Half Way Point ceremony undertaken. Confirm still all on schedule as per the programme.	<div><div>91%</div></div>	



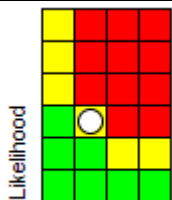

Business Rates Retention Scheme	Mike Parker; Tracey Southall	31-Mar-2016	Confirmation of the revised Worcestershire Business Rates Pool (without Malvern Hills) has been received. The Government has plans to reform Business Rates Retention with a view to 100% retention. It is unlikely that the detail of this will be known until June 2016 at the earliest when consultation is expected.	85%	
The drive for income generation currently has a high profile to help deliver a sustainable budget and avoid the need for service reductions. The income generation group is led by Linda Collis and works across directorates on this important initiative.	Linda Collis; Tracey Southall	31-Mar-2016	Two new post holders in place, Digital Depot Officer and Marketing/Projects Officer to progress plans.	55%	
Ongoing customer engagement and involvement to ensure our services/products remain competitive and continue to attract levels of external income/funding required for the budget.	WF20	31-Mar-2016	CLT and WF20 review of current customer/income levels do not currently reveal any emerging problems.	40%	



CORPRISK06	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, health and safety requirements and inspection regimes to meet our insurers high standards.					
Original Matrix		Current Risk Matrix		Target Risk Matrix		

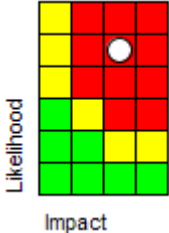
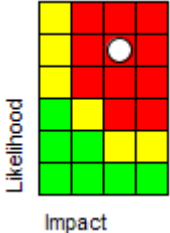
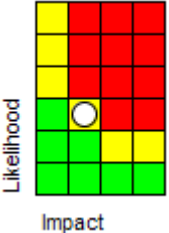

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Support and advice on major strategic projects to ensure sound and robust arrangements.	Jane Alexander	31-Mar-2016	Work continues to support colleagues with advice needed on any major projects.	<div><div>75%</div></div>	
Safeguarding Vulnerable Children - the Rotherham case, human trafficking and child exploitation have highlighted potential issues around safeguarding that we will review to ensure our procedures systems are robust.	Linda Collis	31-Mar-2016	Members Briefing on Safeguarding and CSE held in September 2015. Representation from the District at all safeguarding levels to ensure monitoring and implementation of threshold guidance.	<div><div>100%</div></div>	
Training Support and advice for Service Managers from Zurich Municipal Risk Management Specialists as part of our insurance contract.	Tracey Southall	31-Mar-2016	Zurich presentation to WF20 on the 13th May 2015.	<div><div>100%</div></div>	
Upgrade and enhance the current Fraud Compliance Service	Dave Johnson; Cheryl Ellerton; Tracey Southall; Lucy Wright	31-Mar-2016	Work started on Corporate Fraud Policies and aiming for initial report to June 2016 Audit Committee.	<div><div>70%</div></div>	


CORPRISK07 Implementation of New ICT Strategy. There continues to be significant investment in the development of technology at the Council. A new ICT Strategy was agreed in 2013/14 and this is in the process of being implemented across the authority. The new website has been implemented and the focus continues to be on, supporting the move to greater self-service by customers, ensuring continued PSN compliance, update systems to ensure best value / efficiencies and refresh Server / Storage platform to deliver ICT services / and systems over the Medium Term Financial Strategy. There are emerging issues around some integration limitations that may hinder some transformation workstreams. A risk of reliance on key suppliers for, network products also exists as the ICT market is very fast paced and companies can frequently be subject to merger/changed ownership. The Council also has some unsupported software that may become out of date; consideration of this issue is included within the ICT Strategy.																																																																																											
	Original Matrix	<div><div>Likelihood</div><div><table><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td></tr><tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr></table></div><div>Impact</div></div>	Yellow	Red	Red	Red	Yellow	Red	Red	Red	Yellow	Red	Red	Red	Green	Yellow	Red	Red	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Current Risk Matrix	<div><div>Likelihood</div><div><table><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td></tr><tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr></table></div><div>Impact</div></div>	Yellow	Red	Red	Red	Red	Yellow	Red	Red	Red	Red	Yellow	Red	Red	Red	Red	Green	Yellow	Red	Red	Red	Green	Green	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	Target Risk Matrix	<div><div>Likelihood</div><div><table><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Green</td><td>Yellow</td><td>Yellow</td><td>Yellow</td></tr><tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr></table></div><div>Impact</div></div>	Yellow	Red	Red	Red	Red	Yellow	Red	Red	Red	Red	Yellow	Red	Red	Red	Red	Green	Yellow	Red	Red	Red	Green	Green	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	
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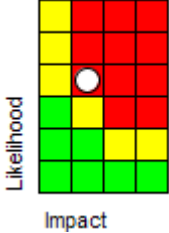
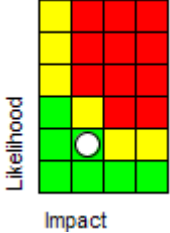
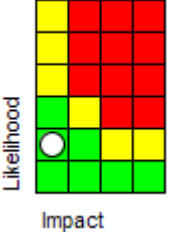

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Upgrade and enhance the current Fraud Compliance Service	Dave Johnson; Cheryl Ellerton; Tracey Southall; Lucy Wright	31-Mar-2016	Work started on Corporate Fraud Policies and aiming for initial report to June Audit Committee.	<div><div>70%</div></div>	
Review and Replacement current Help Desk	Dave Johnson	30-Nov-2015	Continuing to use old help desk for time being, Spiceworks help desk not fully implemented due to workload on ICT and moving tenants systems over.	<div><div>20%</div></div>	
Identify members' requirements and supply appropriate managed device	Dave Johnson	31-Jul-2015	All members have had their laptops upgraded or been given ipads. New members requirements assessed at elections in May 2016	<div><div>100%</div></div>	




CORPRISK08		Not able to maintain a skilled and motivated workforce. Against the background of a move away from the National Pay Agreement, locally agreed modest 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. Various restructures 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			
		Likelihood Impact			Likelihood Impact			Likelihood Impact	

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Develop a Wyre Forest Futures Leadership Development Programme and training and development budget to support it.	Vickie Lee	31-Mar-2016	Budget allocated for 2015-16 Wyre Forest Futures discussions have taken place and leadership development programmes have been identified. Management development programme offer is being developed and will incorporate income generation through selling places to local business where spaces are available Resilient leadership course developed and running February 2016 (see also below)	<div><div>75%</div></div>	
Develop initiatives to support any workforce through organisational change including involvement of staff through suggestion scheme and System Thinking. The continued practice of regular staff surveys allows the leadership team to develop initiatives to respond positively to feedback and suggestions.	Alison Braithwaite; Rachael Simpson	31-Mar-2016	Supporting Colleagues Personal resilience course designed and pilot delivered. Now available to be run subject to demand Buddy support system established and publicised Further personal and resilience training programme now commissioned and due to run February and March 2016 Employee Engagement A range of established engagement tools are used by staff to feed in their views on corporate and organisational development matters. These include the suggestion scheme, corporate briefings with the Chief Executive and Leader and workshops and learning sessions on Wyre Forest Forward and Systems Thinking. A staff survey is undertaken on a regular basis.	<div><div>75%</div></div>	


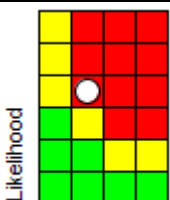
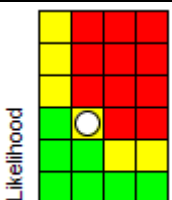

CORPRISK09	Capacity to do everything is insufficient. A flexible resource is required to do everything that the Council has committed itself to – transformation, core service review, review of partnerships. The pace of change and need to continue to deliver key projects, represent a significant resourcing risk. This leads to concerns about sufficient capacity to deliver the Wyre Forest Forward Savings and the ability to provide effective leadership for the management of the Council. The review of the CLT structure has been completed and resulted in agreement on "enhanced status quo".					
Original Matrix		Current Risk Matrix		Target Risk Matrix		





MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ensure resources are monitored and managed to protect capacity issues when Systems Interventions take place. The Transformation Fund is used to allocate funding to support interventions and consideration will be given to topping up this reserve at year end.	Ian Miller	31-Mar-2016	Funding is in place for the depot review and also for the income generation work.	<div data-bbox="1644 759 1845 799">70%</div>	

CORPRISK10	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. The May 2015 election results suggested positive public support for the current administration and this should aid reputational issues.					
Original Matrix		Current Risk Matrix		Target Risk Matrix		

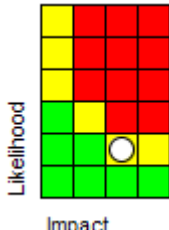



MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
To continue to proactively implement the Council's Reputation Management Plan in accordance with the revised Communications Strategy. To review on a monthly basis.	Alison Braithwaite	31-Mar-2016	Corporate Communications Strategy continues to be proactively implemented with service managers. The effectiveness of campaigns and corporate initiatives are monitored on a monthly basis.	<div><div>90%</div></div>	
Employee and Member Engagement	Alison Braithwaite	31-Mar-2016	Staff continue to be involved in reviewing the most effective tools for engaging and supporting them with organisational change with the 'Give Me a Voice' and 'Provide me with the Information I need' Systems Thinking Interventions. Staff engagement workshops have been arranged for different service teams on corporate or service specific issues they wish to explore and discuss further. Members are encouraged to participate in opportunities featured in the Members' Bulletin or WyredIn in addition to those engagement activities arising as part of Scrutiny Reviews or Task and Finish Group Panels. Next round of staff Corporate Briefings with Chief Executive and Leader held in February.	<div><div>90%</div></div>	
Apply systems thinking methodology to the purposeful system of 'Help me make good financial and budgeting decisions'	Tracey Southall	01-Sep-2016	Phase 1 restructure implemented 01.09.15. Phase 2 commenced in October 2015, well in progress.	<div><div>80%</div></div>	




CORPRISK11	Member skills and/or competencies could be inadequate. All political groups sometimes struggle to find suitable candidates with relevant skills and competencies to represent them in elections. The number and calibre of candidates that took part in the May 2015 elections suggests this has improved. 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. Following the May 2015 elections there are a number of
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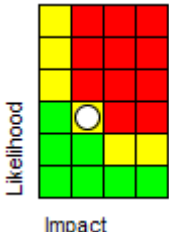
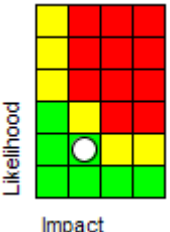
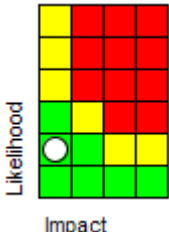

newly elected members moving straight into Cabinet and lead committee positions; this may require additional mentoring.						
Original Matrix		Current Risk Matrix		Target Risk Matrix		
	Likelihood Impact		Likelihood Impact		Likelihood Impact	



MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward. This also includes regular meetings of the Group Leaders and the Corporate Induction Plan May - July 2015.	Alison Braithwaite	31-Mar-2016	An update on the Wyre Forest Forward projects is a standing agenda item at all meetings of Group Leaders. The minutes of these meetings are published on COLIN which all Members have access to.		
Ensure newly elected members taking up lead positions in the Council are mentored to enable their skills to be fast tracked	Alison Braithwaite	31-Mar-2016	Newly elected Members continue to be supported by the Committee and Member Services Team and are encouraged to identify any training needs they may now have. The Members' Bulletin has a standing information item about training.		

CORPRISK12	Unable to ensure a secure network which would make ICT vulnerable to attacks and threats. The Council has successfully achieved PSN compliance but this needs to be managed and maintained. 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.
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Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Cessation of unmanaged end user devices	Dave Johnson	31-Oct-2015	At the ICT strategy board in December 2015, guidance from the Cabinet Office was considered concerning the use of personal devices. It was agreed that members or staff who currently use their own devices and wish to have continued access to Good from them will need to sign up to formal arrangements in order for us to maintain our PSN accreditation. Use of BYOD in the first year will be limited to existing users, members of the Cabinet and by management approval.	<div><div>100%</div></div>	
Ongoing patching of servers/workstations	Dave Johnson	31-Mar-2016	ICT have been concentrating on risk / issues raised as par of the 2015 penetration test including, upgrading servers / SQL versions, updating complex passwords, removing administration rights if no longer required, retire old server, upgrading applications (this has involved suppliers)	<div><div>60%</div></div>	
Upgrade Windows 2003 servers and automate patching of desktops using SCCN	Dave Johnson	31-Oct-2015	All major systems have been upgraded except Innogistic, still waiting for Northgate to finish Info@work	<div><div>80%</div></div>	

CORPRISK13	Unable to deliver satisfactory services through alternative Service Delivery Models including Shared Service arrangements and the potential devolution of services public service reform and/or combined arrangements. The Council is partner in a number of Shared Services - Worcestershire Regulatory Services, Emergency Planning, Water Management, Payroll, Building Control, Economic Development and Regeneration - and is either host to the Shared Service or a partner in receipt of a service.					
Original Matrix		Current Risk Matrix		Target Risk Matrix		

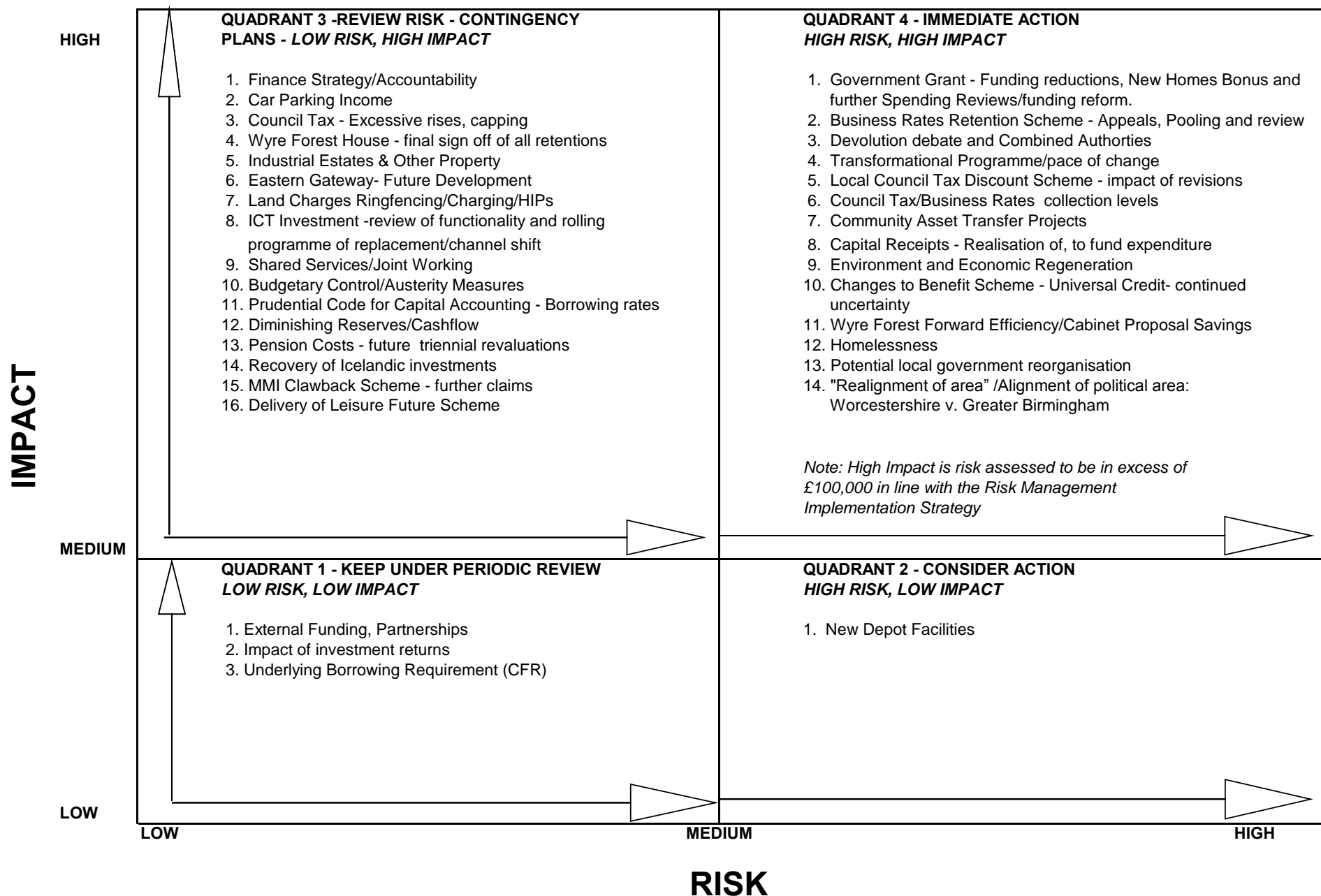
MITIGATING ACTIONS				
Description	Managed By	Due Date	Latest Note	
To ensure that governance arrangements are appropriate for all forms of service delivery including shared services. This is to include any impact as a result of the devolution debate. This may result in significant change to service delivery based around combined authorities and elected mayors and would present a challenge in terms of revised governance arrangements.	Ian Miller; Caroline Newlands; Tracey Southall	31-Mar-2016	Governance arrangements for changed/new types of service delivery are given careful consideration to ensure they are robust and appropriate. The monitoring officer and her team provide advice and guidance in all cases. Revised arrangements for Worcestershire Regulatory Services agreed in September 2015.	<div data-bbox="1641 775 1843 818">85%</div> 
To review the governance arrangements as appropriate for Worcestershire Regulatory Services (WRS)	Mike Parker	31-Mar-2016	Cabinet report on revised governance arrangements considered on 16th September and by Council on 30th September with new arrangements coming into effect on 1st April 2016.	<div data-bbox="1641 1129 1843 1173">66%</div> 

CORPRISK14		Failure to optimise alternative delivery options. The review of the future direction of the delivery of services to the local community including consideration of shared services and the localism agenda is challenging and must be carefully managed to ensure all opportunities are optimised whatever their guise. This revised approach to service delivery is being encouraged by Government and is required to make efficiencies and savings. It is the third part of the Council's transformation efforts following approval of the move to the new HQ. However there are always risks around the management of such arrangements, whether the work is being led by another organisation or led by the Council.							
Original Matrix		<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	Current Risk Matrix		<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	Target Risk Matrix		<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	<div><div></div></div>

MITIGATING ACTIONS				
Description	Managed By	Due Date	Latest Note	
To ensure that governance arrangements are appropriate for all forms of service delivery including shared services. This is to include any impact as a result of the devolution debate. This may result in significant change to service delivery based around combined authorities and elected mayors and would present a challenge in terms of revised governance arrangements.	Ian Miller; Caroline Newlands; Tracey Southall	31-Mar-2016	Governance arrangements for changed/new types of service delivery are given careful consideration to ensure they are robust and appropriate. The monitoring officer and her team provide advice and guidance in all cases. Revised arrangements for Worcestershire Regulatory Services agreed in September 2015.	<div data-bbox="1644 791 1845 831">85%</div> 

BUDGET RISK MATRIX 2016/2019

Agenda Item No. 13
Appendix 2



Budget Risk Matrix

ISSUE	BUDGETARY RESPONSE
<p>Quadrant 1 - Low Risk, Low Impact</p> <p>1. External Funding, Partnerships</p> <p>2. Impact of Investment Returns</p> <p>3. Underlying Borrowing Requirement (CFR)</p>	<p>Keep under periodic review</p> <p>Continue to evaluate sustainability of each scheme as part of project appraisal.</p> <p>Continue to monitor and report as appropriate. The Governor of the bank of England has indicated that the rate will remain at 0.50% under 2016/17. Balances available for investment are reducing over the MTFP and this together with the lower returns has been taken into account in the base budget. We continue to work with Capita in this area.</p> <p>The rising CFR over the term of the Budget Strategy will be carefully monitored in close liaison with Capita to gauge both the timing and type of external borrowing.</p>
<p>Quadrant 2 - High Risk, Low Impact</p> <p>1. New Depot Facilities</p>	<p>Consider Action</p> <p>Under consideration as part of longer term Budget Process</p>
<p>Quadrant 3 - Low Risk, High Impact</p> <p>1. Finance Strategy/Accountability</p> <p>2. Car Parking Income</p> <p>3. Council Tax - Excessive rises, referendum</p> <p>4. Wyre Forest House final sign off of all retentions</p> <p>5. Industrial Estates and Other Property</p> <p>6. Eastern Gateway - Future Development</p> <p>7. Land Charges Ring fencing /Charging/HIPs</p> <p>8. ICT Investment/channel shift</p> <p>9. Shared Services Joint working</p> <p>10. Budgetary Control/Austerity Measures</p> <p>11. Prudential Code for Capital Accounting – Borrowing rates</p> <p>12. Diminishing Reserves/Cash flow</p> <p>13. Pension Costs</p> <p>14. Recovery of Icelandic Investments</p>	<p>Review Risk - Contingency Plans</p> <p>Council are required to adopt a three year Balanced Budget Strategy. Usages/Income level closely monitored, have been adversely affected during current economic downturn, this, together with alternative usage of car parking land is factored in the MTFP</p> <p>Low risk due to political prudence/Key Commitments.</p> <p>Managed closely by Chief Executive and CLT/Cabinet</p> <p>Managed through Property Disposal Strategy</p> <p>Development opportunities continue to be explored.</p> <p>Reduced income allowed for within Base Budget reduces the scale of any challenge. Settlement of claim with lawyers New Burdens Grant will mitigate the impact.</p> <p>ICT Strategy Group formed to oversee/enhance the governance, planning and delivery arrangements of the strategy between ICT and council service areas.</p> <p>Shared Services partnerships continue to contribute to collaborative efficiencies but will be monitored to ensure risk is managed and mitigated.</p> <p>Continue to discourage non-essential expenditure, monthly budget monitoring reports provide more management information</p> <p>External borrowing is now £15m, rates remain low but the economy is still volatile and future rates difficult to predict; Capita continue to provide technical advice</p> <p>Cash flow management will be tighter given reduction in capital and revenue reserves and use of the Capita Cash flow model is being trialled to improve management information to help mitigate any risk in this area</p> <p>Higher payments are now being made as a result of last year's triennial revaluation and the impact of future reviews will be carefully assessed.</p> <p>Under £1m in outstanding and work will continue to achieve maximum recovery.</p>

<p>Quadrant 3 Continued</p> <p>15. MMI Claw Scheme</p> <p>16. Delivery of Leisure Scheme</p>	<p>One further claim received and settled so far, ear marked reserve held. Currently on schedule and on budget; this will be carefully managed and regular reports made to members.</p>
<p>Quadrant 4 - High Risk, High Impact</p> <p>1. Government Grant –Funding Changes, further Spending Reviews and New Homes Bonus</p> <p>2. Business Rates Retention Scheme, appeals, Pooling and revision of funding arrangements</p> <p>3. Devolution debate and Combined Authorities</p> <p>4. Impact of Transformational Programme</p> <p>5. Local Council Tax Discount Scheme</p> <p>6. Council Tax Collection levels</p> <p>7. Community Asset Transfer Projects (CATS) – Kidderminster Town Council</p> <p>8. Capital Receipts - Realisation of to fund expenditure</p> <p>9. Environment and Economic Regeneration</p> <p>10. Changes to Housing Benefit Scheme – universal credit/localisation of support for Council Tax</p> <p>11. Wyre Forest Forward Efficiency savings</p> <p>12. Homelessness</p> <p>13. Local Government Reorganisation</p> <p>14. Realignment of area/political area</p>	<p>Immediate Action</p> <p>Significant issue given the scale of the Spending deficit. The Cabinet Financial Strategy Advisory Panel process will assist Wyre Forest Forward coordinating Councils future Plans.</p> <p>Proposed changes to funding arrangements introduce uncertainty and risk, the third year of membership of the Worcestershire Pool may mitigate this. Application to the DCLG for new WBRP without Malvern for 2016/17 now approved. Annual review thereafter but future of pooling uncertain. Our robust regeneration programme is a mitigation factor.</p> <p>Monitored closely by CLT/Cabinet</p> <p>Managed by CLT/Cabinet with reports to Group Leaders.</p> <p>The impact of the revised Local Scheme will be kept under review by the Chief Executive/Chief Financial Officer</p> <p>Assumptions in relation to decreased collection rates have been made in the Council Tax Base calculations as a result of the Local Council Tax Discount Scheme and these will be carefully managed and reported on.</p> <p>Wyre Forest Forward is continuing to manage significant CATS with CLT/reports to Group Leaders. The project team is working closely with the Parishing Committee on the Kidderminster Town Council proposals.</p> <p>Capital Programme funding reflects realistic timescale for the realisation of asset disposal receipts. Temporary borrowing will be used when necessary.</p> <p>The Council continues to be proactive in this area and this is closely monitored by Cabinet/CLT</p> <p>The continued overhaul of the benefits systems will be carefully managed and monitored.</p> <p>Progress continues to be monitored and reported regularly to members.</p> <p>The Welfare Reform, Universal Credit and Council Tax Benefit Reform could all increase the number of Homelessness cases within the district. This will be carefully monitored and managed by the Housing Team.</p> <p>Macroeconomic area strategically assessed and managed by the Leadership team.</p> <p>Kept under strategic review by the Leadership team in liaison with two LEPS. The three LEP footprint proposals are also within our radar.</p>