

Open

Audit Committee

Agenda

6pm
Monday, 27th November 2017
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor A T Hingley
Vice-Chairman: Councillor T L Onslow

Councillor K Henderson
Councillor J A Shaw

Councillor S Miah
Councillor H S Williams

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 Rhiannon Foxall, Business Improvement Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF. Telephone: 01562 732786 or email rhiannon.foxall@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Monday, 27th November 2017

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 31st July 2017.	5
5.	Audit Committee Update To receive the Audit Committee Update and Progress Report from Grant Thornton our External Auditors.	9
6.	Annual Audit Letter - year ended 31st March 2017 To receive a report on the Annual Audit Letter from Grant Thornton for the year ended 31 st March 2017.	25
7.	Internal Audit Monitoring Report Quarter Ended 30th September 2017 To receive a report from the Audit Manager informing Members of the Internal Audit Monitoring Report quarter ended 30 th September 2017.	38

8.	Risk Management – Corporate Risk Register To receive a report from the Corporate Director: Resources on the Corporate Risk Register as at 30 th September 2017.	51
9.	External Audit Assessment To receive a report from the Audit Manager on the progression of the External Audit Assessment.	77
10.	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.	
11.	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

12.	Bewdley Medical Centre To receive a report from the Audit Manager on the Bewdley Medical Centre and former library redevelopment capital project.	
13.	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.	

WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

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

31ST JULY 2017 (6PM)

Present:

Councillors: A T Hingley (Chairman), T L Onslow (Vice-Chairman),
K Henderson, N Knowles, S Miah and H S Williams.

AUD.10 Apologies for Absence

Apologies for absence were received from Councillor J A Shaw.

AUD.11 Appointment of Substitutes

Councillor N Knowles was appointed as a substitute for Councillor Shaw

AUD.12 Declarations of Interests by Members

No declarations of interest were made.

AUD.13 Minutes

The Corporate Director for Resources highlighted a necessary change to the last sentence of the penultimate paragraph of AUD.7. The reference to Leader of the Council was amended to Cabinet Member.

Agreed: The minutes of the meeting held on 31st May 2017 be confirmed, subject to the change above, as a correct record of the meeting and signed by the Chairman.

AUD.14 Audit Findings Report for Wyre Forest District Council – 2016/17 Accounts

GT led Members through the report. It was recognised that the earlier deadline of the 31st July had been successfully met and this reflected the quality of the accounts and the support provided by the team.

Councillor Knowles asked for clarification regarding the “unqualified audit opinion”. GT confirmed that an unqualified opinion was a positive outcome as it meant no significant issues had been found.

Councillor Onslow asked what the difference was between a finance lease and an operational lease. GT explained that a finance lease usually results in the asset being transferred as the value of the asset is met by the payments that have been made. An operational lease is when payments are made (for example rent for access to facilities) but the ownership of the asset does not

change.

Councillor Onslow asked for further clarification about how this impacts with the lease on a property and how it would impact on a tenant. GT advised that tenancy agreements on property are handled differently to commercial leases.

Councillor Knowles raised concern about the 99 year lease and the finer details of the agreements. GT agreed that there is a level of complexity where a judgement call is required. GT did highlight that from their point of view, the issue of Kidderminster Town Council was that of an accounting judgement and will be less of a concern for the accounts in future years.

Councillor Knowles asked about the funding gap and asked GT if it was too early to start looking at changes to Business Rates. GT advised it is difficult to take anything into consideration until the policy regarding this is more apparent.

Councillor Onslow asked if the reference to a 'straight line approach to forecasting income' is the same as being risk averse. GT advised that this was not necessarily the case but it has been recognised that all possibilities need to be considered as this could impact positively on the overall forecast.

Councillor Hingley thanked GT for their detailed report.

The report was noted.

AUD.15 Statement of Accounts

The Corporate Director for Resources led Members through the report and advised them that it was a refreshed version the report that came to Committee in May. The Corporate Director for Resources thanked her team for their support in ensuring the 31st July deadline was met and was very pleased to have received an unqualified opinion.

The Corporate Director for Resources highlighted the performance indicator regarding prompt payment of invoices is lower than what would normally be expected. This is due to resources within the team but the indicator has now started to improve.

Councillor Onslow queried adjustments to figures and asked why the 'life' of an asset could not be determined more accurately. The Principal Accountant advised that the explanatory note regarding adjustment to figures was there to allow for any unforeseen changes in circumstances.

Councillor Knowles queried the level of reserves and whether we have to keep a certain percentage of the overall income/expenditure in reserves. GT advised that one of the reasons the reserves is there is to adequately finance the unforeseen. Therefore, there is no percentage set as it is a judgement call for each S151 officer to make.

Councillor Knowles also asked about the collection of Business Rates and what work is being undertaken to improve the collection rate. The Corporate Director for Resources advised that the collection of business rates is

something we aspire to improve but unfortunately there are restrictions on what can be done as we have to work within the boundaries of the legislation. The Corporate Director of Resources did assure the Committee that Business Rate debts are not written off until a very lengthy process to try and recover the money has been followed. Debts that have been written off can also still try to be recovered if circumstances with the business change.

GT reiterated that Business Rates is often about identifying risk within the Business Rate pool – relying on a small number of large businesses could be of higher risk than having lots of smaller businesses.

Agreed. The Audit Committee:

Approved the Revised Statement of Accounts for 2016/17

Approved the Letter of Representation for 2016/17 as at Appendix 1

AUD.16 Internal Audit Monitoring Report Quarter Ended 30th June 2017

The Audit Manager led Members through the report which reflects on the first quarter of the 2017/18 Audit Plan.

Councillor Onlsow asked for assurance that no income had been lost as a result of the issues identified as part of the review for recording MOT income. The Audit Manager confirmed that no income was lost and the issues arising were more around housekeeping.

Councillor Miah asked for an explanation as to the difference between 'limited assurance' and 'some assurance'. The Audit Manager explained that originally the assurance level was given as 'limited' due to the lapse of controls but the assurance level was increased to 'some' after the relevant service team worked with the Audit team to address the issues

The report was noted.

AUD.17 Internal Audit Public Sector Internal Audit Standards

The Audit Manager provided an outline regarding the requirements of the Public Sector Internal Audit Standards, confirming that following the self assessment endorsed by the Audit Committee in June 2014, there was now a requirement for an external assessment of the service.

The Corporate Director; Resources advised that the option for a validation of the self assessment would be progressed, and this was in line with authorities of a similar size. The Audit Committee will be advised of the outcome of the external assessment in due course.

Councillor Hingley thanked the Audit Manager for keeping the Committee informed.

Agreed. The Committee:

Endorsed the preferred option of a validated self-assessment to fulfil the required external assessment of the Internal Audit Service in accordance with the UK Public Sector Internal Audit Standards at detailed at 4.8

AUD.18 Counter Fraud Arrangements 2017/18

The Audit Manager led Members through the report, particularly the details of the pro active anti fraud plan as at Appendix 1. The Audit Manager advised that in particular the review of the National Fraud Initiative and been resourced, that there were no significant issues arising, and any issues identified were more around housekeeping.

Councillor Miah asked why some actions were showing with a completed date of 2016 and whether these actions were off track or if the date needs to be revisited. The Audit Manager advised that the completed dates reflected the completion date of the initial piece of work but they have now evolved and continue to be a work in progress.

Councillor Onslow gave her appreciation to the team for all the work that has been undertaken regarding cyber crime as this continues to be a very high risk area and any training that is provided is invaluable.

Councillor Knowles queried the rationale the Audit team would use when potential fraud was highlighted. The Corporate Director for Resources advised that Members can always speak to the team privately if they have a particular area of concern regarding fraud.

The report was noted.

AUD.19 Any other business

Councillor Hingley advised the Committee that she was going to attend an Overview and Scrutiny Committee and that she had invited the Chair of Overview and Scrutiny to attend an Audit Committee in order to share learning. The Committee endorsed this.

The meeting ended at 7.15pm.

Audit Committee Update Wyre Forest District Council Progress Report and Update

November 2017

Richard Percival

Engagement Lead

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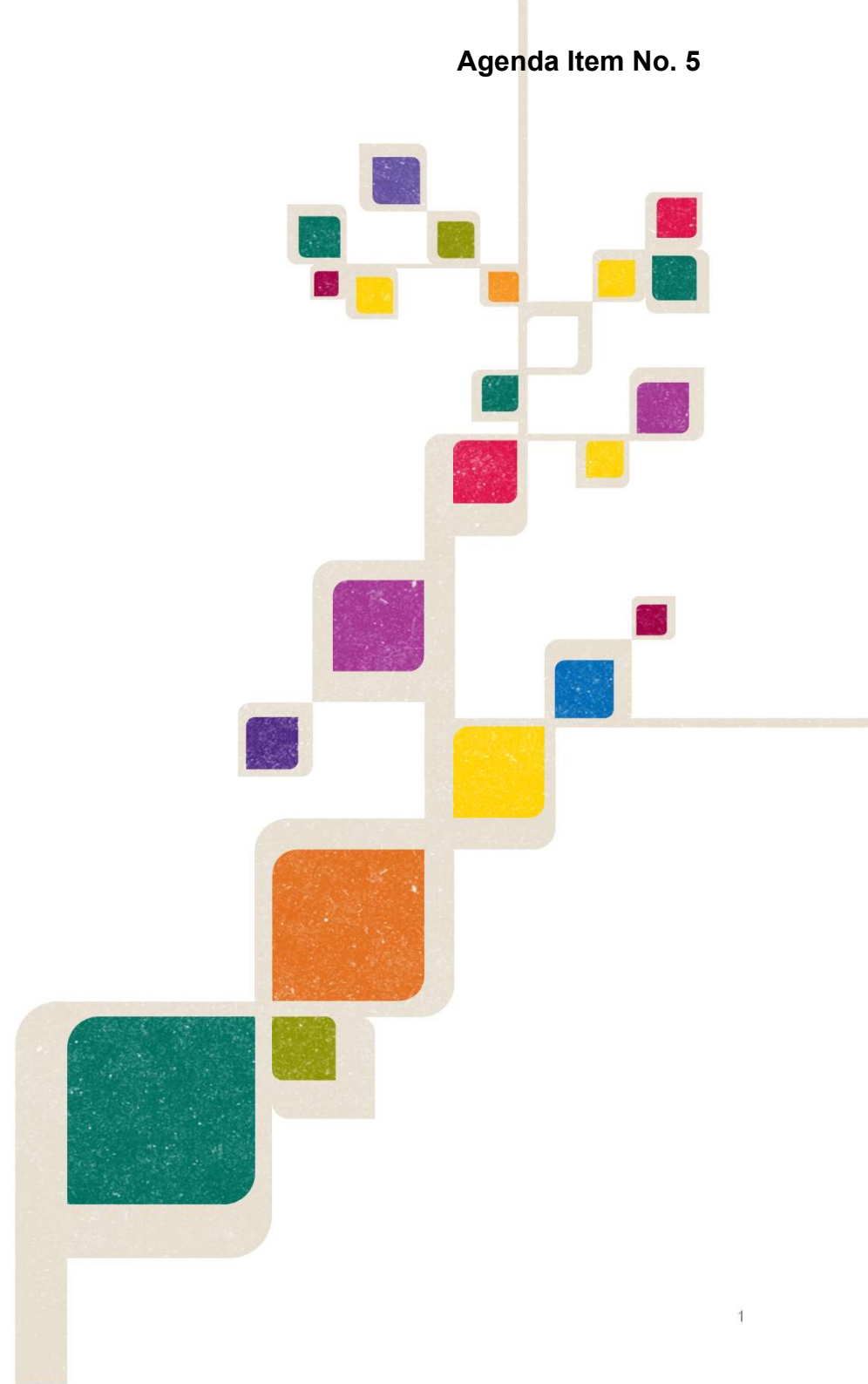
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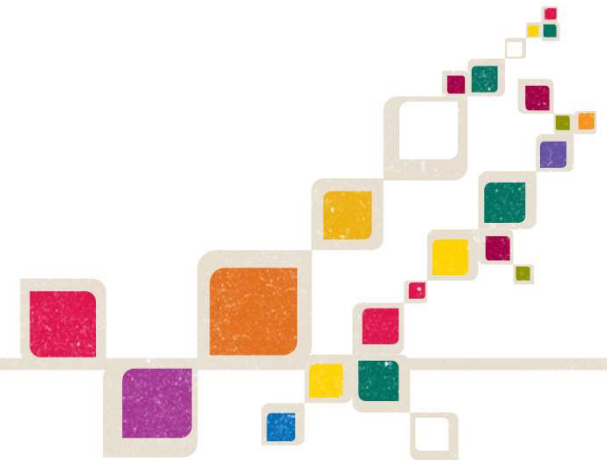
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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



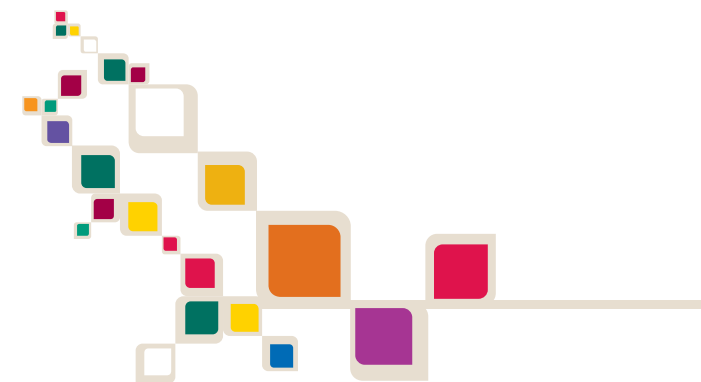
Introduction

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

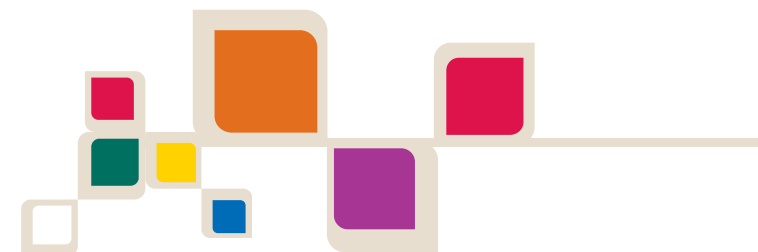
Members of the Audit and Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications and articles, including the reports mentioned in this update along with other items:

- Income generation is an increasingly essential part of providing sustainable local services ; <http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>
- Social enterprises are becoming increasingly common vehicles for delivering services that are not an ‘essential’ service for an authority but still important to the local community; <http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>
- Fraud risk, 'adequate procedures', and local authorities; <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- Brexit and local government; <http://www.grantthornton.co.uk/en/insights/a-global-britain-needs-more-local-government-not-less/> and <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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.

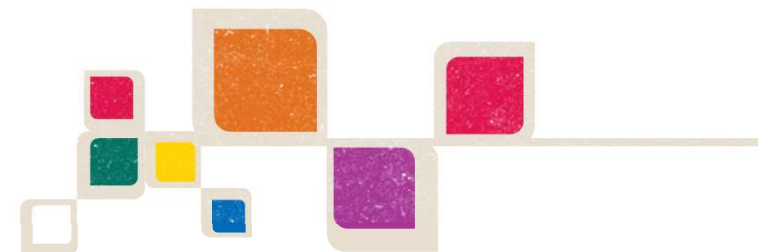


Progress at November 2017



2016/17	Planned Date	Complete?	Comments
Annual Audit letter The Annual Audit letter is contained within the Audit Committee papers	November 2017	yes	This report summarises the work completed and our findings for the 2016/17 financial year.
Certification of claims and returns Housing Benefits Subsidy Under the PSAA contract we complete the audit of the Housing Benefit Subsidy return, in line with the procedures agreed with DWP.	November 2017	In progress	Our work on the claim is substantially complete, and we will issue our certificate along with the qualification letter, by the 30 November 2017 deadline
2017/18	Planned Date	Complete?	Comments
Fee Letter We are required to issue a planned fee letter for 2017/18 by the end of April 2017.	April 2017	yes	We are not currently anticipating any changes to the agreed fee. This is the final audit year under the current contract.
Accounts Audit Plan We will issue a detailed accounts audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements. The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing with your officers our plan and timetable to ensure that we complete our work by this earlier statutory deadline.	January 2018	Not started	The plan will be issued upon completion of our audit planning which we are scheduled to start in December 2017. .

Progress at November 2017



2017/18	Planned Date	Complete?	Comments
Interim accounts audit Our interim fieldwork visit plan will reflect the need to complete as much as possible earlier in the audit cycle. Our work will include: <ul style="list-style-type: none"> • review of the Council's control environment • Updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	January and March 2018	Not started	We plan to undertake 2 interim visits in 2018, the first in January and the second during March. We intend to bring forward as much work as possible of our substantive (transactional testing) with the aim to reduce the amount of work to be undertaken in the summer. We will discuss with your officers the work we propose to complete to ensure that agreed information is available. We will provide an update on our work progress and findings within future progress reports to the committee.
Final accounts audit <ul style="list-style-type: none"> • Work to issue an opinion on the Council's accounts 	By 30 July 2018	Not started	We are planning undertake the final visit during June and July 2018
Value for Money (VfM) conclusion The scope of our work is unchanged to last year 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". 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". The three sub criteria for assessment to be able to give a conclusion overall are: <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	By 30 July 2018	Not started	We plan to complete work on any value for money conclusion risks by March 2018 and report within the Audit Findings Report in July.

Technical Matters



Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and forthcoming provisions for IFRS 9 and IFRS 15

Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18. The main changes to the Code include:

- amendments to section 2.2 (Business Improvement District Schemes (England, Wales and Scotland), Business Rate Supplements (England), and Community Infrastructure Levy (England and Wales)) for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report
- updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 (Housing Revenue Account) to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)

- amendments to section 6.5 (Accounting and Reporting by Pension Funds) to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Forthcoming provisions for IFRS 9 and IFRS 15

CIPFA/LASAAC has issued 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'. It sets out the changes to the 2018/19 Code in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

Technical Matters

Questions:

- Is your Head of Finance aware of the changes to the Code of Practice in 2017/18 and the forthcoming changes to lease accounting and revenue recognition?

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.



Accounting and audit issues

CIPFA: The guide to local government finance 2017 edition

CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management. The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.

CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.

Challenge questions:

- Is your Chief Finance Officer aware of the updated guides?



Accounting and audit issues

DCLG: Consultation on the proposed changes to the prudential framework of capital finance

DCLG are currently consulting with Local Authorities and other interested parties on changes to the prudential framework. The DCLG has policy responsibility for the Prudential System which covers the responsibility for ensuring that the statutory guidance drives local authorities to make borrowing and investment decisions in a way that is commensurate with their statutory responsibilities and the best value duty. It also includes overall responsibility for the local government finance system, including understanding the risks to the system from changes in the types of borrowing and investment activities that local authorities are undertaking.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended.

Local Authorities Investment Code

The Government believes that local authorities need to be better at explaining “why” not just “what” they are doing with their investment activity. That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised. To this end a number of proposals are made including requiring local authorities to prepare a Capital Strategy which includes clear disclosure of the Investment Strategy.

Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to an account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP
- guidance should set maximum useful economic lives for MRP calculations based on asset life.

Consultation ends 22 December 2017.

Challenge questions:

- Is your Chief Finance Officer planning to respond to the consultation?

Sector issues



Local Authority 2016/17 Revenue Expenditure and Financing

Sector Issues

DCLG has produced a summary of Local Authorities' 2016/17 provisional revenue spending and financing. It notes that Local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure. The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.5 billion for all local authorities in England in 2016-17. This was 1.1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. 2016-17 was first year local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.8 billion (2.4%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central Government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.5 billion of this increase is due to the Greater London Authority.

The full report is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639755/Revenue_Expenditure_and_Financing_2016-17_Provisional_Outturn.pdf

Did you know....

This data set and many others are included in CFO Insights.

CFO Insights is the Grant Thornton and CIPFA online analysis tool. It gives those aspiring to improve the financial position of their organisation instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

Grant Thornton publications



Combined Authorities: Signs of Success

In her foreword to 'Building our Industrial Strategy' the Prime Minister states that the initiative "will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East." Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, ; their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the leveraging in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

Grant Thornton publications

Questions:

- If in the future your council might consider joining a combined authority, you may want to read our report?



Bond Dickinson

Combined Authorities: signs of success



<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

Setting up a successful social enterprise

Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

In this report we explore what social enterprises look like, the requirements for setting one up, how they should be managed to achieve success and how they can be ended.

We have complemented this with a range of case studies providing inspiring ideas from those that have been successful and some lessons learned to take into consideration.

Key findings from the report:

- Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre
- The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so
- Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice
- Some local authorities have converted existing models into social enterprises; for example where a greater focus on social outcomes has been identified

Striking a balance between financial and social returns

If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended. The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

Grant Thornton publications

Questions:

- Is your Council exploring options for delivery of services?
- Have you read our report?
- Have you downloaded our guide?



<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

The Board: creating and protecting value

In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

Grant Thornton's new report 'The Board: creating and protecting value' is a cross-sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This powerful tool provides a framework (see graph 1) with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.

Value creation	
Directorship How well do the non-executives: <ul style="list-style-type: none"> design, debate and decide the organisation's future? inspire and guide the executive to realise the organisation's purpose? provide support to the executives? 	Leadership How well do the executives: <ul style="list-style-type: none"> Make decisions aligned with realising the organisation's purpose? Inspire and motivate employees to realise the organisation's purpose? model the values of the organisation?
Assurance How well do the non-executives: <ul style="list-style-type: none"> monitor financial, compliance and business indicators? ensure appropriate processes are in place to manage risk? have oversight of the executive team? 	Management How well do the executives: <ul style="list-style-type: none"> set goals, creating plans and allocating resources to achieve them? effectively assign roles and responsibilities? Focus on day-to-day tasks and resources needed to deliver strategic aims?
Value protection	

Source: The Board: Creating and protecting value, 2017, Grant Thornton

Grant Thornton publications

Question:

- Have you read our report?



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/board-effectiveness-report-2017.pdf>



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The Annual Audit Letter for Wyre Forest District Council

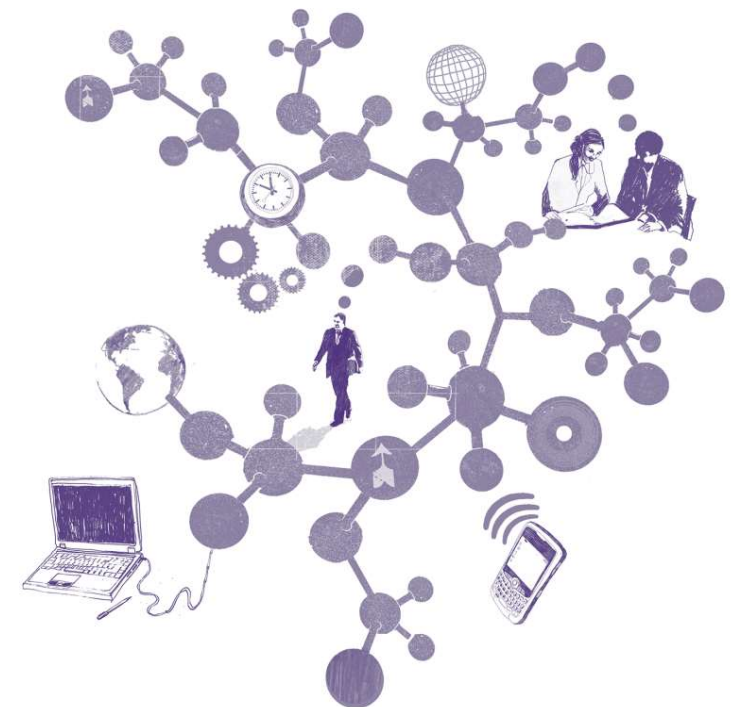
Year ended 31 March 2017

October 2017

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Wyre Forest District Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee (as those charged with governance) in our Audit Findings Report on 31 July 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 31 July 2017.

Certificate

We certified that we had completed the audit of the accounts of Wyre Forest District Council in accordance with the requirements of the Code on 31 July 2017.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

Key messages

The key messages arising from our audit of the Council's financial statements were:

- The accounts were prepared earlier this year which puts the Council and external audit in a strong position to meet the revised timetable for 2017/18.
- There were no major matters arising from the audit. The finance team supported the audit well, with requests for samples and responses to queries responded to quickly.

We did not identify any adjustments affecting the Council's reported financial position, but we did recommend disclosure amendments to improve the presentation of the financial statements. These changes were included in the audited version of the accounts.

We focused our value for money conclusion work on the assumptions made in the medium term financial plan. We considered this area a significant risk due to uncertainties around future income streams and delivery of the savings plans.

We concluded that:

- The Council has made appropriate assumptions within the medium term financial plan in relation to its projected savings.
- Whilst at the time of our audit there were a relatively large level of unidentified savings, the Council has adequate levels of balances to manage its financial position in the short to medium term.
- The Council intends to rely more heavily on income generation to help it fill its savings gap and at the time of our audit there were a number of initiatives in the pipeline, however these had yet to be built into forward plans although they were being considered actively as part of the work toward the 2018/19 budget.
- With increased reliance on demand led income, the Council will need to further develop its approach to forecasting income and enhance its approach to budget forecasting.

Based on our work we concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

Working with the Council

As reflected in our value for money conclusion the Council will continue to face financial and operational challenges in the coming years. These challenges are being actively managed through the Wyre Forest Forward programme. Financial pressures will inevitably continue in the coming budget round for 2018/19.

Progressing the Local Plan is also a key task for 2017/18, with consultation completed earlier this year. Balancing the local impact on current residents with Council objectives of increased housing and encouraging regeneration will be challenging.

We are pleased to see the Council seeking opportunities for income generation as well as developing cost saving measures. These include the development of the capital investment portfolio and various regeneration initiatives.

Through both our financial statements audit work and our value for money conclusion work we will continue to provide external scrutiny and comment on the Council's management of these challenges.

We would like to record our appreciation for the assistance and co-operation provided to us during our 2016/17 audit by the Council's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £0.947 million, which is 1.8 per cent of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for senior officer remuneration and related parties of £20,000.

We set a lower threshold of £47,000 above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Chief Finance Officer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. gained an understanding of the basis on which the valuation is carried out. undertaken procedures to confirm the reasonableness of the actuarial assumptions made. reviewed the consistency of the pension fund asset and liability and disclosures in the notes to the financial statements with the actuary report. 	<p>No matters arising.</p>
<p>Valuation of Wyre Forest Leisure centre and The Glades leisure centre site</p> <p>The Council opened Wyre Forest Leisure Centre in July 2016, in the prior year the leisure centre was classed as an asset under construction. The Glades Leisure centre is now demolished and the Stourport-on-Severn Leisure Centre site has been sold.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of the estimate. reviewed the competence, expertise and objectivity of any management experts used. reviewed the instructions issued to valuation experts and the scope of their work. reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding. Tested revaluations made during the year in relation to these assets to ensure they were input correctly into the Council's asset register. 	<p>No matters arising</p>

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Changes to the presentation of local authority financial statements</p> <p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • documented and evaluated the process for the recording of the required financial reporting changes to the 2016/17 financial statements. • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>The Council did not include details of one of the prior period adjustments associated with this change in the issued draft of the accounts. The final version of the accounts included appropriate disclosures.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 31 July 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 31 July 2017.

Our audit findings report, reported positively on the accounts closedown process, the quality of the financial statements and the support given by officers to the audit. We made recommendations for further improvement in two areas: the content of the narrative foreword and disclosure of critical judgements.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report, which are published on its website with the draft accounts in line with the national deadlines.

We were pleased to see that the Council gave serious consideration to the preparation of the AGS and ensured that it accurately reflected the governance process, relevant issues and how they are being managed. Similarly, serious consideration was also given to the content of the narrative report. It reflected both the requirements of the Code and 'telling the story' of the financial position at Wyre Forest.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council accounts and to raise objections received in relation to the accounts. There were no matters that required us to exercise these powers.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

As part of our Audit Findings report agreed with the Council in March 2017, we made one recommendation in relation to the Council's approach to revenue forecasting. We highlighted the need for the Council to incorporate further sophistication into its forecasting, particularly where services are demand led which is increasingly likely in the future. Changes in prices and demand will have a range of outcomes. Different scenarios could be modelled and financial reports should reflect the associated risk to the revenue outturn.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money conclusion

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Medium term financial plan</p> <p>The Council's financial forecast shows that doing nothing will result in a recurring deficit each year beyond 2016/17. Good progress is being made with the 'Wyre Forest Forward' programme and the Council is looking to make further savings across services. By 2019/20 the Council has a target of delivering almost £1million efficiency savings.</p> <p>There is an increasing emphasis on growing income, driven by the continuing reduction in central government funding. The Council is naturally focussing on growing business rates and Council tax but also other areas, including letting out its property assets. Housing development and economic regeneration are key priority areas to both meet the Council strategic ambitions and as drivers of increasing revenue.</p> <p>This is highlighted as a significant risk due to uncertainties around future income streams and delivery of the savings plans. Unrealistic assumptions around income and savings would create a significant risk around the Council's financial sustainability.</p>	<p>We reviewed the assumptions in the medium-term financial plan. In particular:</p> <ul style="list-style-type: none"> • The level of savings planned within the MTFP and the reporting of delivery • The assumptions made around income, and income growth • The progress made with implementing key savings and income generation plans. 	<p>The Council has made cautious assumptions around income to be achieved in the Medium Term Financial Plan. There is an expectation that income generation initiatives will help to close the budget gap, reducing the need to rely on reserves. Developing income is a key focus of the planning for 2018/19 and beyond as they contribute towards closing the budget gap. We would expect that increased assumptions around income generation initiatives will become increasingly important in the budget for 2018/19.</p> <p>The external peer review considered the approach to medium term financial planning. The review team acknowledged that the Council is challenging itself and, whilst it made recommendations for improvement, was overall very positive about the progress made and the Council approach to financial planning.</p> <p>The 2016/17 out-turn was £0.96 million lower than the original budget for a number of reasons explained in the Narrative Foreword to the accounts. This shows that the savings against original budget were £0.96 million and against the revised budget £0.66 million. Large underspends were also made in the prior year against the revised quarter three budget.</p> <p>The peer review highlighted a need to further improve in year forecasting and we echo that comment. We have seen that the Council uses a straight line approach to forecasting income and does not include sensitivity analysis or scenario planning in forecasting the impact on income of changes in demand and changes in fees. With demand led income featuring more heavily in the budget it becomes increasingly important that the Council has reliable in year forecasting and is able to assess the impact of varying fees when agreeing the budget.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed 2016/17 fees £	Actual 206/17 fees £	Actual 2015/16 fees £
Statutory audit of Council	48,936	48,936	48,936
Housing Benefit Grant Certification	9165	tbc	8785
Total fees (excluding VAT)	58,101	tbc	57,721

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Reports issued

Report	Date issued
Audit Plan	March 2017
Audit Findings Report	July 2017
Annual Audit Letter	October 2017

Service	Fees £
Non-audit services:	
Place analytics annual subscription	5,000

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as reported in our Audit Findings Report.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor

Independence and non-audit services

We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place

	Service provided to	Fees	Threat?	Safeguard
Subscription to Place Analytics	Wyre Forest District Council	£5,000	No	The work is completed by staff not involved in the statutory audit. The subscription provides access to data for use by management. This data is not used in connection with the preparation of the financial statements.
	TOTAL	£5,000		

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
27TH NOVEMBER 2017**INTERNAL AUDIT MONITORING REPORT**
QUARTER ENDED 30TH SEPTEMBER 2017

OPEN	
CABINET MEMBER	Councillor Nathan 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 30 th September 2017

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 30th September 2017, attached as Appendix 1.

2. RECOMMENDATION

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

- 2.1 The Internal Audit Monitoring Report for the Quarter ended 30th September 2017 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 2017~18 in March 2017. 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.
- 3.3 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.
- 3.4 The Report attached as an Appendix contains 5 sections which are:

Section 1	Follow up reviews undertaken in the quarter; incorporating recommendations in progress
Section 2	Final Internal Audit Reports issued
Section 3	Draft Internal Audit Reports issued
Section 4	Work In Progress to include draft reports issued following completion of 2016~17 Annual Audit Plan
Section 5	Performance Statistics & Additional Assurance work undertaken

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.

- 3.5 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.
- 3.6 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 the respective Corporate Leadership Team member and their nominated service manager{s} for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.
- 3.7 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 May meeting of the Audit Committee.
- 3.8 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.
- 3.9 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.
- 3.10 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 Internal Audit is reviewing the area 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.

- 3.11 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 Standards. 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 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 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.

8. RISK MANAGEMENT

- 8.1 In order to manage risk, internal controls are used to mitigate and manage the

Agenda Item No. 7

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 30th September 2017 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 20th March 2017 ~ Audit Committee ~ Internal Audit Annual Plan 2017~18
28th November 2016 ~ Audit Committee ~ Internal Audit Charter {Updated}
Accounts and Audit Regulations 2015 {SI 234}



INTERNAL AUDIT

INTERNAL AUDIT MONITORING REPORT

**QUARTER ENDED
30th September 2017**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 30th September 2017

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 Cheryl Ellerton AUDIT MANAGER	
 Tracey Southall SECTION 151 OFFICER	

18th October 2017

SECTION 1

Quarter Report to the 30th September 2017**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 FOR THE QUARTER ENDED 30th September 2017		
	ASSURANCE	PAGE
CORE FINANCIAL SYSTEM REVIEWS		
<u>Key Systems (Annual Assurance Reviews)</u>		
2017~18 Income to Bank { HUB/Internet/Automated Telephone Payments}	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.

Quarter Report to the 30th September 2017

DRAFT AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 30th September 2017	
TITLE	DATE OF ISSUE
2017~18 ICT Inventory Review {Green St Depot Site}	18.10.17* *Work Completed in Quarter 2

Agenda Item No. 7 SECTION 4

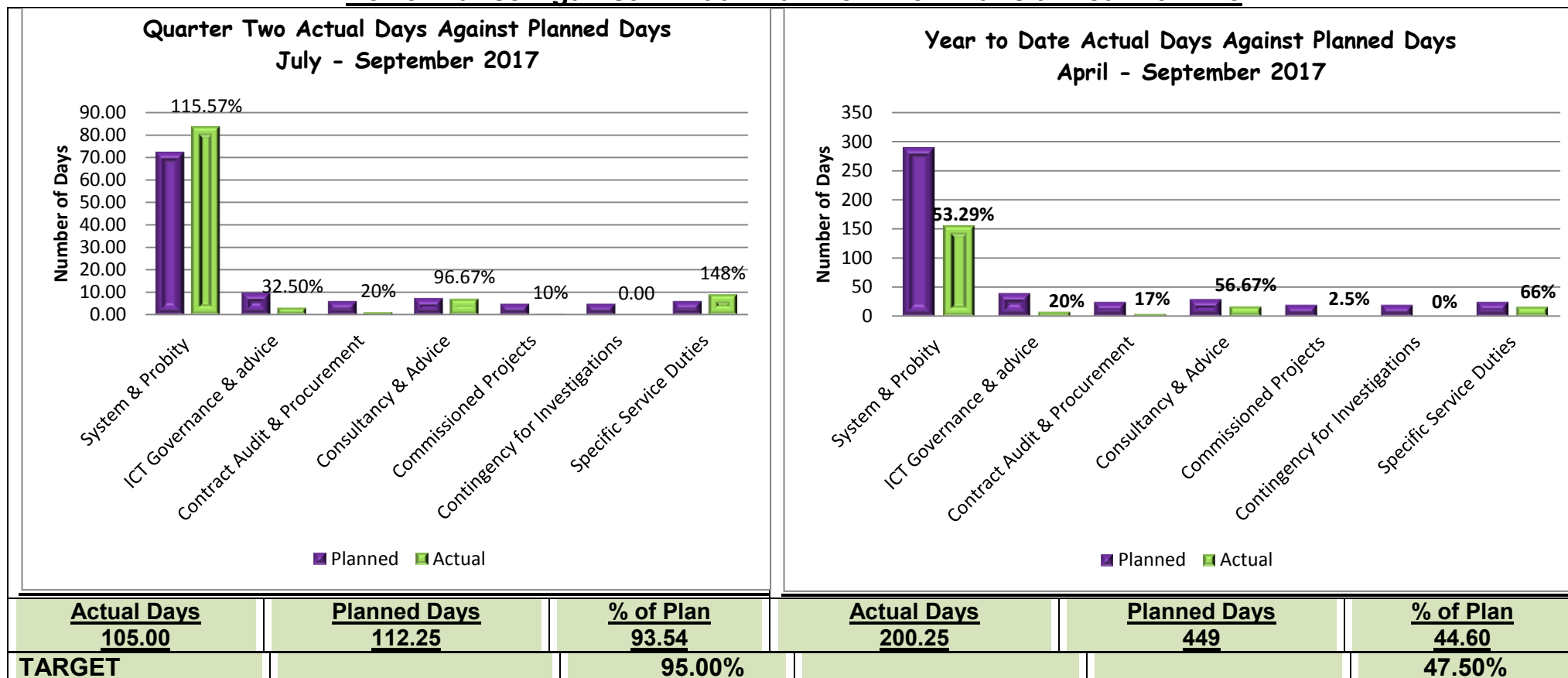
The following Action Plans have been issued to Managers. In addition, the table below shows the status of reviews currently in progress to cover the current on ~ going testing within the 2017~18 Annual Audit Plan for which formal reports will be presented to the Audit Committee in due course.

WORK IN PROGRES AS AT 30th September 2017		Status	Action Plans/Progress Report			
RISK ASSESSMENT	AUDIT REVIEW	As At 30.09.17	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2	DATE OF ISSUE Action Plan No 3	DATE OF COMPLETION OF FIELD WORK
RA74	<u>Core Financial Systems (Annual Assurance Reviews)~</u> <u>2017~18 Annual Audit Plan</u> <u>Accounting Cash To Bank</u> Corporate Income To Bank ~ HUB Bank Reconciliation	Stage 2 Stage 3	- 22.05.17	- 04.08.17		
RA88	<u>Benefits (Inc Council Tax Discounts (Local Scheme))</u> Council Tax Reduction {Local Scheme} ~ Compliance Housing Benefit {Allowances} Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 3 Stage 3 Stage 2	05.07.17 - -	- 21.07.17 -		
RA82	<u>Council Tax</u> Ctax Reconciliations ~ {To include Gross Debit 2016/17} Ctax Compliance/Recovery	Stage 3 Stage 3	30.05.17 -	08.08.17 26.07.17		
RA80	<u>Creditors (Accounts Payable)</u> Creditors {Accounts Payable } ~ Compliance Creditors {Accounts Payable} ~ Reconciliation	Stage 1 Stage 3	- -	- 25.07.17		
RA89	<u>Debtors (Accounts Receivable)</u> Debtors {Accounts Receivable} ~ Compliance Debtors {Accounts Receivable} ~Reconciliations	Stage 1 Stage 3	- -	- 24.07.17/05.10.17		
RA71	<u>Establishment</u> Establishment Reconciliation Establishment {Staff Record Forms}	Stage 1 Stage 1	- -	- -		
RA84	<u>National Non Domestic Rates</u> NNDR ~ Reconciliations ~ {To include Gross Debit 2016/17} NNDR ~ Compliance	Stage 3 Stage 2	31.05.17 -	06.10.17 -		
RA85	<u>Payroll (Including Mileage & Subsistence Claims</u> Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team)^ ^ Field Work includes Local Government Pension Scheme & Local Pay Award Payroll ~ Reconciliations {WFDC Accountancy Team}	Stage 3 Stage 1	- - -	- 15.08.17/16.10.17 -		

KEY Stage 1 Field Work In Progress ~ {With Individual Auditor}
 Stage 2 Phases 1 & 2 & 3 Field Work Complete for Peer Review
 Stage 3 Phases 1 & 2 & 3 Field Work Complete with Action Plan/Progress Report to Service Manager
 Stage 4 Audit Complete awaiting review by Audit Manager
 Stage 5 Draft Report Issued
 Stage 6 Final Report Issued

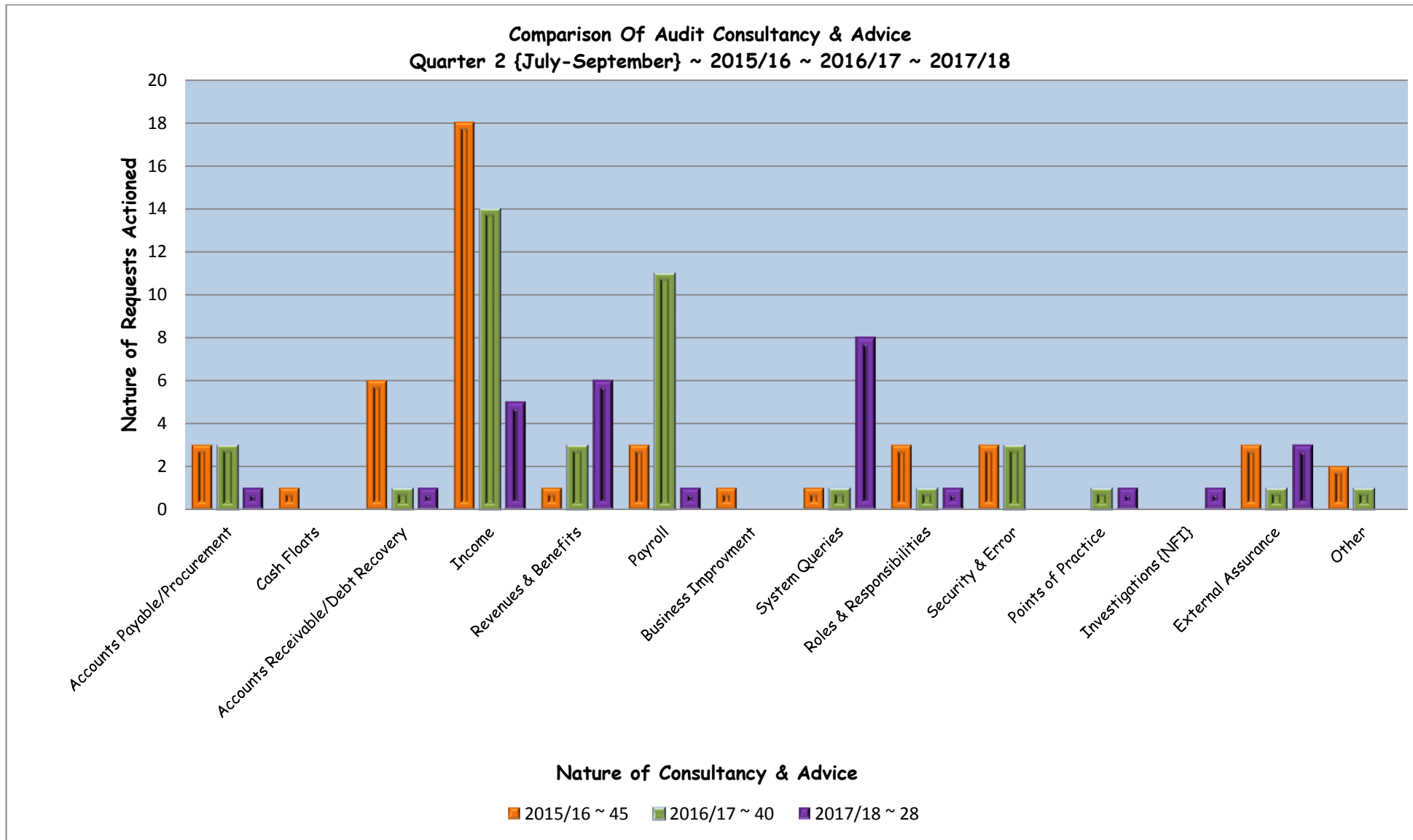
Audit Resource Statistics

Performance Against Annual Plan For The Financial Year 2017/18



For the quarter to 30th September 2017 actual against plan is 93.54% compared to a target of 95% {90.87% against 95% for quarter 30th September 2016}

➔ Within the time allocated in the above table, during this second quarter of 2017~18 the Internal Audit Team have responded to **28** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the 40 requests received and actioned for the same period for 2016/17 and the **45** requests received and actioned for the same period in 2015/16.



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 is not issued, however time has been allocated within the 2017~18 Internal Audit Annual Plan approved by the Audit Committee in March 2017 as summarised below:-.

Information Communications Technology (ICT) Governance, Advice & Assistance

- Attend the ICT Strategy Board Meetings.
- Attend the ICT Security Group.
- Assist the Data Management and Transformation Officer in his role as Data Protection Officer for the Council.
- Attend the Information Governance Working Group.

Contracts & Procurement

- Continued monitoring of the spend against the Public Realm Scheme.{Capital Scheme}
- Monitoring of the final payments in respect of the Leisure Centre.
- Monitoring of the contract payments for the new car park facilities aligned to the Leisure Centre.

Interventions/Continuous Improvement Work

As part of the Consultancy and Advisory role of Internal Audit and request for specific projects members of the Internal Audit Team continue to be involved in continuous improvement service 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 may be met from the Innovation Funds or other available resources. 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.

During this quarter the Senior Auditor continued to attend and support the current Garage Intervention Group led by the Director for Community Well Being & Environment providing particular support to the Fleet Officer on the implementation of the Garage Hive application.

Corporate Issues

During the quarter, Internal Audit have also continued to undertake work in connection with the mandatory National Fraud Initiative hosted by the Cabinet Office to support the 2016~17 programme of work.

Internal Audit Apprenticeship

Following the retirement of a long standing member of the Internal Audit Team for this second quarter, the Internal Audit Apprentice has continued with some of the previous post holders duties ensuring the work being completed will contribute towards the completion of the 2017~18 Internal Audit Plan and providing assurance on corporate governance within the Council.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
27TH NOVEMBER 2017**Risk Management – Corporate Risk Register**

OPEN	
CABINET MEMBER:	Councillor N J Desmond
RESPONSIBLE OFFICER:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Corporate Risk Register as at 30 th September 2017 Appendix 2 – Budget Risk Matrix 2017~20

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 30th September 2017 and the 2017/20 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 operationally is 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. Zurich also undertook a review of the 2016/17 Risk Register as part of an Information Governance Health Check reported to the Leadership Team in July 2016. This gave the leadership and management of risk by senior management a Level 3 – “Managed” rating and recommended that the Risk Register be refreshed to include more specific reference to Information Governance risk. This has been actioned and is included in Appendix 1.

- 3.4 In addition to this external review, the Risk Register is reconsidered and updated annually by the Corporate Leadership Team (CLT). This ongoing review is led by the Corporate Director: Resources in liaison with the Cabinet Member for Resources. The Corporate Risk Register for 2017-18 is attached at Appendix 1, it 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 and updated as part of the Quarterly Budget Monitoring reports attached as Appendix 2.

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 and has previously acknowledged *“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 2014/15, Strategic financial planning and Financial governance pages 29 and 31 of agenda papers

The Value for Money conclusion for 2016/17 provided by Grant Thornton as part of Annual Audit Letter reported to Audit Committee on 31st July 2017 that considers significant risks faced by the Council concluded that:

“Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.”*

- 4.4 The 2016/17 external review of the Risk Register by the Zurich Senior Strategic Risk Consultant in July also provides additional assurance for the Council.
- 4.5 It is appropriate for the Audit Committee to consider the current Corporate Risk Register attached at Appendix 1, updated to the end of September 2017 and agreed by CLT. The Corporate Risk Register will 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 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 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.

10. CONSULTEES

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

11. BACKGROUND PAPERS

- 11.1 The Annual Audit Findings report – Audit Committee 31st July 2017

Corporate Risk Register 2017/18





Key to Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

CORPRISK01		Unable to implement and embed new ways of working. The Council continues to undergo major transformational change that embraces review of processes, cultural and behavioural change, increased standards of delivery etc. Continue to use systems thinking methodology and apply current values in continuous improvement work. The bold and innovative policies for loans to third parties and the capital investment fund, together with capital investment in the depot to improve the Council's commercial offer, are significant and must be carefully managed with risk mitigated by robust due diligence and use of external expertise and alternative service delivery vehicles as appropriate.				
Original Matrix		Current Risk Matrix		Target Risk Matrix		

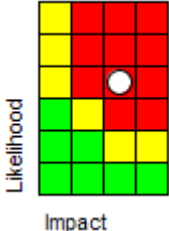
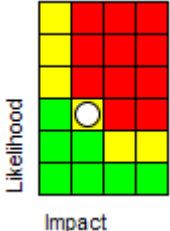
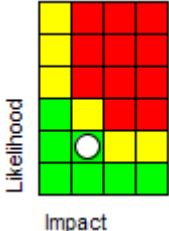

MITIGATING ACTIONS				
Description	Managed By	Due Date	Latest Note	
Regular CLT/ cabinet meetings focussed on change, demonstrating leadership by	Corporate Leadership Team; Ian Miller	31-Mar-2018	Monthly Cabinet/CLT meetings discuss a range of strategic issues and opportunities	<div>50%</div>



Agenda Item No. 8
Appendix 1






example and maintained by regular updates at corporate briefings and team meetings etc.			for change. Round of Corporate Briefings held in July, next due in October.		
Use of external expertise to identify and manage commercial opportunities and advise on the most appropriate mode of service delivery.	Corporate Leadership Team; Linda Draycott; Mike Parker	31-Mar-2018	<p>PER Consulting appointed to end of June to advance business case viability for investment in a number of sites:</p> <p>Former Magistrates' Court</p> <p>Lax Lane, Bewdley</p> <p>Park Lane, Kidderminster</p> <p>Crossley Park</p> <p>Former Frencro Site</p>	10%	
Demonstrating robust and focussed leadership in all transformation activity	Corporate Leadership Team; Ian Miller; Rachael Simpson	30-Sep-2017	<p>Induction Process Review of induction process ongoing. The new learning management system will enable completion of certain corporate modules that can be incorporated into the induction process.</p> <p>HR Pages - COLIN The web team have purchased a new software package that has various themed templates available. The web team will choose a selection of templates to populate with the HR pages to establish which template will be the most suitable going forward. Meeting with web team scheduled for 1st November.</p>	57%	

CORPRISK02

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.

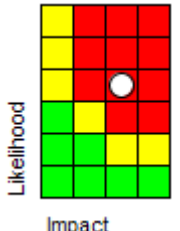
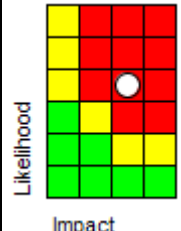
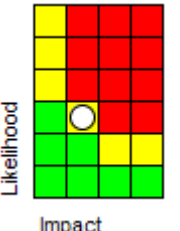

	<p>The Council is now in its sixth year of the State of the Area Programme which includes a number of projects to assist in the stimulation of economic recovery. The Council is host of the North Worcestershire Economic Development and Regeneration Service and a member of two Local Enterprise Partnerships 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. The detail in relation to reform of the Business Rates System towards 100% retention is still evolving. We will continue to review our position as more information is released. 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, this may change following Business Rates Reform.</p>					
Original Matrix		Current Risk Matrix		Target Risk Matrix		


MITIGATING ACTIONS				
Description	Managed By	Due Date	Latest Note	
Continue to implement actions from the Worcestershire Housing Partnership Plan including any outcomes as a result of the review of the Local Development Plan.	Kate Bailey	31-Mar-2018	Worcestershire Delivery Group now overseeing actions around housing supply for county to support the WHPP Consultation responses from LPR being considered and used to inform the Pre-Submission Document WFDC to do a response on planning consultation including on standardised methodology for assessment of housing needs.	<div data-bbox="1641 850 1843 890">25%</div> 
Collection of Council Tax and Business Rates Local Council Tax Reduction Scheme now requires approximately 5000 Customers to pay at least 20% of their Council Tax liability. Failure to pay their liability will result in lower collection rates. Business Rates Retention	Lucy Wright	31-Mar-2018	As at 1st Sept 2017, Council Tax in year collection rates are at 57.69% compared to 57.53% last year with an additional £1.2m collected. NNDR in year collection rates are at 57.95% compared to 57.53% last year but with £450k less collected due to lower property charge due to discretionary	<div data-bbox="1641 1142 1843 1182">60%</div> 

Scheme now requires Local Authorities to focus on Business Rate collection to avoid further financial pressure.			reliefs. An additional £900k has been collected against previous years' arrears.		
Generation of additional Business Rates Income through continued delivery of regeneration and utilisation of new policies for loans to third parties and capital portfolio fund.	Mike Parker	31-Mar-2018	Potential Capital Portfolio Fund investments in new business units at sites on Silverwoods Way agreed by Cabinet at outline business case stage. Detailed Business Case work underway.	<div><div>5%</div></div>	
Crown House/Kidderminster Western Gateway	Mike Parker	31-Dec-2018	TT approval process more complicated than single Board decision; still awaiting final confirmation that all approvals necessary have been obtained.	<div><div>83%</div></div>	
Redevelopment of former Lloyds Garage site and adjoining land (STC.4)	Mike Parker	01-Apr-2019	Operations Board considered latest iteration of viability appraisal but further work still required to improve returns; Partnership Board considered verbal update on 13th November but no decision taken until further work completed by Operations Board.	<div><div>50%</div></div>	
Lion Fields - Regeneration of Bromsgrove Street/Worcester Street area of Kidderminster to support town centre viability	Mike Parker	31-Dec-2017	Tender submission evaluations completed by 6th November and award letter sent out following that exercise; at time of writing still within "standstill" period of procurement process. Successful award can be clarified at the end of the "standstill" period.	<div><div>75%</div></div>	
To complete the redevelopment of forecourt and tickets office at Kidderminster Railway Station	Mike Parker	31-Dec-2018	Project continuing in accordance with timetable.	<div><div>60%</div></div>	

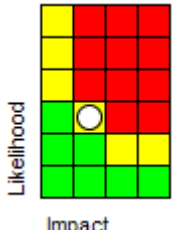
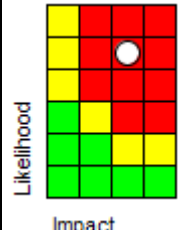
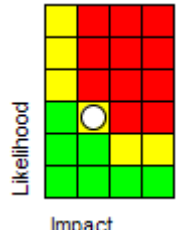

CORPRISK03



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. The emerging national position regarding changes in the Housing & Planning Bill such as the increasing reliance on affordable home ownership and incentivisation of starter homes coupled with changes to Right to Buy legislation and withdrawal of social housing grant to Registered Providers is likely to exacerbate this risk.







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 Worcestershire Housing Partnership Plan including any outcomes as a result of the review of the Local Development Plan.	Kate Bailey	31-Mar-2018	Worcestershire Delivery Group now overseeing actions around housing supply for county to support the WHPP Consultation responses from LPR being considered and used to inform the Pre-Submission Document WFDC to do a response on planning consultation including on standardised methodology for assessment of housing needs.	25%	

CORPRISK04	<p>Unable to deliver a sustainable budget for the long term. The 2017/20 Medium Term Financial Strategy projects a much lower level of government funding over the next 3 years with RSG being phased out completely by 2019/20 and NHB being reformed with a higher baseline for which no funding is paid than previously expected. The success of this strategy is reliant on the delivery of significant savings of to close the funding gap circa £1.9m per by 2020. 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 reform of the Business Rates Retention Scheme and the imposition of further reductions/cessation in Government funding streams represents significant corporate financial risk. These risks include the uncertainty around the future of New Homes Bonus; although it will not be abolished it is clear that there will be a significant reduction in this key funding stream. Business Rates reform, growth and the risk of Appeals resulting in lower Business Rates yield is also an important funding element of the budget and represent a key risk to future sustainability. The approval of the two new significant council policies for loans to third parties and capital portfolio fund should help generate both housing and business growth whilst also generating a net revenue income stream to help alleviate the significant financial pressures. This is closely allied to Corporate Risk 03.</p>
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Original Matrix		Current Risk Matrix		Target Risk Matrix		
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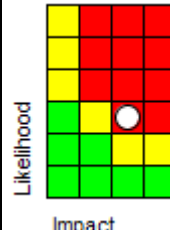
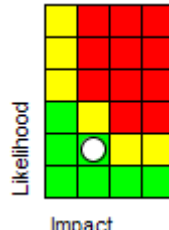

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Delivery of the Wyre Forest Forward Programme/Efficiency Plan likely to be even more challenging given the growth in the target savings assumed in the approved budget requiring circa £2m further savings in the next 3 years. Work continues on identifying how the increased savings target can be achieved and the detail of any changes that require political approval will be included in next year's budget strategy.	Corporate Leadership Team; Ian Miller; Tracey Southall	31-Mar-2018	The Property Investment Manager is in post and is looking to secure some property acquisitions. Cabinet/CLT away day have involved budget discussions for the next cycle. Work on savings proposals and income generation initiatives has commenced in preparation for the Medium Term Financial Strategy December Cabinet report. Further progress on budget realignment savings and commercial growth of income to be reported to Cabinet Financial Strategy Advisory Panel on the 8th November.	35%	
Prepare budgets in accordance with all legislative requirements and the Council's Finance Strategy, taking into account the significant changes in the funding regime, increased risk and diminishing reserves available and reduced capacity following various restructures. The EU referendum and USA election results adds further uncertainty and complexity.	Tracey Southall	31-Mar-2018	The budget preparation is on timetable. Base budgets prepared and validated and MTFS report in first draft.	40%	


Collection of Council Tax and Business Rates Local Council Tax Reduction Scheme now requires approximately 5000 Customers to pay at least 20% 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.	Lucy Wright	31-Mar-2018	As at 1st Sept 2017, Council Tax in year collection rates are at 57.69% compared to 57.53% last year with an additional £1.2m collected. NNDR in year collection rates are at 57.95% compared to 57.53% last year but with £450k less collected due to lower property charge due to discretionary reliefs. An additional £900k has been collected against previous years' arrears.	<div><div>60%</div></div>	
Municipal Mutual Insurance Clawback - Budget Pressure	Tracey Southall	31-Mar-2018	Further update received but no indication of further liability at this stage.	<div><div>60%</div></div>	
Regular meetings to facilitate effective communications. Regular additional Cabinet/ CLT meetings in 2017 to focus on future financial strategy and Wyre Forest Forward savings achievement.	Corporate Leadership Team; Ian Miller	31-Mar-2018	Proposals to maximise council tax income from existing properties including compulsory purchase approved by Cabinet on 20th September. Away day in October has shaped Medium Term Financial Strategy.	<div><div>40%</div></div>	
Implementation of new policies for loans to third parties and capital portfolio fund. Recruitment of new internal resource, supplemented by use of external support/expertise to produce each business case/perform due diligence.	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2018	Further progress has been made with the due diligence process. Tenders in for external support on 30th October. Finance Birmingham contract with legal teams for development loans fund.	<div><div>45%</div></div>	
Business Rates Retention Scheme. To continue to contribute to the reform debate to maximise the council's future position.	Tracey Southall	31-Mar-2018	Application submitted for Worcestershire pilot, following strong leader report to secure approval 12/10/17	<div><div>45%</div></div>	
To continue with the enhanced debtor recovery work and progress the Fraud role using the new dedicated resource within Internal Audit in close liaison with Services and ICT. This will include focus on non-benefit fraud there will be close liaison with the Compliance resource	Cheryl Ellerton; Tracey Southall	31-Mar-2018	The Debtors Recovery Protocol is currently being refreshed in the light of new legislative guidance. Annual update on Fraud Activity was well received by the Audit Committee held in July.	<div><div>35%</div></div>	

within the Revenues team. The Corporate fraud officer will also be the single point of contact to engage with serious and organised crime local multi agency partners to mitigate the risk of procurement fraud.					
Green street depot 2020 improvement and investment plan	Steve Brant; Linda Draycott	31-Mar-2020	Masterplan completed September 2017 as per plan. Detailed business planning being undertaken for a range of options. Being discussed at Overview and Scrutiny on the 2nd November 2017. Decision on investment funding to be taken at Cabinet 14 Nov and subject to full Council approval in December 2017, the improvement project is due to commence in June 2018.	30%	▶
Implementing redevelopment proposals to generate new revenue streams	Mike Parker	31-Mar-2018	Silverwoods and Frenco proposals still in business case development stage. Successful establishment of framework for future consultant advice on valuations and to undertake building condition surveys. Procurement of external advice to support development of viability model still in discussion.	25%	▶

CORPRISK05 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 including Capital Portfolio and loans to third parties.	Jane Alexander	31-Mar-2018	Capital Portfolio - involved with due diligence for model for investment. Loans to third parties - involved with negotiation/drafting of terms with third party to progress loans	30%	
To ensure the leadership team keeps abreast of statutory changes in legislation and seek to influence consultation and seek to prepare for changes in legislation.	Caroline Newlands	31-Mar-2018	On target.	30%	
Training Support and advice for Service Managers from Zurich Municipal Risk Management Specialists as part of our insurance contract	Caroline Newlands; Tracey Southall	31-Mar-2018	Meeting held on the 9th October 2017 with Zurich and paper to go to CLT once proposal has been received from Zurich.	10%	
Continue to improve and develop Strategic management of information governance risks including follow up of Zurich Municipal review recommendations July 2016 report	Corporate Leadership Team; Tracey Southall	31-Mar-2018	Further Information Governance Group meeting with continued focus on GDPR. The Data Protection Officer and ICT Manager are visiting all DMTs to brief on requirements for next year.	45%	
CORPRISK06	Implementation of ICT Strategy. There continues to be significant investment in the development of technology at the Council. The ICT Strategy agreed in 2013/14 is in the process of being implemented across the authority with progress and governance provided by the ICT Strategy Board. A number of 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 refreshing ICT platforms / systems 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 needs to be aware of software support expiry dates; consideration of this issue is included within the ICT Strategy for replacement of corporate system i.e. Office and business systems.				

Original Matrix		Current Risk Matrix		Target Risk Matrix		
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MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to deliver the ICT Strategy to achieve additional efficiency savings.	Dave Johnson	31-Mar-2018	<p>Web / Digital First Update: – Digital first project board currently looking at Civica e-commerce module (estore) to improve on-line payment for customers including basket facility and option to store credit card details to name but 2 of the additional facilities. Waiting for Civica to allocate resources and project plan.</p> <p>GIS : - New GIS system Statmap is now live and technical issues particularly with regard to online maps has now been resolved. Working with Digital First Project team on rolling out on-line maps, also the look and feel of the maps.</p> <p>Business Systems</p> <p>Planning System - Progress being made on specification for new planning system timetable to appoint preferred supplier by end of financial year</p> <p>Garage Software – Garagehive system now live, and interface to financial systems now live.</p> <p>Land Charges – Arcus are still building the system and migrating the data.</p>	49%	

			<p>Elearning :- New elearning system due to go live early November with a range of courses</p> <p>WAN Lines: - All new lines have been installed. Virgin Media Business (VMB) line between Wyre Forest House and Kidderminster Town Hall has now been swapped</p> <p>Procurements:- MFD's (Multi-Functional Device) and Print Room / Planning Printers due to be awarded to Canon , Wireless and Planning tender still to be published, Allpay contract to be awarded using GCloud</p>		
Supporting the Commercial Agenda including digital by default. Review the booking systems and replace, review and replacement of GIS and on-line planning	Dave Johnson; Corporate Communications Team	31-Mar-2018	<p>Web / Digital First Update: – Digital first project board currently looking at Civica e-commerce module (estore) to improve on-line payment for customers including basket facility and option to store credit card details to name but 2 of the additional facilities. Waiting for Civica to allocate resources and project plan.</p> <p>GIS : - New GIS system Statmap is now live and technical issues particularly with regard to online maps has now been resolved. Working with Digital First Project team on rolling out on-line maps, also the look and feel of the maps.</p>	<div>50%</div>	▶
Digital by Default is the expected method of interacting with the Authority	Dave Johnson; Corporate Communications Team	31-Mar-2018	<p>Web / Digital First Update: – Digital first project board currently looking at Civica e-commerce module (estore) to improve on-line payment for customers including basket facility and option to store credit card details to name but 2 of the additional facilities. Waiting for Civica to allocate</p>	<div>40%</div>	▶




			<p>resources and project plan.</p> <p>GIS : - New GIS system Statmap is now live and technical issues particularly with regard to online maps has now been resolved. Working with Digital First Project team on rolling out on-line maps, also the look and feel of the maps.</p> <p>All departments have supplied ICT priorities and issues, dates have been allocated to most projects / issues, departments are allocating dates to other projects that require ICT support. Also looking at bringing Heritage Wedding website back in house early in the new year.</p>		
Review and Update Security Systems including Firewalls/ Web filter/New Email Gateway and associated modules/Network monitoring and reporting (Solarwinds / Firewalls etc)	Dave Johnson	31-Mar-2018	<p>Security upgrades on Laptops and Ipad have been carried out, still a few iPads to update. Patching of Servers and PC remain high priority following a number of very high profile cyber attacks, fully automated updates to all PC's and laptops via SCCM now live for Security & Critical updates. Server patching on-going, AV has been upgraded on servers.</p> <p>Firewalls – Firewalls live at Town Hall, New HQ Firewall(s) have been tested with new methods for VPN and Tenants Firewall nearing completion due to be swapped out with Spare firewalls from the Town Hall.</p> <p>Security updates and next steps</p> <ul style="list-style-type: none"> . ICT are currently looking at options and costs for running cyber exercise . Data protection officer and ICT running GDPR and Cyber awareness sessions for staff. . Fully automating updates to all PC's and 	<div>90%</div>	▶

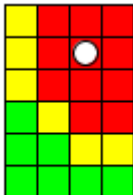
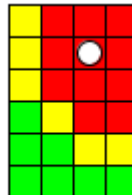
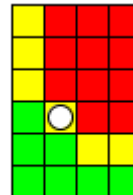

			laptops via SCCM now live for Security & Critical updates. . Cyber Security, Data Protection and new ICT Security policy will be rolled out via new elearning system. New modules for email gateway have been installed; Document Sanitisation module is now live. Due to pilot Data Redaction and email classification with North Worcestershire Water Management Shared Service		
Application Software o MS Office o Planning system o Garage system o CRM	Dave Johnson; Dave Johnson	31-Mar-2018	Business Systems Planning System - Progress being made on specification for new planning system timetable to appoint preferred supplier by end of financial year Garage Software – Garagehive system now live, and interface to financial systems now live. Land Charges – Arcus are still building the system and migrating the data.	35%	▶
ICT Infrastructure o New Wireless o Complete Firewalls o Complete data line install o Shoretel upgrade o VMWare upgrades o Mobile Phones	Dave Johnson	31-Mar-2018	WAN Lines: - All new lines have been installed. Virgin Media Business (VMB) line between Wyre Forest House and Kidderminster Town Hall is now live. Firewall at Town Hall Live. Mobile Phones – All new Smart phones have been set up and rolled out. Majority of iPads and tablets have now been upgraded including members. Approximately 30 existing Smartphones and BYOD still need to be upgraded. Shoretel Call Centre Upgrade due in November VMWare upgrades complete	30%	▶

CORPRISK07

Not able to maintain a skilled and motivated workforce. Against the background of the continued move away from the National Pay Agreement


	(discussions are in progress with unions regarding a second local 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. The departure in early 2017/18 of three key managers will necessitate further restructures/recruitment to ensure there is not a skills shortage that hinders delivery of Council priorities.					
	<div><div>Original Matrix</div><div><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></div></div></div></div><div><div>Impact</div></div></div></div></div></div></div></div>	<div><div>Current Risk Matrix</div><div><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></div></div></div></div><div><div>Impact</div></div></div></div></div></div></div></div>	<div><div>Target Risk Matrix</div><div><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></div></div></div></div><div><div>Impact</div></div></div></div></div></div></div></div>	<div><div></div></div>		

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Progression of Wyre Forest Futures Leadership Development Programme and training and development budget to support it.	Rachael Simpson	31-Mar-2018	CLT approved nominations on the 24th October 2017. Programmes to be developed in partnership with West Midlands employers.	<div><div>25%</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.	Rachael Simpson	31-Mar-2018	This is ongoing through the Organisational Development Strategy and Wyre Forest Forward Programme.	<div><div>25%</div></div>	
Discussion and negotiation with Unions on second local pay agreement	Ian Miller	31-Dec-2017	Eleven negotiating meetings held with Unions including after Council's endorsement of future arrangements including long service awards in	<div><div>60%</div></div>	



			September 2017. Consultation closes 13 Nov, unions balloting members on revised proposals.		
CORPRISK08	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/ efficiency plan and the ability to provide effective leadership for the management of the Council. This is particularly true given the increased savings targets from 2017/18 as a result of reductions in central government funding and the additional resource required to deliver the new policies for loans to third parties and capital portfolio fund.				
	<div>Original Matrix</div> <div><div>Likelihood</div><div></div><div>Impact</div></div>	<div>Current Risk Matrix</div> <div><div>Likelihood</div><div></div><div>Impact</div></div>	<div>Target Risk Matrix</div> <div><div>Likelihood</div><div></div><div>Impact</div></div>		

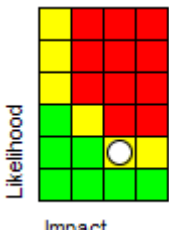
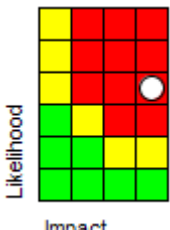
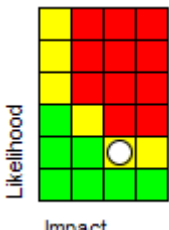

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ensure resources are monitored and managed to protect capacity issues when Systems Interventions take place. The Innovation Fund is used to allocate funding to support interventions and consideration will be given to topping up this reserve at year end.	Ian Miller	31-Mar-2018	Innovation Fund topped up by £150,000 from revenue savings in 2016/17. Allocations from the fund are regularly considered by CLT and past allocations reviewed if no longer required.	50%	▶
Ensure involvement of appropriate staff from both within and outside WF20 onto projects to spread resourcing and maximise the opportunities for success.	Ian Miller	31-Mar-2018	Cross directorate working groups on Digital First and Information Governance. Staff from appropriate teams involved in other projects e.g. Capital Portfolio Fund.	50%	▶
Progressing changes to monitoring attendance levels. Working closely with employees, maintaining conversation and	Rachael Simpson	31-Mar-2018	Ongoing support being provided to employees to assist with their wellbeing and supporting managers to proactively	50%	▶

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development opportunities in accordance with our values and the Worcestershire works well agenda.			manage staff sickness.		
Recruit new post for property investment /management expertise to expedite implementation of policies on loans to third parties and capital portfolio fund.	Mike Parker	31-Mar-2018	Property & Investment Manager commenced three year fixed term post from 19th June 2017.	<div style="width: 100%; background-color: #4f81bd; color: white; text-align: center;">100%</div>	

<div>CORPRISK09</div> <div>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.</div>							
	<div>Original Matrix</div>	<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>Current Risk Matrix</div>	<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>Target Risk Matrix</div>	<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>

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.	Kay Higman	31-Mar-2018	This is updated and reviewed monthly.	<div style="width: 100%; background-color: #4f81bd; color: white; text-align: center;">100%</div>	
Continue with Corporate programme of Employee and Member Engagement	Kay Higman	31-Mar-2018	There is an item on the WF20 agenda to discuss consultation and engagement with the aim of planning this over a 12 month period. Aim to take some proposals to CLT/Cabinet in January.	<div style="width: 35%; background-color: #4f81bd; color: white; text-align: center;">35%</div>	

CORPRISK10		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.							
Original Matrix			Current Risk Matrix			Target Risk Matrix			

MITIGATING ACTIONS				
Description	Managed By	Due Date	Latest Note	
Ongoing patching of servers/workstations/software	Dave Johnson	31-Mar-2018	Security upgrades on Laptops and Ipads have been carried out, still a few iPads to update. Patching of Servers and PC remain high priority following a number of very high profile cyber attacks, fully automated updates to all PC's and laptops via SCCM now live for Security & Critical updates. Server patching on-going, AV has been upgraded on servers.	<div data-bbox="1644 727 1845 772">50%</div>
Annual Penetration tests and network scans.	Dave Johnson	31-Mar-2018	New Firewalls live at Town Hall and completing configuration of new firewalls at WFH and Tenant firewall. High and medium task from annual Penetration test completed. Going out to quote for annual penetration test in November	<div data-bbox="1644 1019 1845 1064">20%</div>
Review and Update Security Systems including Firewalls/ Web filter/New Email Gateway and associated modules/Network monitoring and reporting (Solarwinds / Firewalls etc)	Dave Johnson	31-Mar-2018	Security upgrades on Laptops and Ipads have been carried out, still a few iPads to update. Patching of Servers and PC remain high priority following a number of very high profile cyber attacks, fully	<div data-bbox="1644 1219 1845 1264">90%</div>

			<p>automated updates to all PC's and laptops via SCCM now live for Security & Critical updates. Server patching on-going, AV has been upgraded on servers.</p> <p>Firewalls – Firewalls live at Town Hall, New HQ Firewall(s) have been tested with new methods for VPN and Tenants Firewall nearing completion due to be swapped out with Spare firewalls from the Town Hall.</p> <p>Security updates and next steps</p> <ul style="list-style-type: none"> . ICT are currently looking at options and costs for running cyber exercise . Data protection officer and ICT running GDPR and Cyber awareness sessions for staff. . Fully automating updates to all PC's and laptops via SCCM now live for Security & Critical updates. . Cyber Security, Data Protection and new ICT Security policy will be rolled out via new elearning system. <p>New modules for email gateway have been installed; Document Sanitisation module is now live. Due to pilot Data Redaction and email classification with North Worcestershire Water Management Shared Service</p>		
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CORPRISK11	<p>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. Further to the June 2016 Cabinet report the Council has entered into a Limited Liability partnership with Public Sector PLC and is in the process of setting up a LATC in readiness for property/housing development utilising the capital portfolio fund where this is the most viable option. 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.</p>
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Original Matrix		Current Risk Matrix		Target Risk Matrix		
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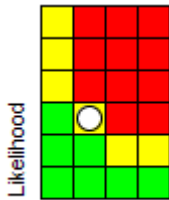
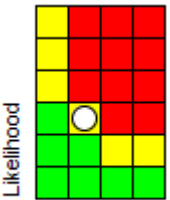
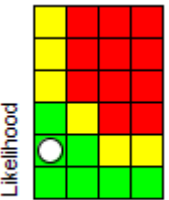

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
To ensure that governance arrangements are appropriate for all forms of service delivery including Public Private Partnerships (PPPs) and Local Authority Trading Companies (LATCs).	Caroline Newlands; Tracey Southall	31-Mar-2018	The Mazaars work is nearing completion and relational partnership with PSP LTD continues to be explored and developed.	40%	



CORPRISK12	Effective/strategically focussed political leadership to cope with continuing significant challenges of reduced funding and changing legislative framework. Following the All-out elections in May 2015 we now almost certainly have a period of political stability for several years. The approval of a move to All-out Elections every four years from 2019 will help future political stability but members will still need regular training and all-party updates to ensure skills and knowledge are kept up to date in those challenging times when effective leadership is key to future sustainability.					
	<div>Original Matrix</div> <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><div>Impact</div></div></div>	<div>Current Risk Matrix</div> <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>Target Risk Matrix</div> <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>		

MITIGATING ACTIONS			
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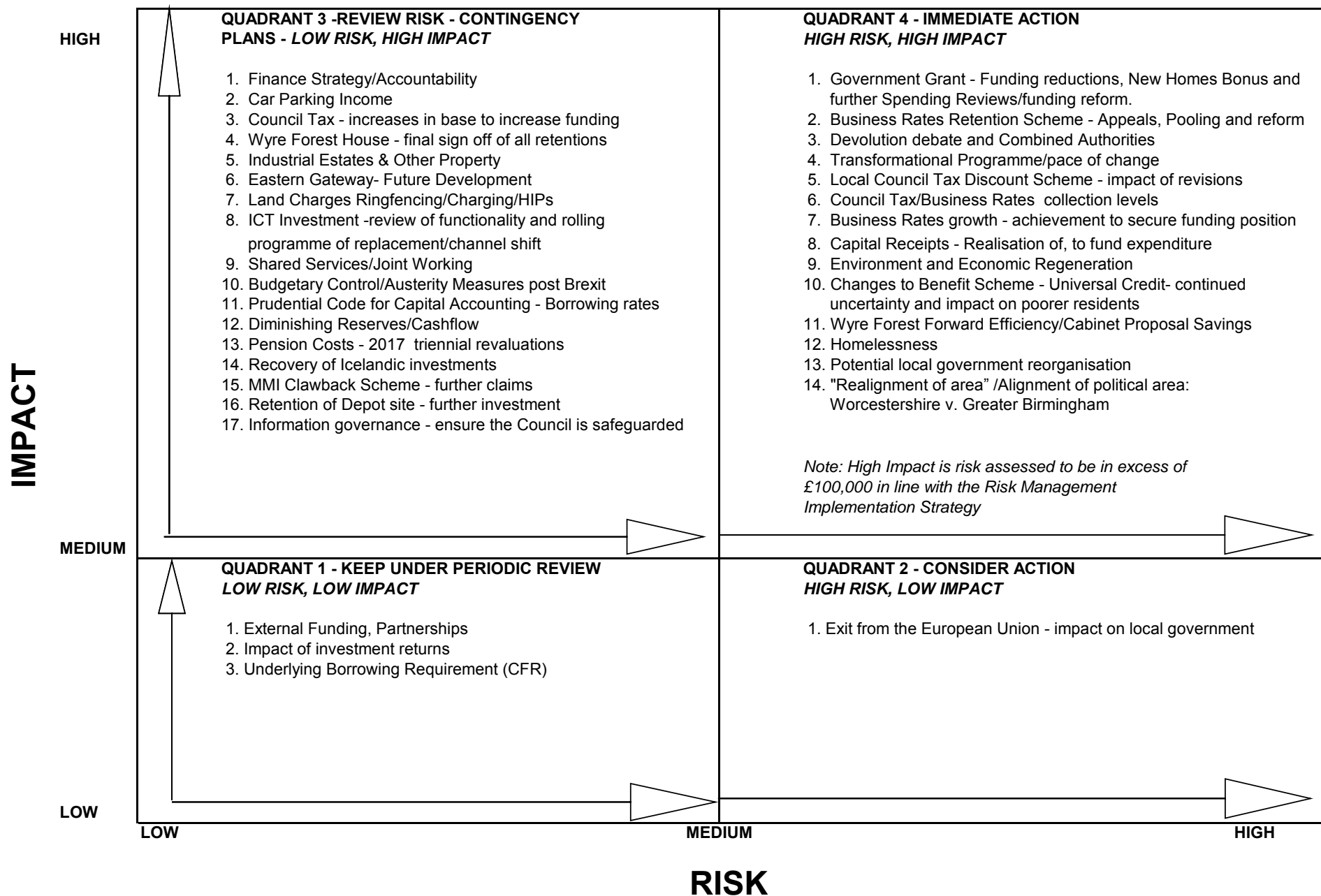
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Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward. This also includes regular meetings of the Group Leaders and the Corporate Induction Plan undertaken in May - July 2017.	Ian Miller	31-Mar-2018	In progress. Meetings of group leaders supplemented with members' briefings and monthly members' bulletin.	<div><div>70%</div></div>	
Ensure newly elected members taking up lead positions in the Council are mentored to enable their skills to be fast tracked	Ian Miller	31-Mar-2018	Completed.	<div><div>100%</div></div>	

CORPRISK13						
Localism: Sustaining the pace and effectiveness of asset and service transfers to third sector parties, Parish and Town Councils						
Original Matrix		Current Risk Matrix		Target Risk Matrix		

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Effective operational arrangements for the oversight of governance for mutually beneficial partnerships with third parties.	Corporate Leadership Team; Caroline Newlands; Tracey Southall	31-Mar-2018	The Wyre Forest LLP working together with Public Sector Partnership PLC is now established together with appropriate operational arrangements for the oversight of governance for mutually beneficial partnerships with third parties.	<div><div>35%</div></div>	
To ensure this Council keep abreast of the latest reorganisation developments and participates in the reorganisation debate to ensure it is not left in an isolated position.	Ian Miller	31-Mar-2018	Government has not announced any plans for reorganisation. Its decisions on proposals submitted before the General Election are awaited. Situation continues to be monitored.	<div><div>40%</div></div>	

BUDGET RISK MATRIX 2017/2020



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 may reduce further from the current 0.25%. 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. Exit from the European Union</p>	<p>Consider Action</p> <p>To-date the impact has not been significant but this will be closely monitored.</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 – increase in base</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, proposal for new simplified policy is factored into the MTFP</p> <p>Assumption of increase of 300 pa should hopefully be realised. 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. Focus on income generation and innovative alternative service delivery models.</p> <p>External borrowing is £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 used to improve management information to help mitigate any risk in this area</p> <p>Higher payments made as a result of the 2013 year's triennial revaluation have improved our position and it is hoped that the impact of the current revaluation can be contained within existing budgets.</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. Retention of Depot Site</p> <p>17. Information Governance</p>	<p>Further claim received and settled, ear marked reserve held.</p> <p>Currently on schedule and on budget; this will be carefully managed Investment is required to provide a sustainable depot site now the decision has been taken to retain this key asset.</p> <p>Internal working group chaired by the Chief Executive is reviewing this area to ensure the Council continues to be safeguarded.</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. Business Rates Growth</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 new Worcestershire Pool may mitigate this. Annual review of pooling arrangements 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>Given proposed funding reform independent business rates growth is of key importance to funding streams. Our regeneration policy, innovative service delivery options and proposed loans to third parties policy all help mitigate risk.</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>

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
27th NOVEMBER 2017**INTERNAL AUDIT**
PUBLIC SECTOR INTERNAL AUDIT STANDARDS ~ EXTERNAL QUALITY ASSESSMENT

OPEN	
CABINET MEMBER	Cllr. Nathan Desmond
RESPONSIBLE OFFICER	Tracey Southall, Extension No. 2100 tracey.southall@wyreforestdc.gov.uk
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDIX 1	Specification for External Assessment of the Internal Audit Service

1. PURPOSE OF REPORT

The purpose of this report is to update Members on the arrangements for the external assessment of the Internal Audit service against the UK Public Sector Internal Audit Standards {UKPSIAS}.

2. RECOMMENDATION

The Audit Committee is asked to note:

- 2.1 The appointment of Tilia Solutions to undertake the mandatory review of the Internal Audit service as required by the UK Public Sector Internal Audit Standards.**

3. BACKGROUND

- 3.1** At the meeting of the Audit Committee on 2nd December 2013, Members endorsed the adoption of the implementation of the UK Public Sector Internal Audit Standards which have been in place since 2013.
- 3.2** It is a requirement of the UK Public Sector Internal Audit Standards, that an external assessment is conducted once every five years by a qualified independent assessor or assessment team. Following the adoption of the UK Public Sector Internal Audit Standards from April 2013, an external assessment is required prior to 31st March 2018.
- 3.3** The aim of the external assessment is to aid on going improvement and can be in the form of a full external assessment or an independent external validation of the self-assessment. At its meeting on 31st July 2017, the Audit Committee endorsed a validated self assessment with an action plan to enhance the delivery of the Internal Audit service.

4. KEY ISSUES

- 4.1** A validated self-assessment requires the Chief Audit Executive {Audit Manager} to prepare a self-assessment against the standards attributes which an assessor or assessment team independently validate. The self assessment to include:

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- A review of audit documents to understand the reporting methodology to include, the Audit Charter, Audit Manual, Audit Plan and Committee Reports
- A review of audit files to include working papers
- On site interviews with Key Personnel to include not only the audit team but also the Director of Resources as S151 Officer, the Monitoring Officer, Chair of Audit Committee and a selection of auditees
- Out put report on the findings which will be supported by the Council's fully evidenced self assessment.
- Formal presentation of the output report to the Corporate Leadership Team and Audit Committee

4.2 The options available in determining the form of the external assessment are via an external organisation or a peer review process. Whilst the assessment process itself involves reviewing the Internal Audit Team as a service to the authority against the attributes that form the standards, a qualified assessor or assessment team must demonstrate competence in two areas:-

- ❖ The professional practice of internal audit; and
- ❖ The external assessment process.

4.3 To demonstrate best practice, three external providers who met the above criteria, were invited to submit quotations for the external assessment of the Council's Internal Audit Service based on a detailed specification outlining the Council's requirements as outlined in Appendix 1.

4.4 Of the three providers invited, only two proposals to undertake the review were received.

4.5 Both proposals demonstrated a high level of practical knowledge and experience of internal audit and were qualified to complete the review. However, as the quotations were evaluated on price, Tilia Solutions as the lower of the two were appointed.

4.6 The assessor assigned to undertake the review has a long standing career within public sector auditing and is currently the lead PSIAS reviewer for CIPFA, having already undertaken twenty reviews to include County Councils, District Councils, Borough Councils, Shared Services and Partnerships.

4.7 The assessor will be on site for two days, scheduled for February 1st and 2nd 2018 to undertake a validation of the self assessment. The structured approach will encompass:-

➔Brief interviews with key stakeholders to check the conclusions drawn in the self-assessment to include:

- The Audit Manager
- The audit team, as a group
- The Chair of the Audit Committee
- The Corporate Director: Resources
- The external auditor, if possible
- Two Auditees, ideally those whose files are subject to review

➔A review of the self-assessment against the evidence file which is likely to include:

- The Charter
- The audit manual

- Audit committee reports and minutes
- The audit plan
- The annual audit report

➔ A review of two audit files and working papers, selected from the current year's audit activity, with the Audit Manager undertaking further testing of audit files.

- 4.8 As part of the review, the assessor will work directly with the Audit Manager and Internal Audit Team. The final outcome of the review will be brief exception report highlighting areas for improvement and action. This report will be presented to the Audit Committee.

5. FINANCIAL IMPLICATIONS

- 5.1 There are financial implications arising from this report in that the external assessment will incur a cost to the delivery of the Internal Audit Service. The cost of the preferred option of the validation of the self assessment is £1,565. This expenditure is already included in the approved service budget. Therefore, there are no further financial implications requiring approval.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2015 section 5 require that:-
"A relevant authority must undertake an adequate and 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.
- 6.2 Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should *"make arrangements for proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs"*. CIPFA has defined *"proper administration"* in that it should include *"compliance with the statutory requirements for accounting and internal audit"*.

7. RISK MANAGEMENT

- 7.1 The Internal Audit service is one element of the Council's assurance/internal control framework. This Key Assurance Service objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The adoption of the UK Public Sector Internal Audit Standards ensures the Council continues to comply with best practice and mitigates risk accordingly. If the Internal Audit Service does not continually improve then the value added by the service will be compromised.

8. EQUALITY IMPACT NEEDS ASSESSMENT

- 8.1 An Equality Impact Assessment is not required for this review of internal audit arrangements.

9. CONCLUSION

- 9.1 An effective Internal Audit Team supports strong governance arrangements. To ensure continued compliance with the UK Public Sector Internal Audit Standards, the outcome of the External Assessment will be presented to the Audit Committee.

10. CONSULTEES

10.1 Corporate Leadership Team ~ Chief Executive

11. BACKGROUND PAPERS

7th July 2017 Audit Committee

United Kingdom Public Sector Internal Audit Standards ~ April 2013 {Updated April 2016}

Accounts and Audit Regulations 2015

**SPECIFICATION FOR THE EXTERNAL ASSESSMENT OF THE INTERNAL AUDIT SERVICE
{2017~18}**

OBJECTIVE: Validation of the Self Assessment

The purpose of the external assessment is to aid on-going improvement in delivery of the internal audit service and should be a supportive process to help identify opportunities for improvement which enhances the value of the Internal Audit Service to the Council.

Required: A constructed validation of the completed self assessment against the UK Public Sector internal Audit Standards to ensure compliance with the standards.

THE ASSESSMENT PROCESS

Stage 1: Obtain background information to ensure an appreciation of the Wyre Forest Districts Council Internal Audit Service to include the Internal Audit Charter and understanding of the relationship with the Corporate Leadership Team and the Audit Committee.

Sight/Obtain:-

- Details of Internal Audit Team Structure to include roles & responsibilities;
- Copy of the Completed Self Assessment Checklist with supporting evidence;
- Copy of the Internal Audit Manual

Stage 2:

1. The review should include an assessment of the Internal Audit Function by review of documentation provided to support the UK Public Sector Internal Audit Standards
2. Review of the Audit process, and examination to establish quality of working papers and reporting lines

Achieved by:-

Review of a sample of audit files

- Interviews with the Corporate Director: Resources {Line Management to Top Table}
- Interview with the Chair of the Audit Committee
- Interview with the Monitoring Officer
- Interviews with the Audit Team
- Interviews with a selection of Auditees {ideally those whose files to report have been reviewed}
- Closure Meeting with the Audit Manager

Stage 3: Expected Outcomes:

1. Identification of where processes could be further improved to help add value to the Council.
2. The review should conclude with a written report providing an opinion on the Internal Audit Service for Wyre Forest DC for presentation to the Audit Manager and Corporate Director: Resources.
3. The report to define actions for which an action plan can be prepared with the Audit Manager and Corporate Director: Resources which will form the basis of a formal report to the Audit Committee by March 2018.

Time Scale:

As the WFDC internal Audit Team is an in-house stand alone service, it is anticipated that the review will last no longer than 4 days to be completed by 28th February 2018, with a formal action report to the Audit Committee 19th March 2018.

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**Criteria to be met by External Assessor**

A qualified assessor or assessment team must demonstrate competence in two areas:-

- ❖ The professional practice of internal audit; and
- ❖ The external assessment process.

| Criteria                                                                                                            | Essential                                                                                                     | Assessed By                               |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| <b>Experience of Team undertaking assessment</b>                                                                    | Person leading the assessment has experience to the level of Head of Internal Audit.                          | Professional Qualification                |
| <b>Level of understanding of current Internal Audit Practices and experience of completing external assessments</b> | Detailed understanding of current internal audit practices and the UK Public Sector Internal Audit Standards. | CV of Experience                          |
| <b>Evidence of experience</b>                                                                                       | Able to provide evidence of competency through testimonials which demonstrate sound judgement.                | CV of Experience                          |
| <b>Independent of Internal Audit Team</b>                                                                           | No conflicts of interest with Wyre Forest DC or the Internal Audit Team.                                      | Individuals/Company checked for conflicts |
| <b><u>Evaluation:</u></b><br>Quotations that meet minimum specification to be evaluated on price alone.             |                                                                                                               |                                           |