

Open

# **Audit Committee**

## **Agenda**

6pm  
Monday 19th March 2018  
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](mailto:rhiannon.foxall@wyreforestdc.gov.uk)

Wyre Forest District Council

Audit Committee

Monday, 19th March 2018

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

<b>Agenda item</b>	<b>Subject</b>	<b>Page Number</b>
<b>1.</b>	<b>Apologies for Absence</b>	
<b>2.</b>	<b>Appointment of Substitute Members</b>  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.	
<b>3.</b>	<b>Declarations of Interests by Members</b>  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.	
<b>4.</b>	<b>Minutes</b>  To confirm as a correct record the Minutes of the meeting held on the 27 <sup>th</sup> November 2017.	5
<b>5.</b>	<b>Audit Update</b>  To receive an audit update from Grant Thornton.	9
<b>6.</b>	<b>Informing the Audit Risk Assessment</b>  To receive a report from Grant Thornton on Informing the Audit Risk Assessment.	27
<b>7.</b>	<b>Grant Thornton – the Audit Plan for Wyre Forest District Council</b>  To receive a report from Grant Thornton on the Audit Plan.	50
<b>8.</b>	<b>Certification Report</b>  To receive a report from Grant Thornton on the certification work for the year ended 31 March 2017.	66

<b>9.</b>	<b>Internal Audit – Annual Plan 2018/19</b>  To receive a report from the S151 Officer and the Audit Manager which informs Members of the Internal Audit – Annual Plan 2018/19.	70
<b>10.</b>	<b>Internal Audit Monitoring Report Quarter Ended 31 Dec 2017</b>  To receive a report from the Audit Manager which informs Members of the Internal Audit Monitoring Report Quarter Ended 31 December 2017.	89
<b>11.</b>	<b>Annual Governance Statement</b>  To receive a report from the S151 Officer which asks Committee to approve the progress against the Annual Governance Statement Action Plan 2016/17.	104
<b>12.</b>	<b>Risk Management</b>  To receive a report from the S151 Officer which informs Members of the current Corporate Risk register and the Budget Risk Matrix.	116
<b>13.</b>	<b>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.</b>	
<b>14.</b>	<b>Exclusion of the Press and Public</b>  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

<b>15.</b>	<b>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.</b>	
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**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**

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

**27TH NOVEMBER 2017 (6PM)**

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**Present:**

Councillors: A T Hingley (Chairman), T L Onslow (Vice-Chairman), H E Dyke, J A Hart, J A Shaw and H S Williams.

Councillor N Knowles attended as an observer.

Councillor N J Desmond attended as an observer.

**AUD.20     Apologies for Absence**

Apologies for absence were received from Councillors: K Henderson and S Miah.

**AUD.21     Appointment of Substitutes**

Councillor H E Dyke was appointed as a substitute for Councillor Miah

Councillor J A Hart was appointed as a substitute for Councillor Henderson.

**AUD.22     Declarations of Interests by Members**

No declarations of interest were made.

**AUD.23     Minutes**

**Agreed: The minutes of the meeting held on 31<sup>st</sup> July 2017 be confirmed as a correct record of the meeting and signed by the Chairman.**

**AUD.24     Audit Committee Update**

Grant Thornton (GT) led members through the report explaining that at this stage it is a plan and sets work for the coming year. GT highlighted the requirement for an earlier closedown of Accounts for this year although confirmed that Wyre Forest District Council achieved this earlier date for last year's accounts. GT made reference to the DCLG consultation regarding the Prudential Framework and Minimum Revenue Provision.

Councillor Onslow asked if Wyre Forest District Council were feeding in to the consultation.

The Corporate Director for Resources confirmed that the District Council was engaged with the consultation process as an individual district council, part of the treasurers group and the District Council's Network.

Councillor Hingley asked if a trend was developing for local authorities being

required to use their reserves. GT confirmed that this was the case and would expect this trend to continue over the next five years.

Councillor Onslow queried the amount of reserves being used by local authorities by the start of 2016/17 (6.2%) as it did not seem a particularly high figure given the budget pressures local authorities are under. GT advised that the expectation five years ago would have been that use of reserves would be much higher at this stage but there is the recognition that reserves will have to be used in a managed way in order to deliver the transformation programmes required at local authorities.

**The report was noted.**

**AUD.25 Annual Audit Letter – year ended 31<sup>st</sup> March 2017**

GT led members through the Audit letter and advised that it highlights issues already brought forward to the Audit Committee and summarises key messages.

Councillor Onslow queried why an identified significant risk does not affect the unqualified audit opinion. GT advised that this was how the process worked – GT highlight a potential risk and then are required to satisfy themselves that there are no defects to intensify to the risk.

Councillor Onslow asked how the lower threshold of £47,000 regarding materiality was reached. GT advised that this was, again, process driven. There is a set level of materiality with an absolute level of accuracy. GT are required to report to Audit Committee at a lower level – typically 5%.

Councillor Onslow asked for GT's opinion as to Wyre Forest District Council's risk appetite and whether it is too risk averse. GT advised that they would expect the Corporate Director for Resources to take a prudent approach with careful monitoring throughout the year. GT would expect necessary action to be taken as things change throughout the year. GT reiterated that this is an art rather than a science and would always advise proceeding with caution.

Councillor Shaw made an observation with reference to forecasting for the future of the budget. It may be that in the future more attention does need to be paid to demand led income generation although this will inevitably lead to greater uncertainty.

**AUD.26 Internal Audit Monitoring Report Quarter Ended 30<sup>th</sup> September 2017**

The Audit Manager led members through the report which highlights the work that is being undertaken by the Audit team at the moment.

Councillor Onslow asked for an explanation as to why requests for advice has dropped considerably from the 16/17 financial year. The Audit Manager advised that the types of queries have now changed – in the previous year a lot of queries were being received regarding payroll and income which have been resolved, with colleagues addressing as they arise.

**The report was noted.**

**AUD.27 Risk Management – Corporate Risk Register**

The Corporate Director for Resources led members through the report and advised that this was the half year report on the Corporate Risk Register although it is reviewed monthly.

Councillor Shaw asked for clarification regarding the symbols key and also expressed concern that there were 8 alerts on the risk register. The Corporate Director for Resources provided further information regarding the symbols key and assured Councillor Shaw that all alerts were assessed as part of the review of the register.

Councillor Hingley noted that it was good news to see the additional £900,000 collection of arrears.

Councillor Onslow was also pleased to see General Data Protection Regulations had been identified for the risk register.

Councillor Shaw commented that the risk register was a useful summary of the current position the Council is in and the challenges it faces.

**The report was noted.**

**AUD.28 External Audit Assessment**

The Corporate Director for Resources introduced the report written by the Audit Manager. The report updates Members on the arrangements for the external assessment of the Internal Audit service against the UK Public Sector Internal Audit Standards and advised that Tilia Solutions have been appointed.

Councillor Onslow asked if we were confident that the review would be thorough. The Audit Manager advised that quotes were invited from three external providers, of which only two responded, and their submissions were marked against the identified criteria with the award based only price. GT also gave assurance to Councillor Onslow as to the credentials of Tilia Solutions as GT have worked with them in the past.

**The report was noted.**

**AUD.29 Exclusion of the Press and Public**

**Decision: Under Section 100A(4) of the Local Government Act, 1972 the press and public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of “Exempt Information” as defined in paragraphs 7 of Part I of Schedule 12A of the Act.**

**AUD.30 Bewdley Medical Centre**

The Audit Manager led members through the report explaining the impartiality of the review that had been conducted. The Audit Manager confirmed that any key points from the Evidence File (appendix 4) were included in the report

together with learning points for the future.

Councillor Hingley thanked the Audit Manager for the time she had spent on this piece of work which had resulted in a very professional document being produced.

Councillor Williams asked if due regard had been given to the land value for this project. The Corporate Director for Economic Prosperity and Place confirmed that the land value was considered with all other financial information by Cabinet and Council.

Councillor Shaw commented that the role of the local authority often leads to decisions being taken with regard to the overall improvements for the district rather than just the financial elements of a project.

Councillor Knowles gave thanks to the Audit Manager for the report but advised that in his opinion the report did not provide sufficient explanation as to the current position of the project.

Councillor Hingley invited The Corporate Director for Economic Prosperity and Place to provide further information. The Corporate Director for Economic Prosperity and Place confirmed that the report did capture the details of the issues that arose as the project progressed.

Councillor Hart asked if multiple consultants were contacted in order to give their opinion on the project. The Corporate Director for Economic Prosperity and Place explained that the consultants were responsible for creating a specification based on the ground investigation and retaining wall surveys that could be used for the tender process – it was not an opinion based task.

Councillor Dyke asked for explanation as to how issues with the land were not known – either via plans or previous building work. The Corporate Director for Economic Prosperity and Place confirmed that issues with the land were not, and could not be, known until the original medical centre was demolished.

Councillor Shaw gave his thanks that this issue had been highlighted and also to officers for the work that had been undertaken and the learning points that had been put forward.

Councillor Desmond advised that the report was to assess processes and governance and the report confirms that they have all been adhered to.

Councillor Shaw asked what would happen with the Audit Advisory Recommendations. The Corporate Director for Resources suggested that the Audit Committee endorse the recommendations.

**It was agreed by the Audit Committee to:**

**Endorse the learning points for the future.**

**The meeting ended at 7.36pm**

# Audit Progress Report and Sector Update

Wyre Forest District Council  
Year ending 31 March 2018

March 2018



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**Richard Percival**  
**Engagement Lead**  
T: 0121 232 5434  
E: richard.d.percival@uk.gt.com

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



**Zoe Thomas**  
**Engagement Manager**  
T: 0121 232 5277  
E: zoe.thomas@uk.gt.com

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

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.



**Manthos Bournazos**  
**Audit Senior**  
T: 0121 232 5424  
E: Manthos.Bournazos@uk.gt.com

# Progress at 1 March 2018

## Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and are issuing a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We commenced our interim audit in January 2018, with a second visit in March.. Our interim fieldwork visit includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We outline our findings from our first interim and summarise the planned work at the March interim on pages 6 to 8.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing our plan and timetable with officers.

The final accounts audit is due to begin on the 4 June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. 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:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We have completed our initial risk assessment to determine our approach and report this to you in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

## Other areas

### Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

### Meetings

We met with Finance Officers in January as part of our routine liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Several members of your finance team attended our final accounts training in February. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.



# Audit Deliverables

2017/18 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2017/18.	April 2017	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	January 2018	March 2018
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	May 2018	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	September 2018	Not yet due
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	January 2019	Not yet due

# Interim Audit Work Update

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

	Work performed/ to be completed	Conclusions and recommendations
<b>Internal audit</b>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We will complete our reviewed internal audit's work on the Council's key financial systems to date at the March interim visit. We have not identified any significant weaknesses impacting on our responsibilities.</p>	Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	To be completed at March interim. We will report our findings in our May 2018 update.
<b>Review of information technology controls</b>	We will update our understanding of the Council's IT controls.	To be completed at March interim. We will report our findings in our May 2018 update.
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements:</p> <p>Property, plant and equipment (valuation)</p> <p>Employee remuneration</p> <p>Operating Expenses</p> <p>Internal controls have been implemented by the Council in accordance with our documented systems notes</p> <p>We will update our understanding of the controls around pensions fund liability at our second interim</p>	Our work to date has not identified any weaknesses which impact on our audit approach.

# Interim Audit Work Update

	Work performed	Conclusions and recommendations
<b>Journal entry controls</b>	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Our detailed testing will involve extracting 'unusual' journal entries for review.
<b>Shared service arrangements</b>	The Council has a number of shared services arrangements and we will update our understanding at the March interim. The main area that impacts on the financial statements is payroll which is provided by Redditch Borough Council. Whilst Grant Thornton LLP are also auditors of Redditch Borough Council, we do not specifically rely on an auditor report to provide assurance around the operation of controls, as we have always adopted a substantive approach to our testing and have relied on the controls operated at Wyre Forest DC.	No matters to report
<b>Early substantive testing – to be undertaken at March Interim</b>	<p>The main areas where we hope to complete early substantive testing at our March visit are:</p> <p><b>PPE</b></p> <ul style="list-style-type: none"> <li>– review of valuers report if available</li> </ul> <p>Complete testing of additions and disposals to date</p> <p><b>Employee Remuneration</b></p> <p>Substantive analytical review (to Feb)</p> <p><b>Completion of sample testing to date for:</b></p> <ul style="list-style-type: none"> <li>• Operating expenses</li> <li>• Grant income</li> <li>• Other revenues</li> </ul>	We will update the committee in our May report

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

# Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

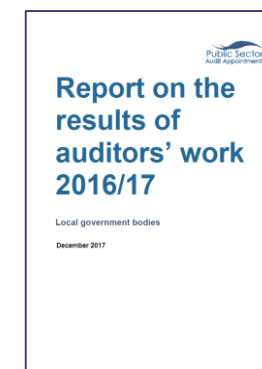
The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates;
- corporate governance issues; and
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.



# Changes to the prudential framework of capital finance

The Ministry of Housing Communities and Local Government has updated the Local Authority Investments Guidance and the Minimum Revenue following its publication of consultation responses on 2 February 2018.

A total of 213 consultation responses were received by the MHCLG by the 22 December 2017 deadline from across local government. Following consideration of the responses the Government has:

- made some technical changes to the Investments Guidance and MRP Guidance
- amended proposals relating to useful economic lives of assets
- implemented the Investments Guidance for 2018-19, but allowed flexibility on when the additional disclosure first need to be presented to full Council
- deferred implementation of MRP Guidance to 2019-20 apart from the guidance “Changing methods for calculating MRP”, which applies from 1 April 2018.

Key changes are noted below.

## Statutory Guidance on Local Authority Investments

**Transparency and democratic accountability** – the revised guidance retains the requirement for an Investment Strategy to be prepared at least annually and introduces some additional disclosures to improve transparency. However, as the changes to the CIPFA Prudential Code include a new requirement for local authorities to prepare a Capital Strategy, the revised guidance allows the matters required to be disclosed in the Investment Strategy to be disclosed in the Capital Strategy.

**Principle of contribution** – the consultation sought views on the introduction of a new principle requiring local authorities to disclose the contribution that non-core investments make towards core functions. Authorities’ core objectives include ‘service delivery objectives and/or placemaking role.’ This clarification has been made to recognise the fact that local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and that they may want to hold long term investments to facilitate this.

**Introduction of a concept of proportionality** – the Government is concerned that some local authorities may become overly dependent on commercial income as a source of revenue for delivering statutory services. The consultation sought views on requiring local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income. A majority of respondents supported the introduction of a concept of proportionality, recognising the importance that local authorities make decisions based on an understanding of the overall risk that they face.

**Borrowing in advance of need** – by bringing non-financial investments (held primarily or partially to generate a profit) within the scope of the Investments Guidance, the consultation proposals made it clear that borrowing to fund acquisition of non-financial assets solely to generate a profit is not prudential. The Investment Guidance requires local authorities who have borrowed in advance of need solely to generate a profit to explain why they have chosen to disregard statutory guidance. It is also important to note that nothing in the Investment Guidance or the Prudential Code overrides statute, and local authorities will still need to consider whether any novel transaction is lawful by reference to legislation.

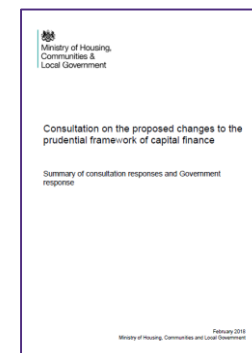
## Minimum Revenue Provision Guidance

The consultation sought views on proposals to update the guidance relating to MRP to ensure local authorities are making prudent provision for the repayment of debt.

**Meaning of a charge to the revenue account** – the Government does not believe that crediting the revenue account is either prudent or within the spirit of the approach set out in the relevant Regulations. For this reason a charge to the account should not be a negative charge.

**Impact of changing methods of calculating MRP** – the Government does not expect any local authority to recalculate MRP charged in prior years due to the proposed changes in methodology.

**Introduction of a maximum economic life of assets** – the consultation sought views on setting a maximum useful economic life of 50 years for freehold land and 40 years for other assets. The MRP Guidance will set a maximum life of 50 years, but allow local authorities to exceed this where the related debt is PFI debt with a longer term than 50 years, or where a local authority has an opinion from an appropriately qualified person that an operational asset will deliver benefits for more than 50 years.



## Changes to capital finance framework

### Challenge question:

Has your Corporate Director: Resources briefed members on the impact of the changes to the prudential framework of capital finance?

# CIPFA publications - The Prudential Code and Treasury Management Code

CIPFA have published an updated 'Prudential Code for Capital Finance in Local Authorities'. Key developments include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003, and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

Since the Prudential Code was last updated in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda. It reflects the increasing diversity in the sector and new structures, whilst providing for streamlined reporting and indicators to encourage better understanding of local circumstances and improve decision making.

The introduction of a capital strategy allows individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment. The Code is available in hard copy and online.



CIPFA have also published an updated Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Code provides a framework for effective treasury management in public sector organisations.

The Code defines treasury management as follows:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

It is primarily designed for the use of local authorities (including police and crime commissioners and fire authorities), providers of social housing, higher and further education institutions, and the NHS. Local authorities in England, Scotland and Wales are required to 'have regard' to the Code.

Since the last edition of the TM Code was published in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda.

There are significant treasury management portfolios within the public services, for example, as at 31 March 2016, UK local authorities had outstanding borrowing of £88bn and investments of £32bn

The Code is available in hard copy and online.

## CIPFA Publication

### Challenge question:

Has your Corporate Director: Resources briefed members on the impact of the changes to the prudential code?





# Overview of the General Data Protection Regulation (GDPR)

Agenda Item No. 5

## What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

## What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25<sup>th</sup> May 2018.

### How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

### What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

## Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

## Notifications and Rights

- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

## Claims and Fines

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

## Questions for your organisation:

- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?



This was a strong message coming out of discussions at the recent SOLACE (Society of Local Authority Chief Executives) summit where we facilitated 100 local authority CEOs and senior leaders to consider how the Industrial Strategy could be brought to life at a local level.

This year's summit provided us with an invaluable opportunity to take this dialogue further.

Using the appreciative inquiry technique, we discussed the following questions:

Looking ahead and considering our diverse local authority agendas, the industrial strategy and surrounding policy landscape what aspects might work well for everyone?



21

# Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

## Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



## Grant Thornton Publication

### Challenge question:

Is your Authority considering the risks and governance issues for its commercialisation agenda?



# Supply Chain Insights tool helps support supply chain assurance in public services

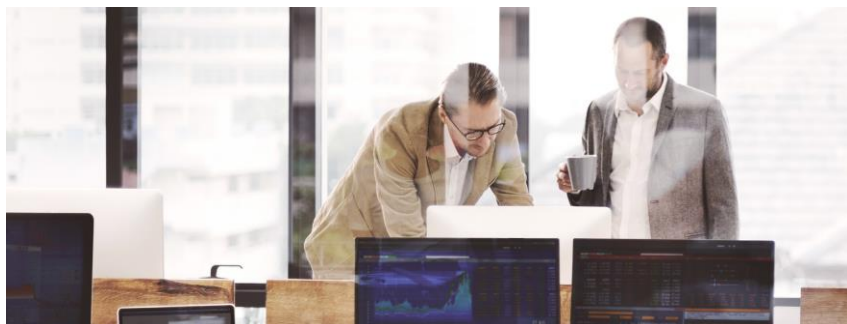
## Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



### The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
  - organisation and category
  - service provider
  - date at a monthly level
- benchmark your spend against your peers
- identify:
  - organisations buying similar services
  - differences in pricing
  - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

## Supply Chain Insights

Grant Thornton

### Challenge question:

Has your Authority considered how our Supply Chain Insight tool can help support your supply chain assurance?



# Cost Assurance

## Did you know....

**40**

Number of Public Sector engagements to date

**£125m**

Annual spend analysed

**£3.55m**

Rebate opportunities identified

**£1.1m**

Fee income identified

**2.84%**

Error rate – rebates versus spend volume

**55%**

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

### Grant Thornton Challenge question:

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

## Grant Thornton website links

<https://www.grantthornton.co.uk/>  
<http://www.grantthornton.co.uk/industries/publicsector>  
<http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/>  
<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>  
<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>  
<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>  
<http://www.cfoinsights.co.uk/>  
<http://supplychaininsights.grantthornton.co.uk/>

## PSAA website links

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

## MHCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>  
<https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition>  
<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

## CIPFA website link

<http://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2017-edition-book>

## National Audit Office link

<https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/>



# Informing the audit risk assessment

## *Year ending 31 March 2018*

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Wyre Forest District Council  
March 2018

**Richard Percival**  
Engagement Lead  
T 0121 232 5434  
E [richard.d.percival@uk.gt.com](mailto:richard.d.percival@uk.gt.com)

**Zoe Thomas**  
Engagement Manager  
T 0121 232 5277  
E [zoe.thomas@uk.gt.com](mailto:zoe.thomas@uk.gt.com)

**Manthos Bournazos**  
Associate  
T 0121 232 5424  
E [manthos.bournazos@uk.gt.com](mailto:manthos.bournazos@uk.gt.com)



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# Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Council's Audit & Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Governance Committee under auditing standards.

## Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit & Governance Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit & Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit & Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Governance Committee and supports the Audit & Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures, we are required to obtain an understanding of management processes and the Audit & Governance Committee's oversight of the following areas:

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

This report includes a series of questions on each of these areas and the response we have received from the Council's management. The Audit & Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# Fraud

## Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit & Governance Committee and management. Management, with the oversight of the Audit & Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit & Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Audit & Governance Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit & Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

# Fraud risk assessment

Question	Management response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?	It is acknowledged that there is always a risk of fraud being committed against the Council. There is a zero tolerance towards fraud. Arrangements are in place to prevent and detect fraud, and these include the work of the Internal Audit to identify areas of risk including high profile areas of Council Tax and Housing Benefit Fraud. The risk of misstatement in the financial statements due to undetected fraud is low. The fraud resource within Internal Audit and Compliance Officers within the Revenues & Benefits Team work to mitigate risk of fraud.
What processes does the Council have in place to identify and respond to risks of fraud?	Internal Audit take account of fraud risks in their planning of audit reviews, responding appropriately to fraud risks and enhancing controls further to protect against the risk of fraud. Compliance Officers take a proactive approach and regularly review Council Tax discounts and exemptions to minimise loss of income and reduce the risk of fraud.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	There are some areas that are inherently at risk from fraud such as: <ul style="list-style-type: none"> <li>■ Council Tax</li> <li>■ Benefit fraud</li> <li>■ Single person discount</li> </ul> Following the transfer of the responsibility for Housing Benefit Fraud together with dedicated benefits investigation team to the DWP, Wyre Forest has invested in new resource to work on fraud/compliance in respect of local taxes/Council Tax Reduction Scheme within the Revenues and Benefits section. This work has been progressed in 2017/18 using funding from Worcestershire County Council to further combat collection fund fraud and increase the net collectible debit for both Council Tax and Business Rates. Whilst all preceptors will benefit from this as well as this Council the County takes the largest proportion, hence the funding and drive to work together.

# Fraud risk assessment

Question	Management response
<p>Do you suspect fraud may be occurring, either within the council or within specific departments?</p> <ul style="list-style-type: none"> <li>- Have you identified any specific fraud risks?</li> <li>- Do you have any concerns there are areas that are at risk of fraud?</li> <li>- Are there particular locations within the Council where fraud is more likely to occur?</li> </ul>	<p>There are no material instances of fraud that have been identified during the year. See above for specific fraud risks.</p> <p>Evidence published by the National Fraud Authority amongst others, suggests that fraud is committed in all organisations to varying degrees, so it is likely that some fraud is occurring in the Authority. The Internal Audit plan incorporates consideration of potential fraud. In addition to this management is expected to identify and record fraud risks where necessary on the corporate risk register. We do not consider that any material fraud is occurring. CLT have recently considered the Home Office report exploring the threat of Serious and Organised Crime. This report identifies procurement as an area of risk and sets out how joined up working with police partners could help to mitigate risk. CLT have no immediate concerns about issues raised at the later end of 2016/17 it agreed a schedule of actions to raise awareness and mitigate risk moves forward including that the Fraud Officer post will be the nominated Single Point of Contact for liaison with police partners.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p> <p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Yes fraud risks are included by Internal Audit in the planning process and Internal Audit act as an effective internal control.</p>
<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <ul style="list-style-type: none"> <li>- How are the risks relating to these posts identified, assessed and managed?</li> </ul>	<p>There are not any significantly high-risk posts identified.</p>

# Fraud risk assessment

Question	Management response
<p>How does the Audit &amp; Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What arrangements are in place to report fraud issues and risks to the Audit &amp; Governance Committee?</p>	<p>Internal Audit provide the Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken. These are considered at the committee where the external auditors also attend and may be asked to comment. Training covers this key area and the S151 Officer and the Audit Manager provide reports on compliance with auditing standards and internal controls. Risk is high on the Audit Committee agenda and the committee are briefed on key risks such as fraud prevention and detection in relation to the audit plan. Reports would be made on any specific cases of fraud with specific briefings to the Chairman and/or Vice-Chairman as appropriate. The Audit Committee are updated on the progress in respect of counter fraud arrangements, with an update to the Audit Committee in July 2017.</p>
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	There is a Fraud Strategy and a Whistleblowing procedure in place which explain the procedures to follow.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	No significant issues have been reported. There is a Fraud Strategy and a Whistleblowing procedure both of which outline the procedures to follow. There is also a Corporate Fraud role within the Internal Audit Team to provide guidance and allow for reporting of concerns.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No
Are you aware of any instances of actual, suspected, or alleged fraud either within the Council as a whole or within specific departments since 1 April 2017?	<p>There are no material instances of fraud that have been identified during the year. There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> <li>■ Council Tax</li> <li>■ Benefit fraud</li> <li>■ Single person discount</li> </ul> <p>Following the transfer of the responsibility for Housing Benefit Fraud together with dedicated benefits investigation team to the DWP, Wyre Forest has invested in new resource to work on fraud/compliance in respect of local taxes/Council Tax Reduction Scheme within the Revenues and Benefits section which has proved successful to mitigate any risk and reduce the opportunities for fraud/error.</p>
Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2017? If so how does the Audit & Governance Committee respond to these?	None

# Laws and regulations

## Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Governance Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Governance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the noncompliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	<p>The Monitoring Officer is responsible for ensuring the Council is compliant with laws and regulations. The Constitution notes that these responsibilities cover:</p> <ul style="list-style-type: none"> <li>▪ complying with the law of the land (including any relevant Codes of Conduct);</li> <li>▪ complying with any General Guidance issued, from time to time, by the Monitoring Officer;</li> <li>▪ making lawful and proportionate decisions; and</li> <li>▪ generally, not taking action that would bring the Council, their offices or professions into disrepute. This officer has access to all Council committee reports. Monitoring officer raises awareness on legal requirements at meeting where needed. In addition in terms of any specific legal issues the monitoring officer would get involved at an early stage. Further information on how the Monitoring Officer carries out these responsibilities are detailed in the Constitution.</li> </ul>
How does management gain assurance that all relevant laws and regulations have been complied with?	The Monitoring Officer is a member of the Leadership team, reports regularly on key issues and liaises directly with the Head of Paid Service and would report to Council on any issues.
How is the Audit & Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	The S151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements. The Monitoring Officer (or representative) attends Audit Committee meetings and advises members on any areas of concern.
Have there been any instances of non-compliance or suspected non-compliance with law and regulations since 1 April 2017, or earlier with an on-going impact on the 2017/18 financial statements?	None

# Impact of laws and regulations

Question	Management response
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	The Council for all litigation or claims takes external advice from Counsel on the strength of the Council's claim.
Is there any actual or potential litigation or claims that would affect the financial statements?	Potential for claim against the construction contractors of Wyre Forest House still exists.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate noncompliance?	None



# Going concern

## Matters in relation to laws and regulations

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

Going concern is a fundamental principle in the preparation of financial statements. Under the going concern assumption, a council is viewed as continuing in operation for the foreseeable future with no necessity of liquidation or ceasing trading. Accordingly, the Council's assets and liabilities are recorded on the basis that assets will be realised and liabilities discharged in the normal course of business. A key consideration of going concern is that the Council has the cash resources and reserves to meet its obligations as they fall due in the foreseeable future.

We have discussed the going concern assumption with key Council officers and reviewed the Council's financial and operating performance. Below are key questions on the going concern assumption which we would like the Audit & Governance Committee to consider.

# Going concern considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	The Medium Term Financial Strategy (MTFS) underpins the strategic, transformational and operational intentions for Wyre Forest District Council and forms part of the corporate strategic planning process. The Wyre Forest Forward Programme progress is monitored on an ongoing basis and reported to CLT, CLT/Cabinet and Group Leaders regularly to ensure savings required for the MTFS will be achieved.
Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	No
Are arrangements in place to report the going concern assessment to the Audit & Governance Committee?	Yes, the Risk Register and associated Risk Analysis including Risks directly related to the budget, are reported to Audit Committee. The Annual Governance Statement from the Statement of Accounts is also considered and the Audit Committee receives regular progress reports against each issue.
Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	The Financial Plan is closely aligned with the Council's Corporate Plan. The financial plan makes clear reference to the Corporate Plan as the basis for the financial considerations in setting the medium term budget. The financial assumptions are therefore consistent with the Corporate Plan. Reports in year are consistent with the budget set.

# Going concern considerations

Question	Management response
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	The financial plan considered explicitly the government changes in terms of grants, including New Homes Bonus. The plan sets out the likely implications of the Government's Resources Review, Fair Funding Review , Business Rates Reform and other changes to local government finance as far as they are known and can be reasonably predicted. The eventual approval for a 20% increase in Planning fees was implemented on 17 <sup>th</sup> January 2018. The late issues of MHCLG Guidance on Investments and MRP in February 2018 and the ambiguity of the Investment Guidance in particular is proving challenging but advice is being taken from our Treasury advisors and an updated Capital Strategy planned for Council in May 2018; the implementation date for the new Guidance is 1 <sup>st</sup> April 2018.
Have there been any significant issues raised with the Audit & Governance Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No – there was a special investigation commissioned on the Bewdley Medical Centre Capital Project that was considered by Audit Committee in November 2017 but whilst there were some advisory recommendations in terms of lessons learnt for the future no underlying issues of concern were found.
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No
Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Yes, an additional Property Services Manager Post was approved and filled (fixed term contract) during 2017/18 to recognise a skills gap necessary to deliver the Capital Portfolio Fund and approval for a Commercialisation manager (fixed contract ) has been made recently (and reported in the MTFS) to drive income generation.

# Related parties

## Matters in relation to Related Parties

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

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council (i.e. subsidiaries);
- associates and/or joint ventures;
- an entity that has an interest in the Council that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related party considerations have been set out below and management has provided its response.

# Related parties

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

# Accounting estimates

## Matters in relation to Accounting Estimates

Local Authorities need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. This objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identified the transactions, events and conditions that may give rise to the need to an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council are using as part of their accounts preparation: these are detailed in appendix 1 to this report.

The audit procedures we conduct on the accounting estimate will demonstrate that:

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

# Accounting estimates

Question	Management response
Are management aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	No, all the significant accounting estimates are reported in Appendix A.
Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes, management arrangements are suitable. The Final Accounts Closedown has regular Chief Officer reviews scheduled. Accounting Policies are reviewed annually with any changes reported to Audit Committee. Early dialogue with External Auditors is also undertaken where the impact of the accounting estimates are considered to be significant. The accelerated closedown may require the use of more estimates and in each case, the reasonableness of such estimates will be assessed and assurance provided for the External Auditors. The early closedown trial last year did not reveal any problems in this area.
How is the Audit & Governance Committee provided with assurance that the arrangements for accounting estimates are adequate?	As detailed above, regular reviews are undertaken during the Accounts Closedown process. Accounting Policies are reviewed annually with any changes specifically reported to Audit Committee.

# Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Finance department collate accruals of Expenditure and Income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No
Bad debt provision	A provision is estimated using a proportion basis of an aged debt listing.	The finance team use the aged debt listing to calculate the provision.	No	Consistent proportion used across aged debt as per the Code.	No
Overhead allocation	The Finance Team apportion central support costs to services based on agreed methodology.	All support service cost centres are allocated according to an agreed Policy.	No	Apportionment bases are reviewed each year to ensure equitable.	No



# Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	Council values financial instruments at fair value based on the advice of their internal treasury consultants and other finance professionals.	Take advice from Finance (retained treasury advisors) professionals.	No	Take advice from finance Professionals (retained treasury advisors).	No
Depreciation & Amortisation	Depreciation is provided for on property, plant and equipment with a finite useful life on a straight-line basis.	Consistent application of depreciation method across assets.	No	The length of the life is determined at the point of acquisition or revaluation.	No
Property plant & equipment valuations	Valuations are made by the internal valuer (local RICS/CIB Member) as well as external valuer in line with RICS guidance on the basis of 5 year valuations with interim reviews.	Council's Estates Surveyor notifies the external valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation in liaison with the Principal Accountant.	Use the Internal and external local RICS/CIB Member	Valuations are made in-line with RICS guidance - reliance on expert.	No

# Appendix A - Accounting estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: · Buildings 50 years · Equipment/vehicles 7 years · Plant 10 years	Consistent asset lives applied to each asset category.	Use the external valuer (RICS qualified).	The useful lives of property are recorded in accordance with the recommendations of the external RICS qualified valuer.	No
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed by the Council's Estates Surveyor at each year-end as to whether there is any indication that an asset may be impaired.	Use the Internal local RICS/CIB Member for valuations.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert.	No

# Appendix A - Accounting estimates

	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	S151 Officer makes the Assessment based on accounting code and information notified by Service Directors and Managers.	Services Directors and Managers notify the S151 Officer.	This would be considered on individual circumstances.	This would be considered on individual circumstances.	N/A
Defined benefit pension amounts and disclosures	The actuarial gains and losses figures are calculated by the actuarial experts. These figures are based on making % adjustments to the closing values of assets/liabilities.	For the LGPS the Authority responds to queries raised by the administering authority Worcestershire County Council.	The Authority are provided with an actuarial report by Mercers (LGPS) .	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No
Non adjusting events - events after the Balance Sheet date	S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an un-adjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect	Services Directors and Managers notify the S151 Officer.	This would be considered on individual circumstances.	This would be considered on individual circumstances.	N/A

# Appendix A - Accounting estimates

	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Estimation of appeals in relation to Business Rates	The S151 officers of the Worcestershire Business Rates Pool agree a methodology using but not solely relying on data from Analyse Local.	The Principal Revenues Officer extracts the appeals database from the VOA. Appeals provision is calculated, in liaison with the Principal Accountant. Comparisons are then made with the estimated provision as calculated by Analyse Local. Calculations and methodology are subject to Pool Member review.	No, calculations are carried out by Council Officers (Analyse Local calculations are only used for comparative purposes & Pool Member discussions)	Subject to regular Pool Member reviews.	No

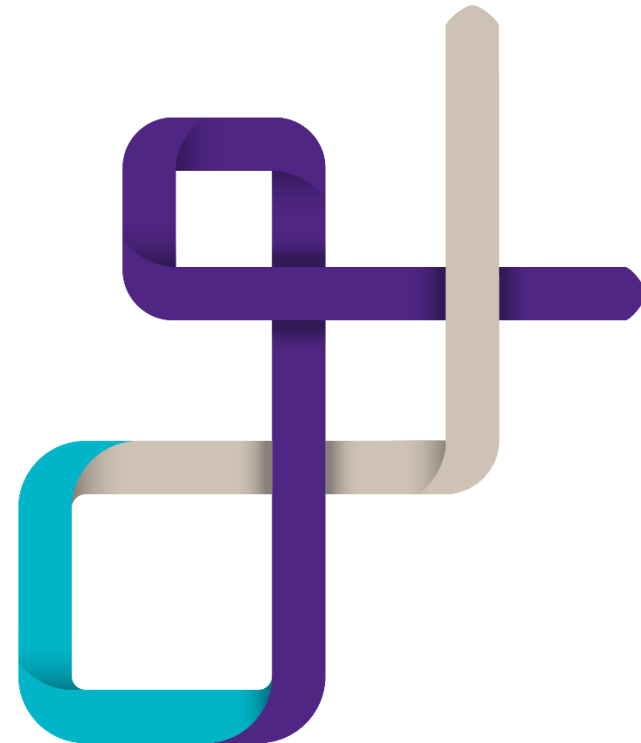


# External Audit Plan

*Year ending 31 March 2018*

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Wyre Forest District Council  
19 March 2018



# Contents



## Your key Grant Thornton team members are:

Richard Percival

Engagement Lead

T: 0121 232 5434

E: richard.d.percival@uk.gt.com

Zoe Thomas

Engagement Manager  
Manager

T: 0121 232 5277

E: zoe.thomas@uk.gt.com

Manthos Bournazos

Audit Senior

T: 0121 232 5424

E: Manthos.Bournazos@uk.gt.com

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

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# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Wyre Forest District Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Wyre Forest District Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

## Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The revenue cycle includes fraudulent transactions
- Management override controls
- Valuation of pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £980k (PY £947k), which equates to 1.8% of your 2016/2017 gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £49k (PY £47k).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any VFM risks.

## Audit logistics

Our interim visits will take place in January and March 2018 and our final visit will take place in June 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £48,936 (PY: £48,936) for the Council.

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.



# Deep business understanding

Changes to service delivery		Changes to financial reporting requirements		Key challenges	
<b>Commercialisation</b> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. CIPFA's revised Prudential Code will be published for 2018/2019.</p> <p>Wyre Forest is developing its income generation to help close its budget gap.</p>	<b>Devolution</b> <p>The West Midlands Combined Authority (WMCA) is now established and implementing its Strategic Economic Plan (SEP) for the region. Wyre Forest District Council is not a non-constituent member of WMCA, but will be impacted by SEP implementation. The Council is represented on two Local Enterprise Partnerships (LEPs) and has developed numerous relationships with public and private sector partners. Managing effective relations with partners and stakeholders as the WMCA SEP develops is a key issue for the Council.</p>	<b>Accounts and Audit Regulations 2015 (the Regulations)</b> <p>DCLG is currently reviewing the Regulations, which may be subject to change in future years.</p> <p>Under the Regulations all local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p> <p>The Council's 2016/2017 audit was completed before the end of July 2017, and we expect to complete our audit before the statutory deadline in 2018.</p>	<b>Changes to the CIPFA 2017/18 Accounting Code (the Code)</b> <p>CIPFA have introduced minor changes to the 2017/18 Code which:</p> <ul style="list-style-type: none"> <li>confirm the going concern basis for local authority accounts; and</li> <li>provide update for leases, service concession arrangements and financial instruments disclosures.</li> </ul> <p>We do not expect that there will be any significant impact on the Council's 2017/18 financial statements.</p>	<b>Financial pressures</b> <p>The Council has a target to deliver almost £1m of efficiency savings by 2019/2020. There is an increasing emphasis on growing income, driven by the continuing reduction in central government funding. The Council is focussing on growing business rates and council tax income, but also other areas, including letting out its property assets.</p> <p>The capital programme agreed as part of the 2017/18 budget reflects potential investment of £25m in the capital portfolio and £10m in investment loans. The expansion will be mainly funded through prudential borrowing.</p>	<b>Future funding arrangements</b> <p>The Secretary of State confirmed in December 2017 that the move to 100% business rates retention would be put on hold, and instead councils will retain 75% of business rates by 2020/21.</p> <p>Local authorities will also be able to increase their council tax requirement by an additional 1% per annum without a local referendum.</p> <p>Wyre Forest District Council has kept its council tax frozen for the last two years and has agreed an increase of 1.94% as part of the 2018/19 budget setting.</p>

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.

# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including Wyre Forest District Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Wyre Forest District Council.</p>
<b>Management over-ride of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness</li> <li>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness</li> <li>• evaluate the rationale for any changes in accounting policies or significant unusual transactions.</li> <li>• Further review of accounting estimates, judgments and decisions made by management</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of pension fund net liability</b>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>• evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made</li> <li>• check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary</li> <li>• undertake procedures to ensure that the data sent to actuary are complete and accurate</li> </ul>

# Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Employee remuneration</b>	<p>Payroll expenditure represents a significant percentage (16%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with 1 sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• Evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness</li> <li>• Gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls</li> <li>• Reconcile the payroll system to the general ledger</li> <li>• Review payroll accruals for reasonableness</li> <li>• Perform a substantive analytical review</li> </ul>
<b>Operating expenses</b>	<p>Non-pay expenses on other goods and services also represents a significant percentage (84%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness</li> <li>• gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls</li> <li>• Search for unrecorded liabilities by reviewing payments made after the year end</li> <li>• Substantively test the expenditure occurred in the year</li> </ul>

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

## Other material balances and transactions

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

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

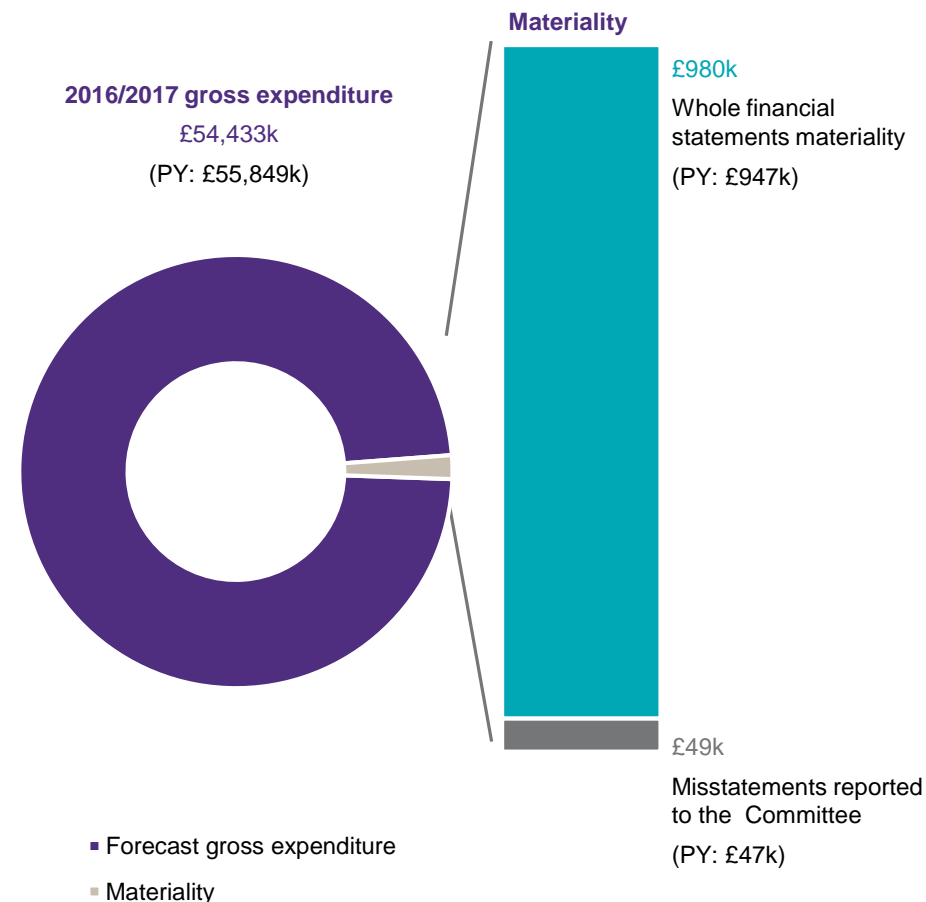
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £980k (PY £947k), which equates to 1.8% of 2016/17 gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £49k (PY £47k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

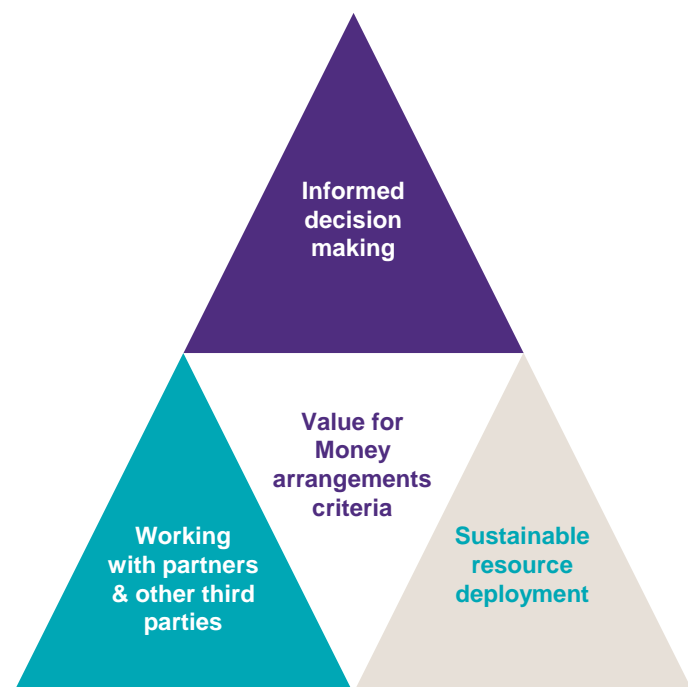
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single 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."*

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

We have not identified any significant risks from our initial risk assessment. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

In our 2016/17 initial risk assessment we considered that the medium term financial plan was a significant risk to the VfM conclusion. In our Audit Findings Report and Annual Audit Letter we reported that we considered that there were appropriate arrangements in place to mitigate that risk. We have revisited this as part of our initial risk assessment in 2017/18. The Council is on track with its savings plans, is continuing to seek new sources of income generation and has sufficient reserves to cover any delays in saving realisation. Therefore we do not consider that there are material risks in relation to the medium term financial plan, or any other matter, that would lead to a significant risk that our value for money conclusion would be qualified.

# Audit logistics, team & audit fees



## Richard Percival, Engagement Lead

Richard's role will be to lead our relationship with you. He will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



## Zoe Thomas, Audit Manager

Zoe's role will be to be a key contact with the Corporate Director: Resources and the Audit Committee.



## Manthos Bournazos, Audit Incharge

Manthos's role will be to be the day to day contact for the Council's finance staff. He will take responsibility for ensuring there is effective communication and understanding by the finance team of audit requirements.

## Audit fees

The planned audit fees are no less than £48,936 (PY: £48,936) for the financial statements audit. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.



# Early close

## Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline. The 2016/2017 audit was completed before the 31 July 2017, demonstrating that working together we can meet the new deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans as detailed on page 11. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Non-audit services

No non-audit services were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

# Appendices

## A. Revised ISAs

# Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
<b>Conclusions relating to going concern</b>	<p>We will be required to conclude and report whether:</p> <ul style="list-style-type: none"> <li>• The directors use of the going concern basis of accounting is appropriate</li> <li>• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.</li> </ul>
<b>Material uncertainty related to going concern replaces conclusions relating to going concern when a material uncertainty is identified and disclosed</b>	<p>We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements.</p> <p>Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.</p>
<b>Other information</b>	<p>We will be required to include a section on other information which includes:</p> <ul style="list-style-type: none"> <li>• Responsibilities of management and auditors regarding other information</li> <li>• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation</li> <li>• Reporting inconsistencies or misstatements where identified</li> </ul>
<b>Additional responsibilities for directors and the auditor</b>	<p>We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.</p>
<b>Format of the report</b>	<p>The opinion section appears first followed by the basis of opinion section.</p>



Tracey Southall  
Wyre Forest District Council  
Wyre Forest House  
Finepoint Way  
Kidderminster  
Worcestershire  
DY11 7WF

Grant Thornton UK LLP  
The Colmore Building  
20 Colmore Circus  
Birmingham B4 6AT  
T +44 (0)121 212 4000  
F +44 (0)121 212 4014  
DX 13174 Birmingham  
grantthornton.co.uk

12 January 2018

Dear Tracey

**Certification work for Wyre Forest District Council for year ended 31 March 2017**

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

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

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £32 million. Further details are set out in Appendix A.

Our qualification letter reports on two matters that have been referred to in previous years. This is the sixth year that we have reported on matters relating to the calculation of earned income and the second year on the calculation of Statutory Sick Pay. The extrapolated financial impact on the claim, which we have reported to the DWP, was again relatively insignificant to the total subsidy receivable.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £9,165. Whilst there was a number of brought forward issues and errors identified in the initial testing, we recognise that council officers undertook a considerable amount of work to address the matters and this was completed to a good standard, consequently we will not be seeking a fee variation. See more detail in Appendix B.

Yours sincerely

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£32,047,538	Yes	No impact on overall subsidy claimed	Yes	<p>The prior year qualification letter reported on five specific issues. Two lots of extended testing was undertaken and the other areas were addressed through 100% testing or other means including running reports to demonstrate that the matter was resolved.</p> <p>Our initial testing on the 2016/17 claim identified seven errors and two lots of extended testing was undertaken in accordance with HB Count.</p>

**Recommended actions for officers**

We recommend that the Council as part of its internal quality assurance process, should increase its focus or level of testing in respect of the areas where we identified errors from our testing, in particular around the calculation of earned income.



Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£12,200	£9,165	£9,165	£nil	The fee charged is in line with the indicative fee proposed by PSAA.
Total	£12,200	£9,165	£9,165	£nil	

**WYRE FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**  
**19<sup>th</sup> MARCH 2018**

**Internal Audit - Annual Audit Plan 2018-2019**

<b>OPEN</b>	
<b>CABINET MEMBER</b>	Councillor Nathan Desmond
<b>RESPONSIBLE OFFICER</b>	S151 Officer
<b>CONTACT OFFICERS:</b>	Tracey Southall Extension No 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a> Cheryl Ellerton Extension No. 2116 <a href="mailto:cheryl.ellerton@wyreforestdc.gov.uk">cheryl.ellerton@wyreforestdc.gov.uk</a>
<b>APPENDIX</b>	Appendix 1 Internal Audit ~ Annual Audit Plan 2018~19

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit – Annual Audit Plan 2018–2019. The Plan has been prepared in accordance with the UK Public Sector Internal Audit Standards 2013, updated 2016 as endorsed by the Audit Committee.

**2. RECOMMENDATIONS**

**The Audit Committee is asked to:**

- 2.1 **Consider and approve the Internal Audit – Annual Audit Plan 2018~19, attached as Appendix 1.**
- 2.2 **Approve that the Section 151 Officer may amend the plan in consultation with the Audit Manager in light of developments arising during the year as described in paragraph 3.6 of this report.**

**3. BACKGROUND**

- 3.1 The management of the authority are obliged to safeguard and use public funds in an efficient and effective way and so providing value for money. An effective internal audit service is vital in helping management to meet these important duties. It is an independent appraisal function for the review of the Council's internal control system.
- 3.2 The Internal Audit section operates in accordance with recognised Internal Audit Standards<sup>1</sup> which aim to promote further improvement in professionalism, quality, consistency and effectiveness of Internal Audit across the Public Sector.

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

<sup>1</sup> The UK Public Sector Internal Audit Standards (UKPSIAS) April 2013 {updated 2016}..

And adds:

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

- 3.3 The role played by Internal Audit is key in **assessing the internal controls** in operation and **making recommendations** for improvement, working in partnership **with management**. Further, the role assists in working with managers aiming for continuous improvement and provides assurance that the Council maintains an effective internal control environment and ensures that effective and efficient operations are maintained, safeguards its resources and provides assurance that the Council has good governance arrangements in place.
- 3.4 The UK Public Sector Internal Audit Standards set out the mission, definitions and principles (the **standards**) which establish how a professional internal audit service should operate in the modern local government context.
- 3.5 The annual plan is viewed flexibly and treated as a working document subject to amendment as required to reflect changing corporate conditions or demands as well as issues that may arise during the currency of the plan, which divert Internal Audit away from planned work.
- 3.6 The plan is therefore seen as a **statement of intent** and provides the direction of travel and a framework for audit engagements in the forthcoming year that can be amended as necessary without having a damaging effect on the overall direction of the internal audit service. The audit plan has been prepared in accordance with the Internal Audit Charter.
- 3.7 Performance of the service is **monitored** against this plan during the year by way of a quarterly monitoring report to this committee, to the Corporate Leadership Team and to the external auditors.

#### **4. KEY ISSUES**

- 4.1 The Internal Audit Charter requires:

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

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

## **Agenda Item No. 9**

- 4.2 As part of the preparations for this annual plan the Audit Manager has discussed with the Section 151 Officer and the Corporate Leadership Team their requirements for the forthcoming year for consideration for inclusion within the plan.
- 4.3 In order to ensure that the audit service cost is minimised to the authority the internal audit section work with external audit to ensure full liaison of planned internal audit work.
- 4.4 The Internal Audit – Annual Audit Plan 2018~19 has been prepared in accordance with recognised Internal Audit standards and considers many factors to provide assurance to the Council in terms of the adequacy and effectiveness of financial and management controls in the areas under review.
- 4.5 The Annual Audit Plan should focus on areas where it can add most value and provide assurance that the Council's risks are being properly managed. In doing so, Internal Audit has a role in ensuring the Council achieves its strategic aims. In addition to this, the audit plan should be realistic and achievable.
- 4.6 The areas in the audit plan have been identified by an objective risk assessment. This has produced an overall needs assessment for the internal audit service of 449 days. In accordance with the Internal Audit Public Sector Standards, the Internal Audit Section must be appropriately staffed and qualified and undertake Continuing Professional Development to fulfil its role.
- 4.7 The core structure of the Internal Audit Team changed during 2017~18 following the retirement of a long standing member of the team. The opportunity arose to revisit the structure of the team and complete the succession plan of the Internal Audit Apprentice {in post since October 2015} securing a new post of Trainee Internal Auditor to ensure continuity of service delivery and meet business need.
- 4.8 The flexibility demonstrated by the Internal Audit Team since 2014 will continue, and allow the in-house team to satisfactorily meet any exceptional service needs as they arise, or to meet the need for an intensive investigation.

## **5. FINANCIAL IMPLICATIONS**

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

## **6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 The Accounts and Audit Regulations 2015 section 5(1) require that:  
“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

**7. RISK MANAGEMENT**

- 7.1 The Internal Audit - Annual Audit Plan 2018~19 has been prepared in accordance with the recognised Internal Audit Standards. This requires the plan to be informed by the Council's risk management, performance management and other assurance processes. Where the risk management process is not fully developed or reliable an independent risk assessment is undertaken by the Audit Manager in consultation with the Section 151 Officer.
- 7.2 The restructure of the Internal Audit Team has been managed carefully against the service need to ensure sufficient Internal Audit resource is retained. The reduced Internal Audit Team continues to work with the S151 Officer on a flexible basis and work additional hours if required to cover specific projects.

**8. EQUALITY IMPACT NEEDS ASSESSMENT**

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

**9. CONCLUSION**

- 9.1 The Annual Audit Plan 2018~19 summarises the work to be undertaken by the Internal Audit section and provides its overall direction. It is presented to members in accordance with the Internal Audit Charter.

**10. CONSULTEES**

- 10.1 Corporate Leadership Team  
Cabinet Member for Resources

**11. Background Papers**

Accounts & Audit Regulations 2015 (SI 314)  
UK Public Sector Internal Audit Standards ~ April 2016  
Internal Audit Charter {Updated} ~ Audit Committee ~ 28<sup>th</sup> November 2016

# INTERNAL AUDIT

*“Enabling Others To Do What They Need To Do”*

## INTERNAL AUDIT ANNUAL PLAN

### 2018 ~ 2019

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

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

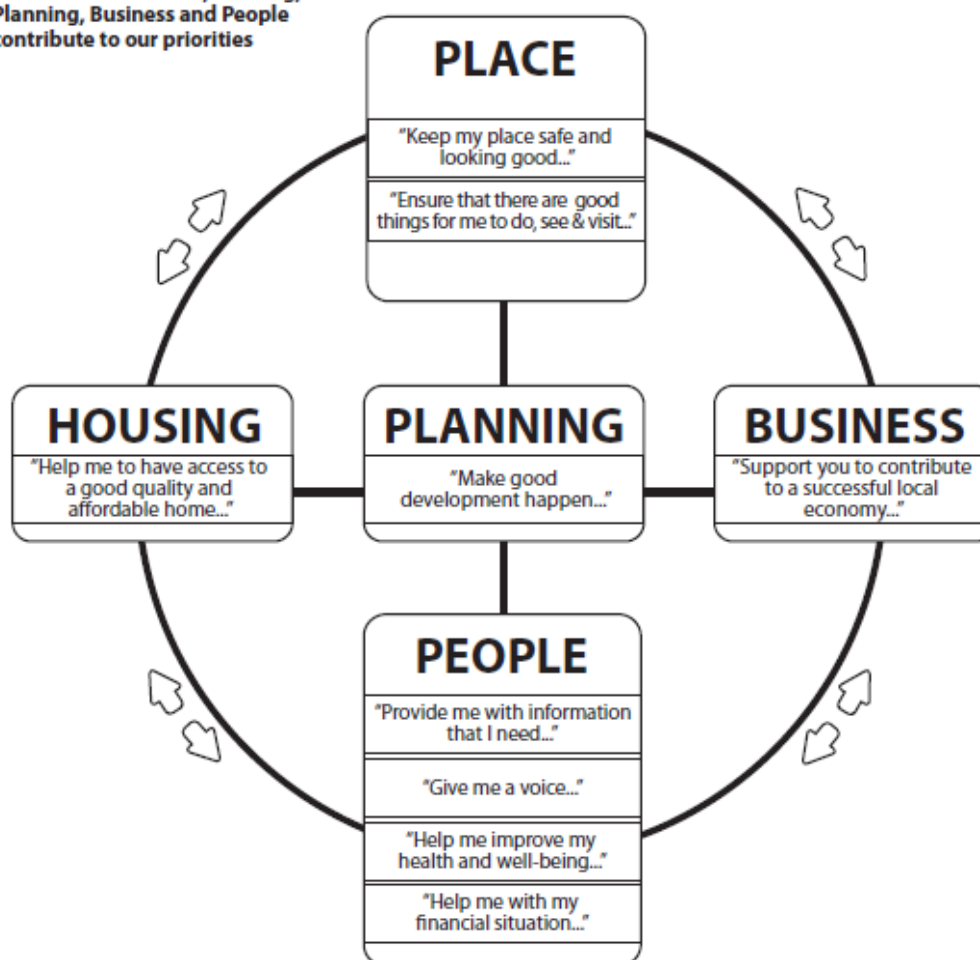
## WYRE FOREST FORWARD

Our Corporate Plan priorities 2014 - 2019:

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

Our purposes:

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



### ENABLING (Support) Services

Enabling others to do what they need to do...

Help me make good financial and budgeting decisions

Help me make good procurement and legal decisions

Help me make good staffing decisions

**WYRE FOREST DISTRICT COUNCIL**  
**INTERNAL AUDIT ANNUAL PLAN 2018 ~ 2019**

		<b><u>2018/19</u></b> <b><u>Days</u></b>
Systems and Probity	<b>NOTE 1</b>	289
Computer Audit	<b>NOTE 2</b>	40
Contract Audit	<b>NOTE 3</b>	25
<b>Sub-total Planned Work</b>		354
Consultancy and Advice {Audit Resource Set Aside}		
→ Provide professional advice on emerging risks and issues		30
→ Management Requests for ad-hoc commissioned work		20
Irregularity Contingency {Audit Resource Set Aside}		
→ Provide advice and assistance on required investigations		20
Specific Service Duties	<b>NOTE 4</b>	25
<b>WORKLOAD/AVAILABLE DAYS</b>		<b>449</b>

**NOTES**

- 1 The days per service area are shown on Pages 77-81
- 2 An analysis of the areas covered is shown on Page 82-83
- 3 An analysis of the areas covered is shown on Page 84
- 4 A breakdown of the specific service duties follows on Page 85
- 5 An analysis of the available days is shown on Page 86

**OVERALL COMMENTS**

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

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



AUDIT COVERAGE	RA	2018/19 Days	AUDIT SCOPE
<b>Annual Assurance Reviews</b>			
<b>CORPRISK04~FAILURE OF THE INTERNAL CONTROL ENVIRONMENT</b>			
Treasury Management (Risk: Failure to Maintain adequate controls over Key Financial Systems)	103	10	<p><b>Assurance</b> Historically, good governance. Reviewed as impact of failure is significant. Scope will capture changes to the systems and procedures in place to manage the Council's Cash Flow and investments to maximise interest earned within the approved Treasury Management Strategy and consequent risk appetite. To review and ensure borrowing is managed to meet the Medium Term Financial Strategy.</p> <p>Incorporating the new Council Policies on Development Loans Fund to help delivery regeneration and economic development, and the capital portfolio funding, with Cabinet decisions of June &amp; September 2017. Have regard to the MHCLG Guidance on Local Government Investments {Feb 2018}, the statutory guidance on the minimum revenue provision and revised code of practice on Treasury Management and the Prudential Code {December 2017}</p>
Budgetary Setting, Control & Monitoring (Risk: Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment)	94	12	<p><b>Assurance</b> Historically, good governance. Reviewed as impact of an unsustainable budget will result in failure to meet the Corporate Priorities. Scope will capture changes to the systems and procedures around the Council's Budget Cycle; review the setting of financial goals, forecasting future financial resources to include the monitoring of budgets to feed into the Councils Medium Term Financial Strategy. financial records and the final accounts.</p>
Corporate Debtors: Accounts Receivable (Risk: Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment) To include Property Debtors.	89	10	<p><b>Assurance</b> Historically, good governance. Reviewed as an element of the general ledger that supports the annual statement of accounts; to provide a sound control environment processes must operate effectively. Scope will capture changes to the systems and procedures in place for the raising of accounts for services provided by the Council in respect of Miscellaneous Debts to include the monthly reconciliations and aged debt reports. Including follow up on change processes as part of the transformation programme. Including work in relation to the ICON cash receipting system and channel shift/digitalisation to generate increased external income. Income generation linked to the commercialisation agenda.</p>
Benefits (Risk: Failure to Maintain adequate controls over Key Financial Systems; to support an effective internal control environment This Service continues to be subject to significant change imposed by DWP and is under continuous review to align processes/systems. Team changes/ staffing restructures continue to meet the changing business need.)	88	25	<p><b>Assurance</b> Historically, good governance. Reviewed with regard to the rules covering entitlement to Housing Benefit and Council Tax Support being complex and administrative errors have the potential to lead to under/overpayments. Scope will capture changes to the systems and procedures to ensure entitlement to and payments in relation to Housing Benefit. To include Payments, Overpayments, Rent Referrals, Statistical and Subsidy Returns. Review changes to the Benefits System under the Welfare Reform Act, Universal Credit, Single Fraud Investigation Service and the WFDC Local Council Tax Reduction Scheme as amended.</p>

Payroll (Including Mileage & Subsistence claims) (Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment; Significant proportion of expenditure, provided as part of a Shared Service with Redditch BC. HMRC IR35 changes from April 2017 in the public sector)	85	20	<b>Assurance</b> Historically, good governance. Reviewed as a service delivered via a service level agreement. Scope to capture changes to the systems and procedures in place at Wyre Forest District Council and Redditch BC to ensure accurate payments to bonafide employees. Validation of all payments, to include those to HMRC including the changes in respect of IR35, Pensions and other deductions and allowances are correct and authorised and that all payroll transactions are accurately recorded in the financial accounts, to incorporate detailed testing of both staff and member mileage & subsistence claims. 2018~Act as a critical friend on the review of the payroll arrangements and the service level agreement.
NNDR (Business Rates) (Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment)	84	12	<b>Assurance</b> Historically, good governance. Reviewed as a key financial process with an annual rateable value in excess of £74m. Scope will capture changes to the systems and procedures in place to calculate liability, raise bills, collect income and monitor arrears; review process for the Business Rate retention including contributions to/from the Worcestershire pool. NNDR 3 return. Have regard to the 2017 revaluation by the Valuation Office from April 2017, any changes to reliefs and new Check Challenge Appeal process for appeals. Provide assurance that appropriate notifications have been received advising of the NNDR multipliers and transitional relief rates for the current financial year, and that these have been accurately transferred to the Civica system for the billing process.
Council Tax (Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment)	82	12	<b>Assurance</b> Historically, good governance. Reviewed as a key financial process, with an annual property charge in excess of £68m. Scope will capture changes to the systems and procedures in place to calculate liability, raise bills, collect payment and monitor arrears. To provide assurance that Council Tax charges have been correctly calculated, and parameters validated for an accurate billing process. To review the local Council Tax Reduction scheme. Review changes to the system for the detection/prevention of fraud on Single Person Discounts following the transfer of the Fraud Team to DWP under SFIS.
Creditors: Accounts Payable (Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment)	80	12	<b>Assurance</b> Historically, good governance. Reviewed as an element of the general ledger that supports the annual statement of accounts; to provide a sound control environment processes must operate effectively. Scope will capture changes to the system and procedures in place for the payment of invoices for services and supplies across the Council to cover all aspects including the weekly reconciliations of BACS; Purchase Order Processing (requisition to invoice payment); journal transactions including follow up on change processes as part of the on-going transformation programme including channel shift and digitalisation.

Procurement Cards {Risk: Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment}{Failure to comply with the Local Government Transparency Code}		8	<b>Assurance</b> Historically, good governance. Reviewed as an element of the transparency process for procurement, Scope will review a sample of procurement activities across all service teams to evaluate the level of compliance with legal, transparency and constitution requirements. Including reviewing the controls in place for the use of the Council's purchasing cards and the recording and verification of purchases via this method.
Debt Recovery Procedures (Risk:Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment) To include Corporate & Property Debtors; 2015 Corporate Debt Recovery Officer in post, changes to procedures)	79	8	<b>Assurance</b> Historically, good governance. Reviewed as a key system across all directorates. Well managed as evidenced from the work of the Corporate Debt Recovery. Scope will capture changes to the systems and procedures for the recovery of outstanding debts having regard to the Legal requirements for Court Action(exc. Council Tax and NNDR). Have regard for the staff changes and realignment of the process for managing debt recovery within the Finance Team.
Accounting (Income& Bank) (Risk :Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment)	74	15	<b>Assurance</b> Historically, good governance. Reviewed as a key financial process, underpinning internal and external reporting by reconciliations to the General Ledger. Scope will capture changes to the systems and procedures around the Council's General Ledger to record financial transactions and produce the final accounts. To include Bank Reconciliations, collection of income via all mediums cross-cutting across all Directorates.. Including follow up on change processes as part of the on-going transformation programme and having regard to the digital first agenda.
Establishment (Risk: Failure to Maintain adequate controls over Key Financial Systems to support an effective internal control environment)	71	15	<b>Assurance</b> Scope will continue to work with the HR Team to formalise systems and procedures in place for the maintenance of the WFDC Establishment data base; and the process for updating staff details. Without an establishment, ghost employees can not be identified, salary budgets cannot be managed.
<b>Cross Cutting Continuous Reviews</b>			
Fees & Charges (Risk: Reputational Damage;Failure to maintain a balanced budget)	69	15	Continuous reviews of Fees & Charges not covered elsewhere within the Plan on a rolling basis. Includes setting the charges, assurance that sections are complying with the approved charges.
Information Governance {Risk: Breach of the Data Protection Act leading to penalties up to £500k – Note report commissioned as part of long term agreement from our insurers Zurich Municipal on Information governance risk}	~	10	Continuous review to support the work of the Information Governance Group following the Zurich Municipal Review; work with the Data and Project Management Officer in reviewing procedures, processes including the training and awareness of relevant policies and guidelines. To provide assurance on controls implemented to manage information {including disposal} within the Council; to include not just ICT but manual records and information. Confirm compliance with data protection legislation with regard to the General Data Protection Regulation {GDPR} May 2018 to include mapping data protection processes and working with the Digital First Board to ensure that the personal information collected as part of the Digital Agenda is collected and collated as intended.
Ethics and Governance (Risk: Reputational Damage; Failure to meet Statutory Requirements; Ineffective governance; unsatisfactory audit opinion)	~	20	Continuous review to determine whether the Council's has effective governance arrangements and ethical framework in place. to include Anti Fraud & Corruption Strategies; Data Protection; Freedom of Information; Contract Procedure Rules; Financial Regulations; Constitution; Code of Conduct; Gifts & Hospitality; Members Allowances; Data Quality/Performance Management. Arrangements with third party sections, partnerships and localism arrangements.

Risk Management {Risk Reputational Damage; Ineffective risk management; unsatisfactory audit opinion}	~	10	Continuous review of the Council's Risk Management arrangements to support the annual audit opinion.
<b>TOTAL DAYS</b>		<b>214</b>	

#### **2017~18 Internal Audit Activity ~ Cyclical Reviews Brought Forward:**

**This allocation provides for the completion and sign off of 2017~18 audit reviews which require finalising.**

AUDIT COVERAGE	RA	2018/19 Days	AUDIT SCOPE
Development Control (Risk: Reputational Damage; Failure to meet statutory requirements; customer expectation; income threshold) {Several Staff Changes took place in 2017}	54	8	Cyclical review of the systems and procedures in place for processing and approval of planning applications to include the collection and banking arrangements for fee income.
Housing Grants including Disabled Facilities Grants (Risk: Fraudulent claims; insufficient fund; misappropriation of funds – note additional funding allocation of circa £1m for 2016/17)	69	10	Reviewed as part of Strategic Housing the system changes to the process of awarding Disabled Facilities Grant arising from the Housing Needs Intervention as part of the Wyre Forest Forward Programme
Asset Management/Fixed Asset Valuations (Risk: Failure to Maintain adequate controls over Key Financial Systems)	88	12	Continuous review of the system and arrangements in place to record, manage and maintain the Council's physical assets and property portfolio. Review of the systems and procedures in place in respect of the arrangement for leases, licenses and rental agreements; calculation of income due, collection and banking of income and the monitoring and recovery of arrears. Have regard for the Cabinet approval of £25m capital funding to grow the Council's portfolio of capital assets to support economic, regeneration and/or housing priorities.
<b>TOTAL DAYS</b>		<b>30</b>	

#### **2018~19 ~ Corporate Plan Priorities**

AUDIT COVERAGE	RA	2018/19 Days	AUDIT SCOPE
North Worcestershire Economic Development & Regeneration Economic Growth: {CORP RISK 02: Unable to improve the economic prosperity of the district}	~	10	<b>Corporate Plan Priority Banner:</b> Support you to contribute to a successful local economy. → A shared service between Wyre Forest District Council/Redditch Borough Council/Bromsgrove District Council.
Strategic Housing Homelessness: {Homeless Reduction Act ~ changes from April 2018} {CORP RISK 03: Unable to deliver good quality, affordable home}	~	10	<b>Corporate Plan Priority Banner:</b> Support you to live in clean, green safe communities → Preventing and reducing homelessness Scope will have regard to employees to be TUPE'd across to Wyre Forest District Council
<b>TOTAL DAYS</b>		<b>20</b>	

**2018~19 Wyre Forest Forward Programme {On ~ Going Corporate Interventions}:  
Internal Audit to support the Council with Interventions/Continuous Improvement Work**

AUDIT COVERAGE	RA	2018/19 Days	AUDIT SCOPE
<b>Depot Intervention ~ Continuous</b>			
Garage ~ Vehicle Maintenance/Stores & Stock Control to include PPE (Risk: Failure to Maintain adequate controls over Key Financial Systems)	54	10	Continued support to the Depot as part of the Interventions to include ongoing review of the arrangements in place for the maintaining and servicing of Council Vehicles, to cover Driver responsibilities, stock control and issue of fuel with the implementation of the Garage Hive software application.
Income Generation {Commercial Work} → Grounds Maintenance (Risk~Reputational Damage; Customer expectations; Failure to Generate External Income) → Driver Training (Risk~Reputational Damage, Customer expectations; Failure to Generate External Income) → Business Support Team (Risk: Reputational Damage; Failure to meet Statutory Requirements; Ineffective governance and Financial Management)		15	Review of the systems and procedures in place for the provision of a commercial grounds maintenance service. Review of the systems and procedures in place for the provision of a professional driver training. Continue to review, develop and refine systems to support the commercialisation of services being delivered by the Depot.  Review of the work of the Commercial Activity Programme Board {formerly Income Generation Group} approved as part of the MTFS 2017~21 with wider Officer delegations.
<b>TOTAL DAYS</b>		25	
<b>TOTAL AVAILABLE AUDIT DAYS</b>		289	

**WYRE FOREST DISTRICT COUNCIL**

**INTERNAL AUDIT ANNUAL PLAN 2018~19**

**ICT Audits and Assistance (30 Days Per Annum)~ Continuous Programme of Review**

**CORPRISK06~Implementation of ICT Strategy**

**CORPRISK10~Unable to ensure a secure network**

<b>Areas</b>	<b>Reason</b>
<b>IT Governance~ Physical Security</b>	To ensure that physical security is in place and that protocols are adhered to. Ensure that there is effective management of assets throughout to manage changes and restructuring.
<b>IT Governance ~ Public Services Network</b>	To ensure actions from penetration testing are implemented to allow for continued connectivity to government systems.
<b>IT Governance ~ Access Control Applications as detailed in the WFDC ICT User Security Policy ~ December 2016</b>	To ensure that system access is recorded and appropriately granted. To ensure that System administrators are appropriately trained. To ensure Roles and Permission are monitored To ensure employee starter, leaver and transfers access right set up and amendments are controlled and recorded.
<b>IT Governance ~ Upgrade/Patch Management</b>	To ensure there is a system in place for upgrading software and applying security and other supplier patches.
<b>IT Governance ~ Back up</b>	To ensure system back ups are controlled and secure. To ensure back ups are tested and the tests are recorded. To ensure back up equipment is working appropriately.
<b>IT Governance ~ Audit Trails</b>	To ensure Audit trails are switched on, show an accountable trail, are retained for an appropriate length of time and the time stamps are accurate. To ensure significant events have been recorded.
<b>IT Governance ~ Contingency Plans (Monitoring of Cyber Risks)</b>	To ensure contingency plans are in place and include security arrangements (including physical). To ensure off site arrangements have been tested. To ensure that the cyber environment is reviewed to maintain pace with current threats; addressing the risk of financial loss, disruption or damage to the reputation of the Council.

## WYRE FOREST DISTRICT COUNCIL

### INTERNAL AUDIT ANNUAL PLAN 2018~19

**Assistance & Advice (10 Days Per Annum) ~ Continuous Programme of Review**

**CORPRISK06~Implementation of ICT Strategy**

**CORPRISK10~Unable to ensure a secure network**

Areas	Reason
<b>Social Media to include:</b> {Risk: Reputational Damage; information not managed; feed back not monitored} <b>Facebook</b>  <b>Twitter</b>  <b>Press Releases</b>	The Council regularly updates the pages to ensure the Council. The sites are monitored with regard to mitigating risks in respect of branding and/or reputational damage The sites are accessible to all. Compliance with Data Security under:- ~a privacy policy, ~social media policy, ~ risk policy ~Freedom of Information and Data Protection policies. Ensure an internal policy include the employees use of social media.
<b>IT Governance ~ Inventories</b> {Risk: Misappropriation/misuse of Assets; Reputational damage should data on council assets be lost/misused; financial penalties for loss/misuse of data if hardware not manage.}	To ensure inventories are in place for both computer software and hardware. To ensure inventories are regularly reviewed and updated.
<b>Payments on Line ~ Procurement/Paypal</b> (Risk: The continuing extension of the new procurement cards and change in process from 2015)	To ensure that the Council procurement cards are secure and appropriately used. To ensure that the procurement cards are being used inline with Council policies when used on line. To ensure that purchases and payments are appropriately controlled.
<b>Payment Card Industry Data Security</b> (Risk:Financial Penalties or withdrawal of payment facilities)	To ensure that appropriate processes are in place for adherence to industry standards in relation to the use of payment card technology. Particularly for increased payment processes to support external income generation.
<b>BACS {Banks Automated Clearing System</b> {Risk: Reputational Damage should payments/income collection not be actioned promptly, failure to deliver services}	To work with the ICT Manager and Finance Team on the implementation of new BACS software to ensure effective arrangements in place for processing BACS bank to bank transactions.
<b>ICT Strategy Board/ICT Security Group</b>	To attend and provide consultative advise and support on information governance and appropriate internal controls.

## **WYRE FOREST DISTRICT COUNCIL**

### **INTERNAL AUDIT ANNUAL PLAN 2018~2019**

The Council undertakes a variety of procurement activities to help deliver services and meet its Corporate Plan Priorities. There are a number of key contracts and in order to mitigate the Council's exposure to commercial, contractual and reputation risk these should be effectively managed.

#### **Contract Audit to include Procurement( 25 Days Per Annum)**

#### **CORPRISK09~Unalbe to effectively improve the Council's Reputation**

##### ***Contract/Procurement Audit includes:***

- Contract Specifications
- Tendering Process including opening & recording
- Award of Contract
- Contract Monitoring
- Contract payments
- Contract register
- Final accounts as appropriate
- Service Level Agreements
- Due regard to Home Office Guidance on fraud and organised crime.

#### **On contracts selected from the approved Revenue & Capital budgets.**

Public Realm Expenditure  
Disposal of Council Assets {2016 Leisure Centre Sites}  
Bewdley Car Park Refurbishment ~ Load Street  
Depot 2020 Project  
Capital Portfolio and Development Loans Fund Strategies  
progression



## **WYRE FOREST DISTRICT COUNCIL**

### **INTERNAL AUDIT ANNUAL PLAN 2018 ~ 2019**

#### **Specific Service Duties – (25 Days Per Annum)**

##### **CONSTITUTION~GOVERNANCE**

- Continual review of Financial Regulations to ensure updated for new policies on Development Loan Fund and the Capital Portfolio fund//Contract Procedure Rules/Corporate Fraud Policies

##### **ARRANGMENTS FOR THE PREVENTION/DETECTION OF FRAUD**

- To continue to coordinate the statutory requirement for the Cabinet Office National Fraud Initiative Data Matching Exercise
  - ➔ Participation by management and coordination in mandatory data matching exercise across public bodies to identify anomalies which may signify fraudulent transactions. Matches are investigated promptly and thoroughly.
- Counter Fraud Arrangements ~ Supporting the Corporate Fraud Officer as the Single Point of Contact with regard to the Home Office report in respect of Serious & Organised Crime, the SPOC to engage with multi agency partners.
- Participation in national surveys for Fraud to demonstrate actions in Protecting The Public Purse}.

##### **SPECIFIC ROLES**

- Grant certifications where the contractual arrangement requires Internal Audit to confirm that expenditure is in line with grant terms and conditions.
- Recommendation Monitoring
  - ➔ To support the Audit Opinion
  - ➔ Allow for Internal Audit to monitor Managements progress with the implementation of recommendations.
- Internal Working Groups ~ Critical Friend Role
  - ➔ To provide for a representative on working groups to advise on risk and control.

**WYRE FOREST DISTRICT COUNCIL**

**INTERNAL AUDIT ANNUAL PLAN 2018 ~ 2019**

	<b>TOTAL Per Annum</b>
<b>GROSS (FTE*)</b>	<b>780.5</b>
<b><u>Less: Leave Allocations</u></b>	
Bank Holidays	30
Annual Leave	80.5
Sick/Special Leave	14.5
Training	33.5
<b>Sub Total</b>	<b>622</b>
<b><u>Less: Administration</u></b>	
Corporate Fraud {Senior Auditor}	60
Kidderminster Town Council {Audit Manager}	15
Management Meetings (Internal)	25
Corporate Briefings	8
Audit Committee Attendance	5
Audit Plans/Monitoring Reports/Annual Report	12
General Duties	30
Risk Management Support	18
<b>Available audit days (FTE)</b>	<b>449</b>

\*FTE = Full Time Equivalent.

**INTERNAL AUDIT SYSTEM RISK ASSESSMENT**

**SYSTEM**

Assessed by:

Date:

Reviewed by:

Date:

**SUMMARY:**

**High Priority Risk Assessment (Maximum)** **111**

**Tolerable/Low Priority Risk Assessment** **27**

**Difference** **84**

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

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

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**19<sup>th</sup> MARCH 2018****INTERNAL AUDIT MONITORING REPORT**  
**QUARTER ENDED 31<sup>st</sup> DECEMBER 2017**

<b>OPEN</b>	
<b>CABINET MEMBER</b>	Councillor Nathan Desmond
<b>RESPONSIBLE OFFICER</b>	Tracey Southall, Extension 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>CONTACT OFFICER:</b>	Cheryl Ellerton, Extension 2116 <a href="mailto:cheryl.ellerton@wyreforestdc.gov.uk">cheryl.ellerton@wyreforestdc.gov.uk</a>
<b>APPENDIX</b>	Appendix 1 Internal Audit Monitoring Report for the Quarter ended 31st December 2017

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st December 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 31st December 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	<b>Follow up reviews</b> undertaken in the quarter; incorporating recommendations in progress
Section 2	<b>Final</b> Internal Audit Reports issued
Section 3	<b>Draft</b> Internal Audit Reports issued
Section 4	<b>Work In Progress</b> to include draft reports issued following completion of 2017~18 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<sup>1</sup>. 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.

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<sup>1</sup> UK Public Sector Internal Audit Standards 2016

**8. RISK MANAGEMENT**

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

**9. CONCLUSION**

- 9.1 The work undertaken by the Internal Audit Team in the quarter ended 31st December 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 20<sup>th</sup> March 2017 ~ Audit Committee ~ Internal Audit Annual Plan 2017~18  
28<sup>th</sup> November 2016 ~ Audit Committee ~ Internal Audit Charter {Updated}  
Accounts and Audit Regulations 2015 {SI 234}





# **INTERNAL AUDIT**

## **INTERNAL AUDIT MONITORING REPORT**

**QUARTER ENDED  
31st December 2017**

**INTERNAL AUDIT**  
**QUARTERLY AUDIT REPORT**  
**QUARTER ENDED 31st December 2017**

<b>INDEX</b>	<b>PAGE</b>
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<b>SECTION 2</b>	
Final Audit Reports issued in the Quarter	<b>96-98</b>
<b>SECTION 3</b>	
Draft Audit Reports issued in the Quarter	<b>99</b>
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Work In Progress (Including Action Plans Issued) & Draft reports following the completion of the 16~17 Internal Audit Annual Plan	<b>100</b>
<b>SECTION 5</b>	
Performance against Annual Plan for the Financial Year 2017/18	<b>101</b>
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Supporting Information for Other Internal Audit work including the Wyre Forest Forward Corporate Interventions .	<b>103</b>
 <b><i>Cheryl Ellerton</i></b> <b>AUDIT MANAGER</b>	
 <b><i>Tracey Southall</i></b> <b>SECTION 151 OFFICER</b>	

19<sup>th</sup> February 2018

## SECTION 1

Quarter Report to the 31st December 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 31st December 2017		
	ASSURANCE	PAGE
<b>CORE FINANCIAL SYSTEM REVIEWS</b>		
<b><u>Key Systems (Annual Assurance Reviews)</u></b>		
2017~18 Accounts Payable {Reconciliation}	S	97
2017~18 Accounts Receivable {Reconciliation}	F	~
2017~18 Income To Bank {Green Street}	F	~
2017~18 Income To Bank {Bewdley TIC/Museum}	F	~
2017~18 Payroll {Reconciliations}	F	~
<b><u>ICT Reviews</u></b>		
2017~18 Inventory ~ Green Street	S	98

KEY		
Assurance Level	Description of Assurance Level	What is reported in the Quarterly Audit Report
<b>F = Full</b>	Robust framework of controls, any recommendations are advisory ~ provides substantial assurance.	The title of the review undertaken is reported.
<b>S = Some</b>	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.
<b>L = Limited</b>	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.
<b>U = Unsound</b>	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.

<b>AUDIT REPORT TITLE:</b> <b>Accounts Payable Reconciliations 2017-18</b> <b>{Corporate Creditors}</b>  <b>BUDGET: Various</b> <b>REF:</b>	<b>PROGRESS REPORT/ACTION PLAN:</b> 25 <sup>th</sup> July 2017  <b>DRAFT REPORT DATE ISSUED:</b> 22 <sup>ND</sup> January 2018  <b>FINAL REPORT DATE ISSUED:</b> 26 <sup>th</sup> January 2018 {Q3 31.12.17}	<b>DIRECTORATE : Resources: Finance ~</b> <b>Accountancy</b>  <b>RESPONSE RECEIVED DATE:</b> 23 <sup>rd</sup> January 2018
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

#### **Overview**

This Audit forms part of the annual assurance reviews undertaken as part of the 2017-18 annual audit plan. The review concentrated on ensuring that the controls in place over the system for the reconciliation of the Council's creditors made via Accounts Payable within the Agresso Financial Management System are operating as intended. In addition, the audit comprised a review of open purchase orders, goods receipting and Journals entries.

#### **RECONCILIATIONS**

The reconciliation of both Accounts Payable ~ Creditors for supply of goods and services & Housing Benefits Entitlement were reviewed for April, July and September 2017. The review found that processes within both the Accountancy and Support Services Teams' are working effectively. The reconciliations had been completed in a timely manner with evidence of review and supporting documentation.

#### **REQUISITION PROCESSING TO INCLUDE OPEN ORDERS, GOODS RECEIPTING AND JOURNALS**

The audit review also ensured that there is a regular review of open orders and prompt goods receipting to ensure prompt payment. Open orders are reviewed as part of the year end procedure, in addition, an Agresso Financial Management System report is also extracted and reviewed on a quarterly basis. During the review it was identified that the standard open order Agresso Financial Management System report for those over 6 months as extracted from the system by the Auditor differed from the report that had been prepared by the Corporate Support Officer for their review. The parameters had been set differently to ensure old orders had been that had been closed were excluded from the Corporate Support Officer review.. The reports are in the process of being revisited and corrected. Goods Receipting reports are reviewed on a weekly basis, issues identified relating to goods being receipted for works which had not been undertaken were addressed during the audit review. The Journals review identified that some journal extracts whilst signed by the employee actioning the entries, were not being independently countersigned/certified by a senior employee.

#### **Conclusion**

On the basis of the work undertaken, the review has concluded that within the Creditors (Accounts Payable) System there are areas that are well managed and controlled. Whilst **FULL** assurance can be given on the completion of the weekly reconciliations, enhancements to open order review reports and Journal authorisation have been highlighted. The overall conclusion therefore, is that **SOME** assurance can currently be given that the internal controls in place within the key system for Corporate Creditors (Accounts Payable) are operating as intended.

## Agenda Item No. 10

<b>AUDIT REPORT TITLE:</b> ICT Inventory ~ Green Street Depot Site  <b>BUDGET:</b> Various <b>REF:</b>	<b>VERBAL ACTION PLAN ISSUED:</b> 31/07/2017  <b>DRAFT REPORT DATE ISSUED:</b> 18 <sup>th</sup> October 2017  <b>FINAL REPORT DATE ISSUED:</b> 19 <sup>th</sup> December 2017	<b>SERVICE:</b> Resources Directorate {ICT}  <b>RESPONSE RECEIVED DATE:</b> 22 <sup>nd</sup> November 2017
--	---	--

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

### **Overview:**

As part of the 2017~18 Internal Audit Plan, a review has been undertaken in respect of inventories maintained for ICT equipment. The hardware inventories for the Green Street Depot site were reviewed to ensure that the arrangements in place for the administration of ICT equipment was fit for purpose, regularly monitored and robust.

The audit review acknowledged that both the ICT Security Policy updated in April 2015 and the Financial Regulations updated May 2017 included clear guidance for the recording and monitoring of inventories for ICT equipment. Equipment inventories should be strictly monitored to remain compliant with both Public Services Network {PSN} legislation. As part of this review, a sample from the Green Street Inventory list (provided by the ICT Manager) was reconciled to the equipment in situ by Internal Audit and corroborated against insurance documents for the Green Street Depot to ensure correct cover had been arranged.

From the sample selected, the review identified that there were multiple discrepancies between the ICT's Inventory list and the items in situ at Green Street Depot. It was noted that within the Green Street offices there had been clear movement of hardware which had not been evidenced on the Green Street Inventory list and multiple pieces of hardware did not display a "Wyre Forest District Council sticker" with an allocated asset number, a requirement under the Financial Regulation (12.2). In addition, items within the Depot Garage, the office of the Operational Services Manager, office of the Director of Community, Well-being and Environment and the office assigned to the HR team when on site were not included on the Green Street ICT inventory list. Therefore, if items had been moved, stolen or lost Wyre Forest District Council would not be able to prove ownership.

Following an exit meeting with the ICT Manager to report the initial observations, working in partnership the ICT Technical Support Officer and the Depot Business Development Officer, prepared a complete and up to date Green Street inventory list. A sample from the revised inventory list was reconciled by Internal Audit, to the equipment in situ to ascertain that all new equipment had been marked with a Wyre Forest District Council asset number sticker. It was found that the updated inventory list accurately reconciled to the hardware and asset numbers had been allocated to all items, with stickers now displayed on equipment. Subsequently the ICT Manager confirmed that ICT are in the process of introducing a new change management software package which alongside existing software packages will be able to identify all devices connected to the network that have an IP address, potentially removing the need to keep a manual inventory list. The outcomes of these changes will be reviewed by Internal Audit as part of the 3 month follow up review.

### **Conclusion:**

On the basis of the work undertaken, the review has concluded that **SOME** assurance can be given in respect of the procedures in place for the administration of ICT hardware inventories regarding equipment located at the Green Street Depot. Although the additional review of the new inventory list found no discrepancies, the review and update of the inventory list was prompted by Internal Audits closure meeting with the ICT Manager. The ICT Manager has also confirmed that staff have been advised not to move ICT equipment without notifying ICT first.

## SECTION 3

Quarter Report to the 31st December 2017

DRAFT AUDIT REPORTS ISSUED FOR THE QUARTER ENDED 31st December 2017	
TITLE	DATE OF ISSUE {Work Completed in Quarter 3}
2017~18 Payroll Compliance {Accountancy}	06.02.18
2017~18 Payroll Compliance {Human Resources}	06.02.18
2017~18 Elections & Electoral Registration	16.01.18

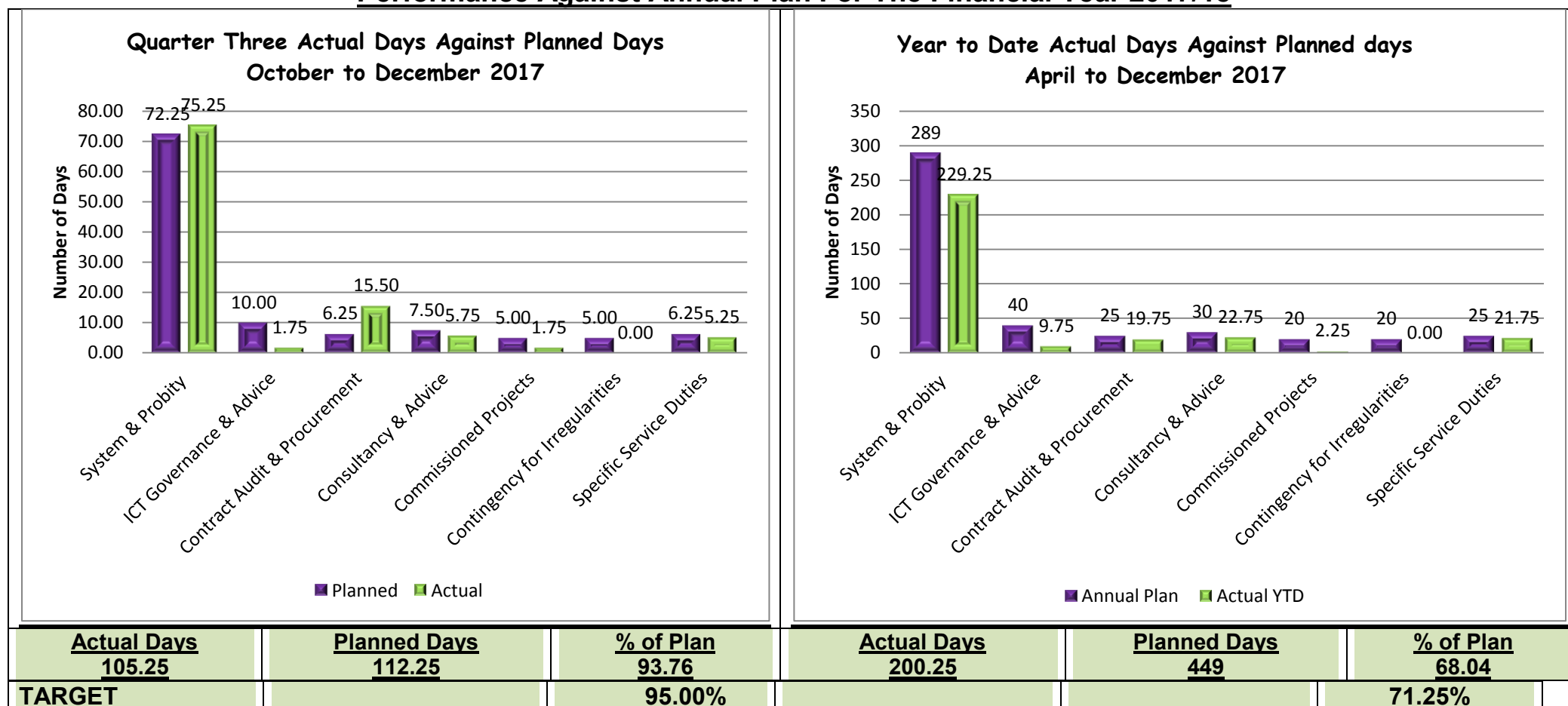
## Agenda Item No. 10 SECTION 4

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 31st December 2017		Status	Action Plans/Progress Report			
RISK ASSESSMENT	AUDIT REVIEW	As At 31.12.17	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	<b><u>Core Financial Systems (Annual Assurance Reviews)~</u></b>					
	<b><u>2017~18 Annual Audit Plan</u></b>					
	<b><u>Accounting Cash To Bank</u></b>					
	Corporate Income To Bank ~ HUB	Stage 6	-	-	-	08.08.17
RA88	Corporate Income To Bank ~ TIC/Museum	Stage 6	-	-	-	22.12.17
	Corporate Income To Bank ~ Green St Depot	Stage 6	-	-	-	24.01.18
	Bank Reconciliation	Stage 3	22.05.17	04.08.17	08.12.17	-
	<b><u>Benefits {Inc Council Tax Discounts (Local Scheme)}</u></b>					
RA82	Council Tax Reduction {Local Scheme} ~ Compliance	Stage 4	05.07.17	-	05.01.18	12.02.18
	Housing Benefit {Allowances}	Stage 4	-	21.07.17	23.01.18	12.02.18
	Housing Benefit ~ Overpayment Debtor Accounts ~ Reconciliations	Stage 2	-	-	-	-
	<b><u>Council Tax</u></b>					
RA80	Ctax Reconciliations ~ {To include Gross Debit 2016/17}	Stage 3	30.05.17	08.08.17	-	-
	Ctax Compliance/Recovery	Stage 4	-	26.07.17	19/20.12.17	15.02.18
	<b><u>Creditors (Accounts Payable)</u></b>					
	Creditors {Accounts Payable} ~ Compliance	Stage 4	-	-	-	30.01.18
RA89	Creditors {Accounts Payable} ~ Reconciliation	Stage 6	-	25.07.17	-	26.01.18
	<b><u>Debtors (Accounts Receivable)</u></b>					
	Debtors {Accounts Receivable} ~ Compliance	Stage 3	-	-	-	-
	Debtors {Accounts Receivable} ~Reconciliations	Stage 6	-	24.07.17/05.10.17	-	22.01.18
RA71	<b><u>Establishment</u></b>					
	Establishment Reconciliation	Stage 1	-	-	-	-
	Establishment {Staff Record Forms}	Stage 1	-	-	-	-
	<b><u>National Non Domestic Rates</u></b>					
RA84	NNDR ~ Reconciliations ~ {To include Gross Debit 2016/17}	Stage 4	31.05.17	06.10.17	-	12.02.18
	NNDR ~ Compliance	Stage 3	-	-	22.01.18	-
	<b><u>Payroll (Including Mileage &amp; Subsistence Claims</u></b>					
	Payroll ~ Compliance (WFDC Accountancy Team & RBC Payroll Team)^	Stage 5	-	15.08.17/16.10.17	-	06.02.18
RA85	<b><u>Pay Award</u></b>					
	Payroll ~ Reconciliations {WFDC Accountancy Team}	Stage 6	-	-	-	13.12.17
<b>KEY</b> 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						

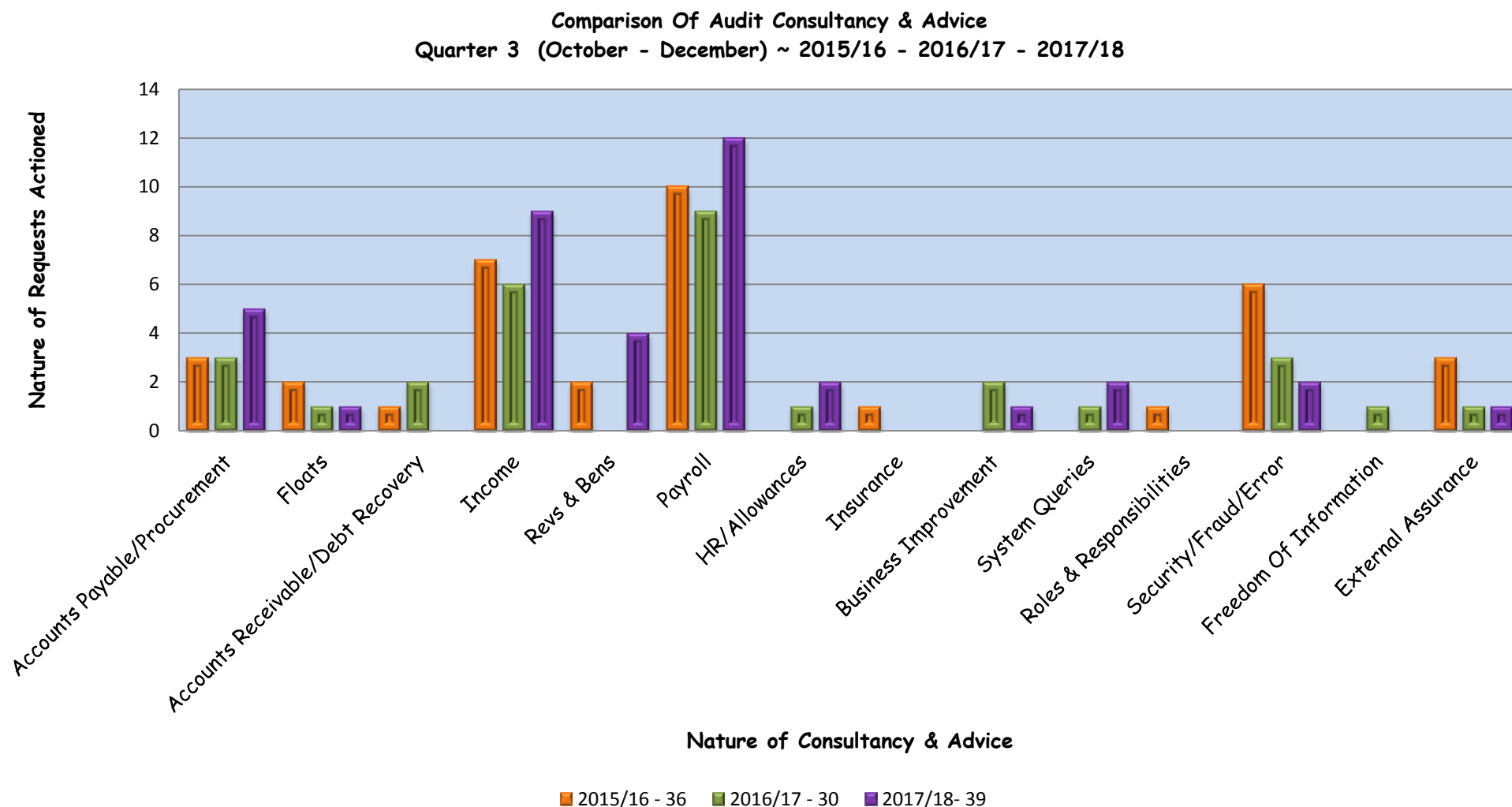


**Audit Resource Statistics**  
**Performance Against Annual Plan For The Financial Year 2017/18**



For the quarter to 31st December 2017 actual against plan is **93.76%** compared to a target of **95%** {**93.32%** against **95%** for Quarter 31st December 2017}

➔ Within the time allocated in the above table, during this third quarter of 2017~18 the Internal Audit Team have responded to **39** requests for advice and consultancy as categorised in the graph overleaf, in comparison to the **30** requests received and actioned for the same period for 2016/17 and the **36** 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**

- 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.
- Monitoring of the Load Street Car Park refurbishment Bewdley

**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 support to the Fleet Officer on the implementation of the Garage Hive application. This has seen the replacement of a manual system to provide end to end booking, work processing and invoicing with integrated re-charges and management reporting. Processing efficiencies have been realised, with improvements in the manner in which garage orders are raised and stock is accounted for, with income collection more timely..

Progress will continue to be reviewed. The second phase of the implementation process will look to set up a full stock control system for the ordering, recording and issuing of personal protective clothing, uniforms and equipment.

**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 2017~18 programme of work.

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**19<sup>th</sup> MARCH 2018****Annual Governance Statement**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor N J Desmond
<b>RESPONSIBLE OFFICER:</b>	Corporate Director: Resources
<b>CONTACT OFFICERS:</b>	Corporate Director: Resources Ext 2100 <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>APPENDICES:</b>	Appendix 1 - Annual Governance Statement Action Plan 2016/17

**1 PURPOSE OF REPORT**

- 1.1 This report is to present the current position in relation to the action plan which was developed to address the issues identified within 2016/17.

**2 RECOMMENDATION**

- 2.1 The Audit Committee is asked to approve the progress against the Annual Governance Statement Action Plan 2016/17 which is attached at Appendix 1.

**3 BACKGROUND**

- 3.1 The Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The regulations require that a relevant committee considers the findings of the review.
- 3.2 The need to produce a Statement of Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) using the framework defined in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: The Framework".
- 3.3 Full details on these requirements in relation to the Annual Governance Statement have been reported to the Audit Committee and are regularly refreshed as part of annual Member training. The Annual Governance Statement was presented and approved at the May 2017 meeting of the Audit Committee.
- 3.4 In determining the Annual Governance Statement the Council is required to take into account all relevant information including the following sources of evidence:
- Internal Audit reports;
  - External Audit reports;
  - Assurance Statements completed by senior staff;
  - Corporate Risk Register;
  - External Inspection findings including the Peer Review;
  - Other relevant information.

- 3.5 Following consideration by the Corporate Leadership Team the Annual Governance Statement was approved by the Audit Committee at the meeting in May 2017.

#### **4 KEY ISSUES**

- 4.1 The Annual Governance Statement identified areas of Corporate Governance which needed to be addressed during 2017/18. An action plan has been developed and is attached at Appendix 1, which identifies these areas and the progress that has been made in addressing these points. This has been reviewed and agreed by the Corporate Leadership Team.
- 4.2 Members are requested to review and approve the action plan and to note the current progress in relation to the delivery of the necessary improvements.

#### **5 FINANCIAL IMPLICATIONS**

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

#### **6 LEGAL AND POLICY IMPLICATIONS**

- 6.1 It is a requirement under the Accounts and Audit Regulations 2015 that the Council prepares an Annual Governance Statement and monitors actions arising from the content.

#### **7 EQUALITY IMPACT NEEDS ASSESSMENT**

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

#### **8 RISK MANAGEMENT**

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

#### **9 CONCLUSION**

- 9.1 The Council is required to complete an Annual Governance Statement which is required to:
- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement;
  - Consider the robustness of the Authority's governance arrangements;
  - Monitor any actions arising from the review of arrangements.
- 9.2 This report identifies the progress that has been made to date in relation to the Annual Governance Statement approved on 31<sup>st</sup> May 2017.

#### **10 CONSULTEES**

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

**11 BACKGROUND PAPERS**

11.1 31<sup>st</sup> May 2017 – Annual Governance Statement 2016/17

11.2 Delivering Good Governance in Local Government CIPFA/SOLACE.

11.3 UK Public Sector Internal Audit Standards April 2016.

11.4 Audit Committee Reports 20<sup>th</sup> March 2017.

### Significant Governance Issues for 2016-17

Wyre Forest District Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2015-16 Annual Governance Statement. The following significant governance issues have been identified and further actions have been put in place against each, in order to strengthen the Council's governance arrangements.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	Maintain financial resilience by securing approval of a Medium Term Financial Strategy with a fully balanced budget, taking into account the ongoing challenges of the impact of continuing austerity measures, noting the impact of the European Referendum, the US economy volatility and impact of the “snap” General Election in June 2017.	Highlighted by the Corporate Leadership Team and endorsed by the LGA Peer Review	To continue to actively participate in and understand/model the impact of the fundamental Finance Reform, encompassing New Homes Bonus and Business Rate Review, phasing out of Revenue Support Grant, transfer of New Burdens, progression of Welfare Reform. <u>Progress</u> <b>There has been active participation in the ongoing finance reform with responses submitted for all consultations.</b>	Balanced Medium Term Financial Strategy (MTFS) for 2018-21 with developed proposals for significant savings/cost reductions to close the increased funding gap from 2018-19. The MTFS report to also include sensitivity analysis around the impact of potential growth and investment	Chief Financial Officer, Chief Executive and whole Corporate Leadership team	December 2017 to February 2018
			Further work around income generation, commercialisation and expenditure reductions. Further develop and evolve the Financial Strategy to include: –the potential impact of growth and investment on business rates, Council Tax, planning gain, and broader economic outcomes for the district. (scenario planning) -potential for large scale service redesign, alternative delivery and service providers, digitalisation and demand management	Proposals for savings as part of MTFS 2018-21  More accurate budget monitoring reports to reduce large unexpected variances at year end		

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1 cont.			<p>- a review of the approach to underspends and reserves so that base budget and forecasting are as accurate as possible;</p> <p><b>Progress</b>  The Financial Strategy has been further developed as recommended with sensitivity analysis/scenario planning now included. In recognition of previous Final Accounts savings the budget has been realigned to more accurately reflect trends in lower costs and higher levels of income. An external report was commissioned on commercialism and a Cabinet proposal for a generic capital pot approved as part of the Budget decision to expedite commercial decision making. A reserves review was undertaken by Link treasury advisors endorsing a new approach to ear marked reserves introduced as part of MTFS. This will reduce the number of smaller specific ear marked reserves, create a new General Risk Reserve and also allow the release of circa £240k into General Reserves as part of the 2017-18 Final Accounts closedown process.</p> <p>Budget Monitoring reporting continues to be refined and further development is actively being progressed for the reporting of commercialism/ income generation initiatives. Focus on demand led income and key risks will be included as part of each business case proposal for investment to achieve new/increased income streams to be considered by Commercial Activity Programme Board.</p>		Chief Financial Officer, Chief Executive and whole Corporate Leadership team	December 2017 to February 2018
			Further develop thinking about the Council's future role and purpose post 2020. Better align the Corporate Plan, Financial Strategy and future operating model so there is a more	MTFS 2018-21		December 2017 to February 2018



Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<p>cohesive and compelling narrative about what the Council is striving to achieve and how it will deliver its priorities, including the ways by which it will remain financially viable, and the further organisational transformation required.</p> <p><b>Progress</b> <b>Actioned, new format/ narrative of MTFS 2018-21. It is acknowledged there is further work to do regarding further organisational transformation required</b></p>			

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
2	Continue with the initiatives and innovation to achieve income generation and cost savings, including a refresh of the Wyre Forest Forward Programme and robust monitoring with the opportunity to challenge as appropriate, against savings plans, to meet the increased targets from 2018-19.	Highlighted by the Corporate Leadership Team and endorsed by the LGA Peer Review	<p>Continue with the initiatives and innovation to achieve income generation and cost savings, including a refresh of the Wyre Forest Forward Programme and robust monitoring with the opportunity to challenge as appropriate, against savings plans, to meet the increased targets from 2018-19..</p> <p><b>Progress</b> <b>The Wyre Forest Forward Programme has been kept up to date and refreshed to include the additional modest targets approved as part of the 2018-21 MTFS.</b> <b>Good progress continues with Wyre Forest Forward Savings with an overachievement of targets for 2017-18 and just over 97% achieved for 2018-19 and 2019-20. A contributory factor to this was the realignment of budgets in recognition of previous Final Accounts Savings to reflect trends in lower levels of costs and higher levels of income. In addition, an efficiency drive has been introduced based on a simple percentage of net expenditure across all directorates. This has generated</b></p>	<p>Income targets included in MTFS are exceeded</p> <p>Refreshed Wyre Forest Forward Programme</p>	<p>Corporate Director of Community Well-Being and Environment supported by the Leadership team</p> <p>Leadership Team</p>	<p>Quarterly Progress check</p> <p>CLT Meeting in May/June 2017</p>

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<p>savings of £240k in 2018-19 (2%), followed by a further £110kpa in 2019-20 and 2020-21 being 1% to be confirmed in each of the later years. These modest cost reductions should be achieved without impacting on service levels.</p> <p>CLT to update 'Plan on a Page' to refresh the Wyre Forest Forward Programme.</p> <p><b>Progress</b> Updates to be actioned mid April following revision of Wyre Forest Forward Programme for 2018-19.</p>			

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
3	To progress the implementation of the new policies for the Loans to Third Parties of £10m and Capital Portfolio Fund of £25m. To clarify the intended impact of these £35million investment policies the Financial Strategy and the Corporate Plan priority to deliver a successful local economy as part of this work;	MTFS 2017-20, endorsed by Peer Review	Appoint Property Investment Manager <b>Progress</b> <b>Achieved June 2017</b>	Post holder in place	CLT -Corporate Director of Economic Prosperity and Place, Chief Financial Officer, Report Authors	July 2017
			Prepare Property Investment Strategy <b>Progress</b> <b>Achieved June 2017 Cabinet Report</b>	Property Investment Strategy approved		June Cabinet for Property Investment Strategy including
			Prepare parameters/guidance for loans to third parties policy <b>Progress</b> <b>Achieved 14<sup>th</sup> June 2017 Cabinet Report</b>	Parameters/ guidance for loans to third parties approved and published		Parameters/guidance for policy on loans to third parties
			To make proposals for suitable investment opportunities and secure approval and implementation/acquisitions. <b>Progress</b> <b>Due diligence progressed during 2017. - KPMG commissioned to check financial viability model and advice on key</b>	Implementation of approved proposals/acquisition of portfolio assets that secure net income streams		By year end March 2018

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<b>benchmarks. New Street/Comberton Place and Silverwoods Business Cases approved. Further proposals in progress for consideration early March 2018. Relevant aspects of the latest MHCLG Investment Guidance will be reflected in the new Capital Strategy and updated Strategies for the Capital Portfolio Fund and Development Loans Fund to be considered by Overview and Scrutiny and Cabinet in March and May Full Council.</b>			

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
4	Focus on emerging Information governance issues and non benefit fraud utilising the Compliance Officer and Corporate Fraud Investigator/Corporate Debt Recovery resources. Performance and impact of these resources to continue to be closely monitored and reported.	Annual Governance Statement 2014-15 and MTFS 2017-20	Information Governance Group to continue to meet regularly to progress actions <b>Progress Achieved, Information Governance Group meets regularly and making good progress. General Data Protection Regulation remains a Key Challenge, steady progress continues</b>	Implementation timetable achieved	Chief Executive, Chief Financial Officer Revenues, Benefits & Customer Services Manager	Ongoing consideration via Information Governance Group
			Compliance Officers within the Revenues & Benefits Section in post since March 2015. They are responsible for protecting and increasing the tax base through regular monitoring and reviewing council tax discounts and exemptions to ensure they are legitimately claimed. There has been a recent decision to invest in more staff for council tax and business rates recovery jointly funded by Worcestershire County Council to maximise Council Tax Income. The impact of this additional resource will be monitored regularly in terms of the recovery rates. <b>Progress Monthly reporting evidences positive impact of additional recovery resources.</b>	Income collected in terms of £s and % recovery rates		Monthly reporting of collections rates/amounts and half-yearly review of impact of extra resource for collection
			Corporate Fraud Investigator/Corporate Debt	Reports to Audit	Chief Financial	July Audit

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<p>Recovery Officer post now well established; Corporate Fraud Policies reviewed and updated; Annual Report on outcomes from this new post will be reported to the Audit Committee. The full impact of this resource will be closely monitored</p> <p><b><u>Progress</u></b>  <b>Audit Committee in July 2017 updated on the counter fraud arrangements in place for 2016~17 and progress for 2017~18.</b>  <b>August 2017~The role of the Corporate Fraud Investigator/Debt Recovery post have now been segregated. The debt recovery is now within the Accountancy Team to build on the success of the previous post holder in ensuring debt is managed.</b>  <b>The corporate fraud responsibility has been integrated into the Senior Auditor role within the Internal Audit Team.</b></p>	Committee will assess success of Corporate Fraud service	Officer/Audit Manager	Committee for Fraud Update report

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
5	Maintaining resilience in the governance process with particular regard to the increasingly complex array of partnership agreements and alternative funding solutions the Council may sign up to as part of its pursuit of innovative alternative service delivery solutions to unlock funding opportunities and generate revenue income streams. This includes Public Sector Partnership Wyre Forest LLP set up on the 22 <sup>nd</sup> March 2017 and the proposed property Local Authority Trading Company (LATC),	Annual Governance Statement and MTFS 2015-16	<p>Ensure new partnering arrangements have robust governance arrangements including full regard to legal, financial and HR implications. Once governance arrangements are in place continue to review and ensure they remain robust</p> <p><b><u>Progress</u></b>  <b>Mazars/Anthony Collins Solicitors and FPM (supported by Primus Property Group) commissioned to undertake due diligence, including review of governance arrangements for Local authority trading company.</b>  <b>Governance is in place and working well for PSP Wyre Forest LLP (see below also*).</b></p>	Robust due diligence for all proposals presented in business cases to be considered by Overview and Scrutiny Committee and Cabinet	CLT – Corporate Director of Economic Prosperity and Place author of Property LATC report, designated officers for PSP	Ongoing due diligence work presented to Overview and Scrutiny/Cabinet throughout 2017-18
			Ensure arrangements for traded services and arms-length organisations are fit for purpose	Robust due diligence for all proposals		Ongoing due diligence work

**Agenda Item No. 11**  
**Appendix 1**

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
	localism, joint operations and potentially devolution and combined authorities		<b><u>Progress</u></b> <b>Exploratory work continues. No traded services currently in arm's length organisations as Council delivery more appropriate.</b>	presented in business cases to be considered by Overview and Scrutiny Committee and Cabinet		presented to Overview and Scrutiny/Cabinet throughout 2017-18
			Progress work with PSP Wyre Forest LLP by allocating sites/projects within the district for this new partnership arrangement to explore <b><u>Progress</u></b> <b>*Limited Liability Partnership entered into in Feb 2017; regular bi monthly Project Board, Operations Board and one Partnership Board meeting taken place. Two member Information Sessions (MIS) undertaken with all Members at Member forum and with Cabinet separately.</b>	That work with PSP Wyre Forest LLP commences and delivers some tangible outcomes		PSP utilised by end of 2017-18
			Ongoing investigation of various structures for different arrangements, for example Property LATC <b><u>Progress</u></b> <b>LATC report to February 2018 Cabinet: agreed Group structure following completion of due diligence work by Mazars / Anthony Collins Solicitors and FPM (with Primus Property Group)</b>	Reports prepared for proposals for alternative service delivery models		July Cabinet for Property LATC report

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
<b>6</b>	Maintaining ICT resilience to ensure a secure network, ensuring the ICT infrastructure is protected adequately from attacks and threats;	Corporate Risk Register and ICT Strategy Board	Quarterly review of network security <b><u>Progress</u></b> <b>ICT resilience maintained despite increased Cyber risk. Public service network compliance achieved. Regular reviews and reporting to the ICT Strategy Board and Group Leaders.</b> <b>Security upgrades on Laptops and Ipads have</b>	PSN compliance, secure network	ICT Manager/ Chief Financial Officer	Ongoing reports to ICT Strategy Board, Cabinet Members and Group Leaders

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<p>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 &amp; Critical updates. Server patching on-going, AV has been upgraded on servers.  Firewalls – Firewalls live at Town Hall, New HQ Firewall(s) have been tested with new methods for Virtual Private Network and Tenants Firewall nearing completion due to be swapped out with spare firewalls from the Town Hall.  Security updates and next steps  . 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 &amp; 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.</p>			

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
7	Wider communication of priorities and purposes and also further development of the approach to consultation, engagement and involvement of communities and stakeholders	LGA Peer Review	<p>The Media team to provide a narrative on rationale behind investment in priorities and the outcomes, impact and return on investment being sought and share as media communications.</p> <p>To explore ways that the Council can further develop the approach to consultation,</p>	<p>Survey to test wider understanding of priorities and purposes.</p> <p>Improved consultation</p>	Chief Executive/CLT Media Team to prepare proposals	September 2017 – February 2018

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
			<p>engagement and involvement and prepare a marketing plan of actions.</p> <p><u>Progress</u></p> <p>Focus Groups have met to discuss Council values, priorities and purposes these will be discussed with CLT and when agreed will be incorporated in the new Corporate Plan.</p> <p>A new system has been developed for consultation and engagement so that a 12 month plan is now in place. This Plan will ensure that the consultation is meaningful and has clear outcomes.</p>	<p>responses</p> <p>LGA Peer Review visit in Summer 2018</p>	IM	

**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE****19<sup>th</sup> MARCH 2018****Risk Management – Corporate Risk Register**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor N J Desmond
<b>RESPONSIBLE OFFICER:</b>	Corporate Director: Resources
<b>CONTACT OFFICER:</b>	Tracey Southall Tracey.southall@wyreforestdc.gov.uk
<b>APPENDICES:</b>	<b>Appendix 1</b> - Corporate Risk Register as at 31 <sup>st</sup> January 2018 <b>Appendix 2</b> – Budget Risk Matrix 2018~21

**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 31<sup>st</sup> January 2018 and the 2018/21 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 Pentana Performance (formerly 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 31<sup>st</sup> 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 January 2018 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 17<sup>th</sup> 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 31<sup>st</sup> July 2017  
11.2 Risk Management: Corporate Risk Register Report – Audit Committee – 27<sup>th</sup> November 2017  
11.3 Medium Term Financial Strategy Report 2018/21 – Cabinet 19th December 2017



# Corporate Risk Register 2017/18



Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

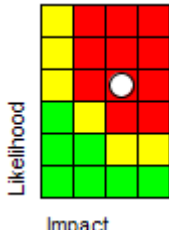
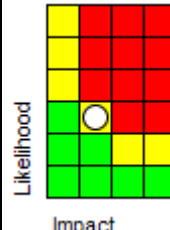
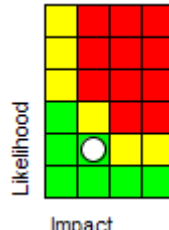

CORPRISK01	Unable to implement and embed new ways of working. The Council continues to undergo major transformational change that embraces review of processes, cultural and behavioural change, increased standards of delivery etc. Continue to use systems thinking methodology and apply current values in 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>70%</div>






example and maintained by regular updates at corporate briefings and team meetings etc.			for change. Round of Corporate Briefings held in October, and in February.		
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	Review of potential income from letting of meeting room in Wyre Forest House undertaken with support from Opening Doors & Venues. External review by CommercialGov complete and Commercial Strategy being drafted.	100%	
Demonstrating robust and focussed leadership in all transformation activity	Corporate Leadership Team; Ian Miller; Rachael Simpson	30-Sep-2017	<b>HR Pages - COLIN</b> Meeting held on the 29th November to review various options for HR pages. Final option agreed. HR pages now built and ready for go live at the end of January/beginning of February 2018. Pages will continue to be reviewed and improved following go live. <b>Induction Process</b> Meeting with iLearn representative to be held on 22nd March with a specific focus on options for induction section of iLearn system.	87%	

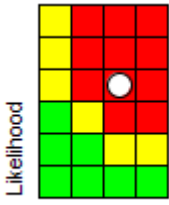
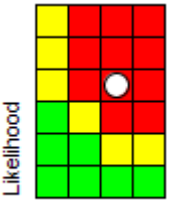


**CORPRISK02**


**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. 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 75% retention and Fair Funding Review 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.

Original Matrix		Current Risk Matrix		Target Risk Matrix		
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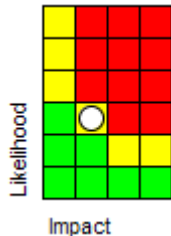

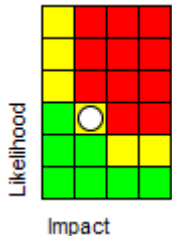

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Continue to implement actions from the Worcestershire Housing Partnership Plan including any outcomes as a result of the review of the Local Development Plan.	Kate Bailey	31-Mar-2018	Worcestershire Delivery Group are developing a pipeline of housing supply across the County to meet housing needs and housing growth. The Local Plan Review is moving forward with consideration of the responses now being used to inform policy development and site allocations. Also work has commenced around updating the policies and technical studies in light of the NPPF consultation paper, standardised methodology for housing needs and new population growth figures when they become available.	<div><div>75%</div></div>	
<b>Collection of Council Tax and Business Rates</b> 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	Lucy Wright	31-Mar-2018	As at 1st Feb 2018, Council Tax in year collection rates are at 94.40% compared to 94.17% last year with an additional £1.89m collected. NNDR in year collection rates are at 90.77% compared to 90.21% last year but with £850k less collected due to lower property charge due to discretionary reliefs. An additional £1.1m has been collected against previous years' arrears.	<div><div>80%</div></div>	


avoid further financial pressure.					
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	Third quarter 2017/18 decrease from £27,135,836 to £26,929,897 this is mainly due to £300,000 worth of reductions for previous financial years. However the new Aldi at Silverwoods Way, has not yet been rated and the empty units at Ratio Park are not yet liable to pay rates.	<div><div>75%</div></div>	
Crown House/Kidderminster Western Gateway	Mike Parker	31-Dec-2018	Response to draft legal documents returned to Reed Smith, awaiting further response. Site meeting took place 2nd February between Council and TT and specialist advisers to discuss operational complexities of demolition and post demolition site integrity and uses.	<div><div>83%</div></div>	
Redevelopment of former Lloyds Garage site and adjoining land (STC.4)	Mike Parker	01-Apr-2019	In order to progress redevelopment in a timely manner it has been decided to continue only with land in WFDC control. PSP now considering alternative residential or residential mixed use scheme under LLP with Council.	<div><div>50%</div></div>	
Lion Fields - Regeneration of Bromsgrove Street/Worcester Street area of Kidderminster to support town centre viability (split into three individual sub actions)	Mike Parker	31-Mar-2020	Council has announced appointment of Cordwells as preferred developer; inception meeting completed. Working towards getting Development Agreement signed so that Cordwells can begin ground investigation works. Short delay in completing Development Agreement whilst confirmation from WCC (as part land owner) awaited.	<div><div>8%</div></div>	
To complete the redevelopment of forecourt and tickets office at Kidderminster Railway Station	Mike Parker	31-Dec-2018	Tenders for ticket office and forecourt works due to be received in March for works to commence in August. Highways works to be undertaken by Ringway expected to start May 2018. Final project expected to be completed by May 2019.	<div><div>60%</div></div>	

<b>CORPRISK03</b>	<b>Unable to deliver good quality, affordable homes.</b> 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.					
<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>		






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 are developing a pipeline of housing supply across the County to meet housing needs and housing growth. The Local Plan Review is moving forward with consideration of the responses now being used to inform policy development and site allocations. Also work has commenced around updating the policies and technical studies in light of the NPPF consultation paper, standardised methodology for housing needs and new population growth figures when they become available.	<div data-bbox="1641 775 1843 818">75%</div> 

<b>CORPRISK04</b>	<b>Unable to deliver a sustainable budget for the long term.</b> 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 £1.6m per by 2020. This ambitious programme of savings and income generation must be carefully managed by the Leadership team (officers and members) and					
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<p>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 the two 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>						
Original Matrix		Current Risk Matrix		Target Risk Matrix		

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Delivery of the Wyre Forest Forward Programme/Efficiency Plan likely to be remain challenging given the target savings assumed in the approved budget requiring circa £1.6m 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	2017/18 Wyre Forest Forward savings achieved in full. Cabinet Proposals for further savings and income generation targets approved as part of the 2018/21 MTFS. Capital funding to support income generation and commercialism of £250k is also approved with delegation to the Commercial Activity Programme Board for quicker decision making. Work on savings proposals and income generation for 2018/19 onwards is progressing taking into account the results of the CommercialGov report. Progress on budget realignment savings and commercial growth of income was reported to Cabinet Financial Strategy	100%	

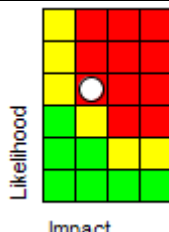
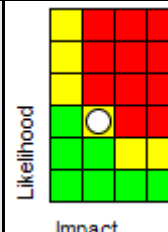
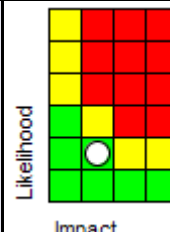






			Advisory Panel on the 8th November.		
Prepare budgets in accordance with all legislative requirements and the Council's Finance Strategy, taking into account the significant changes in the funding regime, increased risk and diminishing reserves available and reduced capacity following various restructures. The EU referendum and USA election results adds further uncertainty and complexity.	Tracey Southall	31-Mar-2018	Proposals agreed at Full Council on the 21st February 2018.	<div><div>100%</div></div>	
<b>Collection of Council Tax and Business Rates</b> 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 Feb 2018, Council Tax in year collection rates are at 94.40% compared to 94.17% last year with an additional £1.89m collected. NNDR in year collection rates are at 90.77% compared to 90.21% last year but with £850k less collected due to lower property charge due to discretionary reliefs. An additional £1.1m has been collected against previous years' arrears.	<div><div>80%</div></div>	
Municipal Mutual Insurance Clawback - Budget Pressure	Tracey Southall	31-Mar-2018	No indication of further liability at this stage.	<div><div>80%</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	Away day in October has shaped Medium Term Financial Strategy. Programme of meetings set for 2018 including local plan.	<div><div>80%</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/performance due diligence. New MHCLG investment guidance and	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2018	The Development Loans Fund agreement with Finance Birmingham is in its final stages of agreement. KPMG were appointed on 20th November to do the financial due diligence. There are a number of properties on a call off contract for advice on specific proposals. The first	<div><div>70%</div></div>	

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revised Codes of Practice for Prudential Code and Treasury Management.			proposals for Capital Portfolio property investments are well-in progress. New Guidance for Investments was issued by the MHCLG in early February 2018 and this sets out some new reporting requirements that will be covered in a comprehensive Capital Strategy that is currently being prepared.		
Business Rates Retention Scheme. To continue to contribute to the reform debate to maximise the council's future position.	Tracey Southall	31-Mar-2018	Worcestershire-pan pilot application declined so current Worcestershire Pool membership will continue for 2018/19.	<div><div>80%</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 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.	Cheryl Ellerton; Tracey Southall	31-Mar-2018	Audit Committee in July 2017 updated on the counter fraud arrangements in place for 2016-17 and progress for 2017-18. August 2017 - The roles of the Corporate Fraud Investigator/Debt Recovery post have now been segregated. The debt recovery is now within the Accountancy Team to build on the success of the previous post holder in ensuring debt is managed. The corporate fraud responsibility has been integrated into the Senior Auditor role within the Internal Audit Team.	<div><div>80%</div></div>	
Green street depot 2020 improvement and investment plan	Steve Brant; Linda Draycott	31-Mar-2020	All site investigations undertaken – reports pending Draft building occupation plans produced Draft plan for server room developed Draft temporary deployment plan produced	<div><div>35%</div></div>	
Implementing redevelopment proposals to generate new revenue streams	Mike Parker	31-Mar-2018	Final Business Case for Silverwoods Industrial units agreed late January; discussions ongoing with development partner (Suma Developments) with a view	<div><div>25%</div></div>	

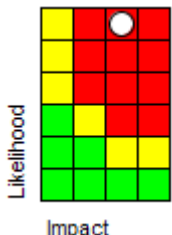

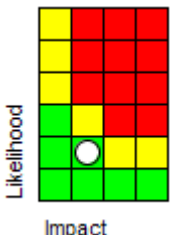

			to completion late autumn 2018. Potential investments within the district under consideration in March 2018. Statutory guidance on Local Government Investments issued in February which will require new Capital Strategy to be agreed by Council and initially by Cabinet in March. KPMG Viability Model nearing completion.		
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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	Work continues and on schedule for completion by 31st March 2018.	<div><div>95%</div></div>	
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	Work continues and on schedule for completion by 31st March 2018	<div><div>95%</div></div>	
Training Support and advice for Service	Caroline Newlands;	31-Mar-2018	Operational Property with Commercial	<div><div>70%</div></div>	





Managers from Zurich Municipal Risk Management Specialists as part of our insurance contract	Tracey Southall		Focus on public liability approved for 2018 commenced mid February 2018 and currently in progress and advisory recommendations will be made as part of a report to CLT.		
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	Information Governance Group meetings are held with continued focus on GDPR. The Data Protection Officer and ICT Manager are visiting all DMTs to brief on requirements for GDPR implementation date in May 2018.	75%	▶


<b>CORPRISK06</b>	<b>Implementation of ICT Strategy.</b> 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.				
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<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>		
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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	See detailed updated below.	64% ▶

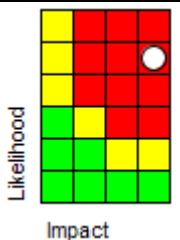
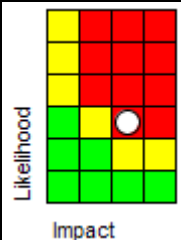
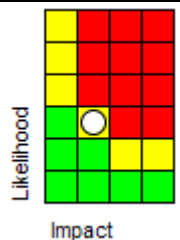

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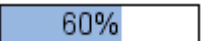

Supporting the Commercial Agenda including digital by default. Review the booking systems and replace, review and replacement of GIS and on-line planning	Dave Johnson; Corporate Communications Team	31-Mar-2018	Civica have now allocated resources to the Icon upgrade project including estore, recurring card payments and hosted distribution. eStore and on-line mapping de to go live in March. Heritage Wedding website back in house.	<div><div>65%</div></div>	
Digital by Default is the expected method of interacting with the Authority	Dave Johnson; Corporate Communications Team	31-Mar-2018	Civica estore and on-line maps due to be live in March. New design for Website being investigated.	<div><div>55%</div></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	Firewalls – New HQ Firewall(s) are now live. Tenant firewall at HQ has also been replaced. Security updates and next steps . Migrate Site to Site VPNS . Data protection officer and ICT running GDPR and Cyber awareness sessions for staff, already completed over 12% of sections DMT's / Team meetings . Cyber Security, Data Protection and new ICT Security policy has been rolled out via elearning system. Penetration tests now complete ICT currently working through the reports and issues	<div><div>95%</div></div>	
Application Software o MS Office o Planning system o Garage system o CRM	Dave Johnson; Dave Johnson	31-Mar-2018	<b>Business Systems</b> <b>Planning System</b> - Currently out to tender for integrated planning and land charges system. Timetable to appoint preferred supplier by end of April <b>Bacs Software</b> - Currently out to tender for new BACS submission software <b>Land Charges</b> – Arcus are still building the system and migrating the data. <b>Office</b> – Currently testing Office 2013 in ICT with a limited roll out to test users over the coming months.	<div><div>45%</div></div>	


<p>ICT Infrastructure</p> <ul style="list-style-type: none"> <li>o New Wireless</li> <li>o Complete Firewalls</li> <li>o Complete data line install</li> <li>o Shoretel upgrade</li> <li>o VMWare upgrades</li> <li>o Mobile Phones</li> </ul>	<p>Dave Johnson</p>	<p>31-Mar-2018</p>	<p><b>Firewalls</b> – New HQ Firewall(s) are now live. Tenant firewall at HQ has also been replaced.</p> <p><b>Access Control:</b> - Kidderminster Town Hall Access Control issues caused by the original supplier installation has now been resolved and new access control is now live. Work is about to start migrating the Green Street system from the old controller to the new one.</p> <p><b>WAN Lines</b> - Following go live of Virgin Media Business (VMB) line between Wyre Forest House and Kidderminster Town Hall, old BT line has been cancelled</p> <p><b>Mobiles</b> - Still about 20 -30 devices need moving over to new server. Some of these are BYOD</p> <p><b>Shoretel</b> Call centre phone system was successfully updated in November</p> <p><b>Printers / MDF's:-</b> The roll out has been completed with the following being replaced:-</p> <ul style="list-style-type: none"> <li>. Large format printer in planning has been installed and training given.</li> <li>. Print room printers have been installed, training to be completed.</li> <li>. All new MFD's have been installed.</li> </ul> <p><b>Elearning :-</b> New elearning system went live early November with a range of courses</p> <p><b>Procurement-</b> Number of new completed procurement include</p> <ul style="list-style-type: none"> <li>. Wireless tender still to be published</li> <li>. Allpay contract has now been signed using G-Cloud framework and pricing.</li> <li>. Kaspersky licences renewed and rolled out for the next 3 years</li> <li>. Citrix licences renewed for another year,</li> </ul>	<div data-bbox="1644 201 1845 240">60%</div>	
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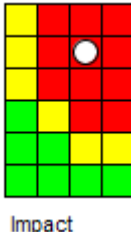
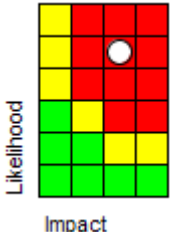
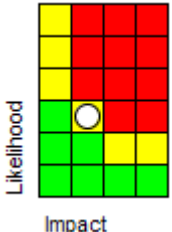

			Citrix will need to be upgraded to the latest version by July 2018. Progress update next ICT Strategy board		
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<b>CORPRISK07</b>	<b>Not able to maintain a skilled and motivated workforce.</b> Against the background of the continued move away from the 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.				
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<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>		
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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	2 cohorts: Step Up Management Programme. 1 cohort: Accelerate: Steps to Leadership. Above commenced January 2018. Team Leader Development Programme at the Depot commenced November 2017. 11 apprenticeships (3 existing employees and 8 new apprentices).		
Develop initiatives to support any workforce through organisational change including involvement of staff through suggestion scheme and System Thinking. The continued practice of	Rachael Simpson	31-Mar-2018	This is ongoing through the Organisational Development Strategy and Wyre Forest Forward Programme.		



regular staff surveys allows the leadership team to develop initiatives to respond positively to feedback and suggestions.					
Discussion and negotiation with Unions on second local pay agreement	Ian Miller	31-Dec-2017	Collective agreement reached on pay increases to be implemented April 2018; decision to phase out ongoing long service awards being implemented from same date.	95%	

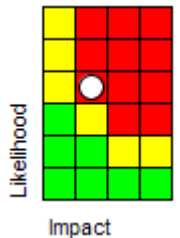
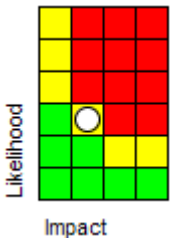
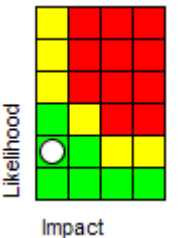

<b>CORPRISK08</b>	<b>Capacity to do everything is insufficient.</b> A flexible resource is required to do everything that the Council has committed itself to – transformation, core service review, review of partnerships. The pace of change and need to continue to deliver key projects, represent a significant 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><div>Original Matrix</div><div><div>Likelihood</div><div></div><div>Impact</div></div></div>	<div><div>Current Risk Matrix</div><div><div>Likelihood</div><div></div><div>Impact</div></div></div>	<div><div>Target Risk Matrix</div><div><div>Likelihood</div><div></div><div>Impact</div></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	Allocations from the fund are regularly considered by CLT and past allocations reviewed if no longer required. Further top up being considered from revenue savings in 2017/18.	70%	
Ensure involvement of appropriate staff	Ian Miller	31-Mar-2018	Cross directorate working groups on	70%	








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from both within and outside WF20 onto projects to spread resourcing and maximise the opportunities for success.			Digital First and Information Governance. Staff from appropriate teams involved in other projects e.g. Capital Portfolio Fund.		
Progressing changes to monitoring attendance levels. Working closely with employees, maintaining conversation and development opportunities in accordance with our values and the Worcestershire works well agenda.	Rachael Simpson	31-Mar-2018	Ongoing support being provided to employees to assist with their wellbeing and supporting managers to proactively manage staff sickness.	<div><div>75%</div></div>	
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><div>100%</div></div>	

<b>CORPRISK09</b> <b>Unable to effectively improve the Council's reputation.</b> 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.						
<b>Original Matrix</b>		<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>		

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><div>100%</div></div>	


Continue with Corporate programme of Employee and Member Engagement	Kay Higman	31-Mar-2018	A proforma has been developed so that consultation and engagement could be planned and co-ordinated in advance. This form is now to be used to encourage planned and meaningful consultation. The aim is to provide a corporate overview and timetable of all planned consultations.	<div><div>100%</div></div>	
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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	<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><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div> <td></td> <td>Current Risk Matrix</td> <td><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><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div><td></td><td>Target Risk Matrix</td><td><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><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div><td></td></td></td>		Current Risk Matrix	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div> <td></td> <td>Target Risk Matrix</td> <td><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><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div><td></td></td>		Target Risk Matrix	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div> <td></td>	

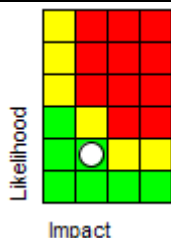

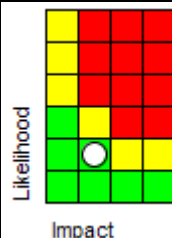

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ongoing patching of servers/workstations/software	Dave Johnson	31-Mar-2018	Patching is on-going including servers,laptops etc. AV has been renewed. Number of laptops being recall to force updates on them due to them not connecting to the network.	<div><div>60%</div></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><div>40%</div></div>	
Review and Update Security Systems	Dave Johnson	31-Mar-2018	Firewalls – New HQ Firewall(s) are now	<div><div>95%</div></div>	

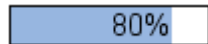



including Firewalls/ Web filter/New Email Gateway and associated modules/Network monitoring and reporting (Solarwinds / Firewalls etc)			live. Tenant firewall at HQ has also been replaced. Security updates and next steps . Migrate Site to Site VPNS . Data protection officer and ICT running GDPR and Cyber awareness sessions for staff, already completed over 12; of sections DMT's / Team meetings . Cyber Security, Data Protection and new ICT Security policy has been rolled out via elearning system. Penetration tests now complete ICT currently working through the reports and issues		
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CORPRISK11	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.					
	<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>		

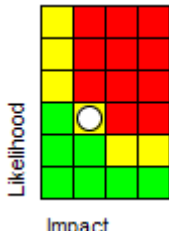

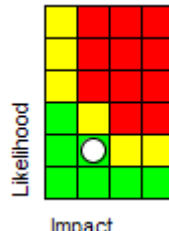

MITIGATING ACTIONS				
Description	Managed By	Due Date	Latest Note	
To ensure that governance arrangements are appropriate for all	Caroline Newlands; Tracey Southall	31-Mar-2018	The Mazars work now complete, LATC report considered by Cabinet on 7th	<div>100%</div> 



forms of service delivery including Public Private Partnerships (PPPs) and Local Authority Trading Companies (LATCs).			February 2018. Wyre Forest PSP LLP in place and meetings of operational board and partnership board scheduled.		
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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.						
	Original Matrix		Current Risk Matrix		Target Risk Matrix		

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward. This also includes regular meetings of the Group Leaders and the Corporate Induction Plan undertaken in May - July 2017.	Ian Miller	31-Mar-2018	In progress. Meetings of group leaders supplemented with members' briefings and monthly members' bulletin. Member induction planned for May 2018 following elections.		
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.		

<b>CORPRISK13</b>	Localism: Sustaining the pace and effectiveness of asset and service transfers to third sector parties, Parish and Town Councils
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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		
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>100%</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 central plans for reorganisation but supporting locally led mergers. Situation continues to be monitored.	<div><div>70%</div></div>	





CORPRISK14		Establishing a group structure - Local Authority Trading Company Council on 21st February approved a group structure of Local Authority Trading Companies. Risks associated with this separate legal entity include legal, financial, governance and reputational factors. These will need to be managed and mitigated on an ongoing basis to protect both the LATC's and the Council's position.				

MITIGATING ACTIONS					
Description	Managed By	Due Date	Latest Note		
That external advice is taken to ensure the Council acts within correct legislation	Mike Parker	07-Feb-2018	External advice from Mazars including Anthony Collins Solicitors confirms ability for Council to act within current legislation	100%	✓
That external advice on the tax implications and pros and cons of group structure is taken	Tracey Southall	07-Feb-2018	External advice from Mazars including Anthony Collins Solicitors advises on tax implications and advantages and disadvantages of group structure	100%	✓
That external due diligence is taken to model financial viability of LATC from LATC and Council perspective	Tracey Southall	07-Feb-2018	External advice from Mazars including financial modelling by FPM has modelled financial viability from both LATC and Council perspectives	100%	✓
Any financial transactions between the Council and the LATC e.g. lending through the Development Loan Fund will be subject to individual scrutiny and due diligence including financial viability sensitivity analysis before final decisions are proposed/taken.	Mike Parker; Tracey Southall	31-Mar-2018	Companies in process of registration; no transactions yet taken place.	0%	▶
Through the shareholder agreement and through the establishment of the business plan within which the LATC operates, the Council will be able to ensure that all financial arrangements are viable	Mike Parker	01-Sep-2018	Companies in process of registration.	0%	▶
The LATC is closed down - an exit strategy will be considered as a contingency plan to protect the Council against unknown events in the future.	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2019	Companies in process of registration; no transactions yet taken place.	0%	▶
The development activity of the LATC is financially self sustainable and not reliant	Tracey Southall	31-Mar-2018	Companies in process of registration; no transactions yet taken place.	0%	▶

**Agenda Item No. 12**  
**Appendix 1**

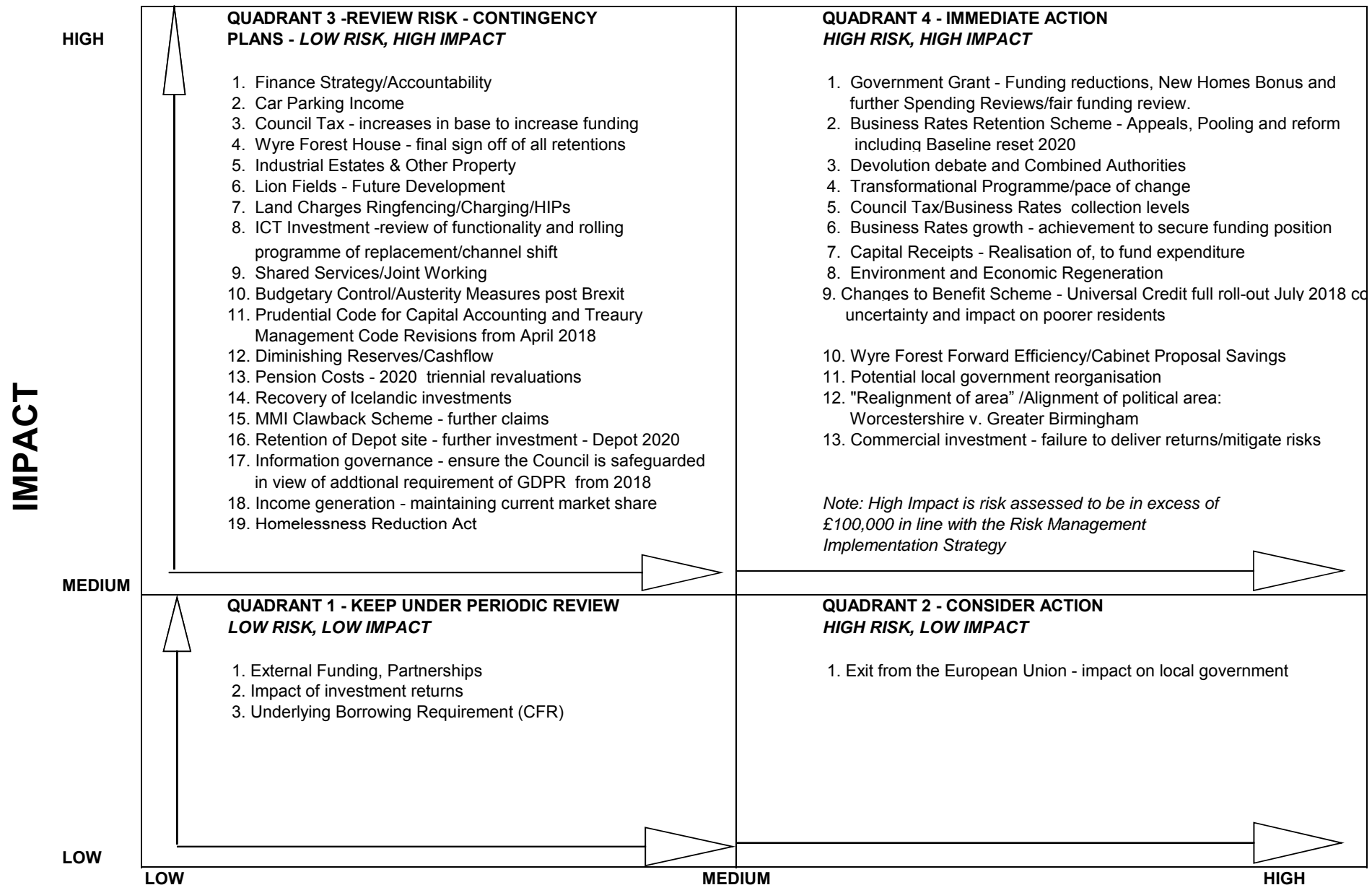
upon funding from the Council					
The Council ensures that only those officers and members of the Council who are able to take objective decisions are appointed to the LATC	Caroline Newlands	01-Sep-2018	Achieved with first appointment made - delegated decision published.	<div style="width: 100%;">100%</div>	
The LATC is able to purchase support from existing council officers until such time as it is able to or requires the appointment of its own staff	Mike Parker; Tracey Southall	31-Mar-2018	Companies in process of registration; no transactions yet taken place.	<div style="width: 0%;">0%</div>	
The LATC business case identifies a suitable pipeline of development opportunities and this will be refreshed and updated on a regular basis.	Mike Parker	31-Mar-2018	Companies in process of registration; no transactions yet taken place.	<div style="width: 0%;">0%</div>	
Changes to Prudential and Treasury Management Codes are considered in conjunction with the revised MHCLG Guidance on Investments and MRP and specific advice sought if further clarity is required on risk in relation to specific investment proposals in relation to the LATC Group structure.	Helen Ogram; Tracey Southall	31-Mar-2019	Companies in process of registration; no transactions yet taken place. Each proposal for investment will be subject to a full business case where due diligence will include consideration of MHCLG guidance.	<div style="width: 0%;">0%</div>	
The relevance of the external advice from Mazars will be monitored as the LATC business progresses.	Caroline Newlands; Mike Parker; Tracey Southall	31-Mar-2019	Companies in process of registration; no transactions yet taken place.	<div style="width: 0%;">0%</div>	
For complex proposals state aid will be one of the key due diligence actions and more specific external advice will be sought if appropriate	Caroline Newlands; Tracey Southall	31-Mar-2019	Companies in process of registration; no transactions yet taken place. To be included as part of due diligence in specific business case proposals.	<div style="width: 0%;">0%</div>	
Further training and guidance will be taken to ensure sufficient knowledge is developed. The PWC VAT Helpline the Council already subscribes to will be used and other specialist advice taken as appropriate.	Helen Ogram; Tracey Southall	31-Mar-2019	Companies in process of registration; no transactions yet taken place. To be included as part of due diligence in specific business case proposals.	<div style="width: 0%;">0%</div>	

**Agenda Item No. 12**  
**Appendix 1**

Changes in economic market rates and activity are carefully monitored and taken into account in viability costings to ensure decision making on funding remains robust and works for both the LATC group and the Council.	Helen Ogram; Tracey Southall	31-Mar-2019	Companies in process of registration; no transactions yet taken place. To be included as part of due diligence in specific business case proposals. KPMG are undertaking an independent review of viability model for property.	0%	
Mazars have confirmed that the Group Structure proposed is capable of organic growth and this has been tested by other Councils.	Caroline Newlands; Mike Parker	31-Mar-2019	Companies in process of registration; no transactions yet taken place.	0%	
Appropriate appointments are made to the LATC Group companies	Mike Parker	31-Mar-2018	Delegated authority granted to Corporate Director: EPP in consultation with Leader to make appropriate appointments. Appointments made 21st February 2018	100%	
The governance arrangements should ensure proposals are fully assessed before approval and then delivery monitored by regular reporting	Mike Parker	31-Mar-2019	Companies in process of registration; no transactions yet taken place.	0%	



# BUDGET RISK MATRIX 2018/2021



**Budget Risk Matrix**

ISSUE	BUDGETARY RESPONSE
<p><b>Quadrant 1 - Low Risk, Low Impact</b></p> <p>1. External Funding, Partnerships</p> <p>2. Impact of Investment Returns</p> <p>3. Underlying Borrowing Requirement (CFR)</p>	<p><b>Keep under periodic review</b></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 increase further from the current 0.50%. Balances available for investment are reducing over the MTFP and this together with the low returns has been taken into account in the base budget. We continue to work with Link Asset Services in this area.</p> <p>The rising CFR over the term of the Budget Strategy will be carefully monitored in close liaison with Link Asset Services to gauge both the timing and type of external borrowing.</p>
<p><b>Quadrant 2 - High Risk, Low Impact</b></p> <p>1. Exit from the European Union</p>	<p><b>Consider Action</b></p> <p>To-date the impact has not been significant but this will be closely monitored.</p>
<p><b>Quadrant 3 - Low Risk, High Impact</b></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. Lion Fields 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><b>Review Risk - Contingency Plans</b></p> <p>Council are required to adopt a three year Balanced Budget Strategy.</p> <p>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 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 £17m, rates remain low but the economy is still volatile and future rates difficult to predict; Link Asset Services continue to provide technical advice. Revisions to codes may restrict scope for capital portfolio fund investment</p> <p>Cash flow management will be tighter given reduction in capital and revenue reserves and use of the Link Cash flow model is being used to improve management information to help mitigate any risk in this area</p> <p>2017 revaluation contained within existing budgets but risk remains going forward for this significant expenditure area</p> <p>Under £1m in outstanding and work will continue to achieve maximum recovery.</p>

<p><b>Quadrant 3 Continued</b></p> <p>15. MMI Claw Scheme</p> <p>16. Retention of Depot Site</p> <p>17. Information Governance</p> <p>18. Income Generation</p> <p>19. Homelessness Reduction Act</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>Income Generation Group continues to work to protect/expand market share. External report commissioned from CommericalGov to inform marketing strategy</p> <p>Changes from April 2018 to place further responsibilities on districts and unclear at this early stage if new burdens funding will be sufficient</p>
<p><b>Quadrant 4 - High Risk, High Impact</b></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. Baseline reset 2020</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><b>Immediate Action</b></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>Application for pan-Worcestershire Pilot submitted for 2018-19. Proposed changes to funding arrangements and delays continue to cause uncertainty and risk. The Baseline reset could also result in a decrease in this key funding stream. 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 Director of Resources</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 Development Loans Fund and Capital Portfolio Fund 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>Introduction of Universal Credit from July 2018 to be carefully managed and impact monitored</p> <p>Progress continues to be monitored and reported regularly to members.</p>

12. Potential Local Government Reorganisation	Macroeconomic area strategically assessed and managed by the Leadership team.
13. Realignment of area/political area	Kept under strategic review by the Leadership team in liaison with two LEPS. The three LEP footprint proposals are also within our radar.