

Open

Audit Committee

Agenda

6pm
Wednesday, 20 March 2024
Council Chamber
Wyre Forest House
Finepoint Way
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor N J Desmond

Vice-Chairman: Councillor A Sutton

Councillor J F Byng

Councillor K Gale

Councillor M Rayner

Councillor G Connolly

Councillor J Griffiths

Councillor P W M Young

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.

Disclosure of Interests

Members and co-opted Members of the Council are reminded that, in accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, they are required to consider in ADVANCE of each meeting whether they have a disclosable pecuniary interest (DPI), an other registrable interest (ORI) or a non-registrable interest (NRI) in relation to any matter on the agenda. If advice is needed, Members should contact the Monitoring Officer or other legal officer in good time before the meeting.

If any Member or co-opted Member of the Council identifies a DPI or ORI which they have not already registered on the Council's register of interests or which requires updating, they should complete the disclosure form which can be obtained from Democratic Services at any time, copies of which will be available at the meeting for return to the Monitoring Officer.

Members and co-opted Members are required to disclose any DPIs and ORIs at the meeting.

Where the matter relates to a DPI they may not participate in any discussion or vote on the matter and must not stay in the meeting unless granted a dispensation.

Where the matter relates to an ORI they may not vote on the matter unless granted an advance dispensation.

Where a Member or co-opted Member has an NRI which directly relates to their financial interest or wellbeing, or that of a relative or close associate, they must disclose the interest at the meeting, may not take part in any discussion or vote on the matter and must not stay in the meeting unless granted a dispensation.

Where a matter affects the NRI of a Member or co-opted Member, the Code of Conduct sets out the test which must be applied by the MEMBER to decide whether disclosure is required. Again please ensure you have spoken in ADVANCE to the relevant legal officer and determined whether it is appropriate to declare the NRI and leave.

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 Karen Morton, Assistant Committee Support Officer, Wyre Forest House, Finepoint Way, Kidderminster, DY11 7WF.
Telephone: 01562 732726 or email karen.morton@wyreforestdc.gov.uk

Wyre Forest District Council

Audit Committee

Wednesday, 20 March 2024

Council Chamber, Wyre Forest House, Finepoint Way, Kidderminster

Part 1

Open to the press and public

Agenda item	Subject	Page Number
1.	Apologies for Absence	
2.	Appointment of Substitute Members To receive the name of any Councillor who is to act as a substitute, together with the name of the Councillor for whom he/she is acting.	
3.	Declarations of Interests by Members In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any disclosable pecuniary interest (DPI), an other registrable interest (ORI) or a non-registrable interest (NRI) in relation to any matter on the agenda. Please see the Members' Code of Conduct as set out in Section 14 of the Council's Constitution for full details.	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 22 November 2023.	6
5.	Auditor's Annual Report on Wyre Forest District Council 2021-22 and 2022-23 To receive a report from Grant Thornton. Representatives from Grant Thornton will attend for this item only.	To follow
6.	External Audit Plan To receive a report from Bishop Fleming for the year ended 31 March 2024.	9
7.	Sector Update To receive a verbal update from Bishop Fleming.	
8.	Internal Audit Plan 2024 - 25 To receive a report from BDO.	23

9.	Internal Audit Progress Report – March 2024 To receive a report from BDO.	42
10.	Accounting Policies and Estimates for 2023-24 To receive a report from the Principal Accountant that explains the accounting concepts and policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the 2023-24 annual accounts.	68
11.	Risk Management – Corporate Risk Management Action Plan – Quarter 3 progress update To receive a report from the Head of Resources to review the current Corporate Risk Register with an update of progress against actions and the Budget Risk Matrix.	90
12.	Risk Management – Corporate Risk Management Policy and Strategy To receive a report from the Head of Resources that presents the updated Risk Management Policy and Strategy including Risk Impact and Scoring criteria.	124
13.	Audit Committee – Annual Review of Effectiveness To receive a report from the Head of Resources to undertake the annual self-assessment of Audit Committee.	145
14.	To consider any other business, details of which have been communicated to the Solicitor to the Council before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.	
15.	Exclusion of the Press and Public To consider passing the following resolution: “That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of “exempt information” as defined in the paragraph 1 of Part 1 of Schedule 12A to the Act”.	

Part 2

Not open to the Press and Public

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

AUDIT COMMITTEE

COUNCIL CHAMBER, WYRE FOREST HOUSE, FINEPOINT WAY, KIDDERMINSTER

22 NOVEMBER 2023 (6PM)

Present:

Councillors: N J Desmond (Chairman), A Sutton (Vice-Chairman), J F Byng, G Connolly, K Gale, J Griffiths, M Rayner and P W M Young.

Observers:

Councillor M J Hart and Councillor D Ross.

Observed remotely - Councillor K Henderson.

AUD.33 Apologies for Absence

There were no apologies for absence.

AUD.34 Appointment of Substitutes

No substitutes were appointed.

AUD.35 Declarations of Interests by Members

No declarations of interest were made.

AUD.36 Minutes

Agreed: The minutes of the meeting held on 27 September 2023 be confirmed as a correct record of the meeting and signed by the Chairman.

Councillor Peter Young joined the meeting at 6.01pm after the minutes had been approved.

AUD.37 External Audit Update

Having received apologies from the Director – Grant Thornton, the Audit Manager – GT presented a brief verbal update to the Panel and reported that all the substantive work required prior to the end of the contract is complete. The draft Value for Money report had been issued to officers on Tuesday and it is hoped that it will be signed off by January. The Panel were given the opportunity to ask questions and thanked GT for the wonderful job they had done.

Agreed: The verbal report be noted.

AUD.38 BDO Internal Audit Annual Plan 2023/24

The Chairman welcomed the Partner – Public Sector of BDO to his first Audit Committee meeting. The Panel received a report from the Partner – Public Sector of BDO on the Internal Audit Annual Plan, which has been produced following various assessments since the start of the contract. He explained how the number of days allocated had been agreed and drew attention to the Charter at Appendix 1 of the report, which is mandatory to include when a Plan issued.

The Committee reviewed the report and were invited to ask questions to which the Partner – Public Sector of BDO and the Head of Resources and s151 Officer were able to provide verbal responses.

Councillor George Connolly joined the meeting at 6.17pm.

Agreed: The Audit Committee CONSIDERED AND APPROVED the Internal Audit Annual Plan 2023/24, including the Internal Audit Charter.

Councillor Ken Henderson (observing remotely) left the meeting at 6.26pm

AUD.39 BDO Internal Audit Progress Report November 2023

The Committee received the Internal Audit Progress Report from the Partner – Public Sector of BDO, who explained that this would be the main document format for consideration at future meetings and will inform progress made against the 2023/24 Internal Audit Plan. He explained how the report is compiled and that the 2 key elements that will be included will be Methodology and a Sector Update and that there will be opinions on design and operational effectiveness for every report (with four assurance levels).

Councillor Marcus Hart joined the meeting at 6.30pm

The Committee discussed the report and the Partner – Public Sector of BDO and the Head of Resources and s151 Officer gave verbal responses to their questions.

Agreed: The report be noted.

AUD.40 Audit Committee Training Programme 2023-24

The Committee received a report on the Audit Committee Training Programme 2023-24, which sought approval for the draft training programme 2023-24 as set out in Appendix 1 of the report.

The Head of Resources and s151 Officer presented the report and the Chairman invited members to discuss how they would like to evaluate what training is required. The Committee concluded that a skills matrix be completed by members to ensure appropriate training is tailored to needs, that sessions would be held prior to Committee meetings, starting at 4:45pm, and that there would be a 6 monthly review period to monitor progress.

Agreed: The Committee CONSIDERED the report and AGREED to a training programme to be developed around training needs.

There being no further business, the meeting ended at 7.04pm.

For the year ended 31 March 2024



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Appendices

1. Required communications with the Audit Committee

Welcome

The purpose of this report is to give you an overview of the nature and scope of our audit work and bring to your attention the key aspects of the audit. The document also ensures that there is good communication between us, as auditors, and you.

If you have any queries regarding the plan, including the arrangements noted below, then please do not hesitate to contact us.

This Audit Plan has been prepared for the sole use of the management and those charged with governance of the Council. Except where required by law or regulation, this report should not be made available to any other parties without our prior written consent. No responsibilities are accepted by Bishop Fleming towards any party acting or refraining from action as a result of this plan.

We are issuing our 2023/24 Audit Plan now to ensure that there is timely discussion of the key areas of focus. There may be some further changes to our approach, depending on the outcomes from ongoing consultations across the sector. We will communicate any changes with you as our audit progresses.

Alex Walling – Key Audit Partner

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E: awalling@bishopfleming.co.uk

1. General Audit Information

1.1. Engagement objectives and scope

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Throughout the audit we will also ensure that, in line with the latest Auditing Standards, we communicate on a regular basis with those charged with governance.

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The respective responsibilities of the audited body and the auditor are summarised in The Code. They are also set out in the PSAA Statement of Responsibilities of auditors and audited bodies issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your external auditor.

At the time of writing this Audit Plan, there are a number of consultations ongoing. A Joint statement explaining the package of measures and how the various elements are intended to interact has been published on the Department for Levelling Up, Housing and Communities website. In addition CIPFA/LASAAC Local Authority Code Board has issued a consultation on short term measures in the Code of Practice on Local Authority Accounting. The proposals are to aid the recovery of local authority reporting and audit. The outcomes of these consultations may impact on our Audit Plan and we will discuss any changes to our proposed work and timetable with management and the Audit Committee as events become clearer.

1.2. Audit reports

Financial statements

On completion of our audit work on the financial statements, we will issue our Audit Completion Report to the Audit Committee, which will set out our findings.

In our Auditor's Report we will report on the basis under which the financial statements have been prepared and whether they give a true and fair view. The audit report will also:

- report on whether other information presented with the audited financial statements (for example, the Narrative Report and Annual Governance Statement) is materially consistent with the financial statements or our knowledge obtained in the audit; and
- conclude on the appropriateness of management's use of the going concern basis of accounting.

The form and content of our Auditor's Report may need to be amended in light of our audit findings.

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

Where no matters are identified, this will also be confirmed.

Value for Money arrangements

On the completion of our work on whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we will issue our Auditor's Annual Report to the Audit Committee. This will provide a commentary on the Council's arrangements under the three specified criteria. The report will also set out whether any significant weaknesses were identified and any relevant recommendations.

1.3. Audit materiality

In planning and performing our audit work we will consider whether the financial statements are free from 'material misstatement'.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements. Thus, different materiality levels may be appropriate when considering different aspects of the financial statements.

If there are any areas of specific concern in which you would like us to pay particular attention to then we will be pleased to discuss this with you, and whether our audit approach can be readily adapted to accommodate such a level in that area, or whether it will be more appropriate for a special exercise to be carried out on the area.

Our basis of materiality has been set as follows:

	Basis of materiality
Wyre Forest District Council	<p>2% of gross expenditure</p> <p>This equates to £1,080k (based on the prior year accounts).</p>

Whilst the level of materiality is applied to the financial statements as a whole, we must also address the risk that any identified unadjusted audit differences are material when considered in aggregate. To reduce the risk of this being the case, we apply a lower level of materiality which we utilise within our work, known as Performance Materiality. This is set at a lower level than overall materiality and is determined by our assessment of the element of audit risk that pertains to the internal control environment of the Council.

1.4. Risk assessment and significant risks

Financial statements

When planning our audit work, we will seek to minimise the risk of material misstatements occurring in the financial statements. To do this, we consider both the risk inherent in the financial statements themselves and the control environment in which the Council operates. We then use this assessment to develop an effective approach to the audit.

This risk assessment directs our testing towards the balances and transactions at the greatest risk of material misstatement so as to minimise the risk of undetected material misstatements. However, we do not test every group of transactions or balances but carry out sample testing of balances and transactions.

Therefore, there is an inherent and unavoidable risk that some material misstatements may not be detected and therefore audit procedures should not be relied upon to detect all material misstatements, fraud, irregularities or instances of non-compliance.

Based on our knowledge of the Council, we have identified the following as significant risk areas to be addressed during the audit. We understand that CIPFA LASAAC will be consulting on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These proposed changes include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years. This may affect the significant risks we have currently identified and the approach we have proposed to address these risks:

Risk	Audit Approach
Management override of controls (required under the ISAs)	<p>We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed. To address this risk, we will:</p> <ul style="list-style-type: none"> Review the reasonableness of accounting estimates and critical judgements made by management; Test material journals processed at the year-end; and Test other journals with key risk attributes. <p>In testing journals, we will use data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.</p>
Fraud in revenue recognition	<p>There is also a rebuttable presumption under auditing standards that revenue may be misstated due to improper recognition of revenue. This presumption may be rebutted</p>

Risk	Audit Approach
(required under the ISAs)	<p>if the auditor concludes that there is no risk of material misstatement due to fraud in revenue.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the Council, we have concluded that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical framework of local authorities, including Wyre Forest District Council, mean that all forms of fraud are seen as unacceptable.
Fraud in expenditure recognition	<p>Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom sets out that the risk of fraud related to expenditure is also relevant. We therefore need to consider whether we have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We do not consider this to be a significant risk for Wyre Forest District Council because:</p> <ul style="list-style-type: none"> • Expenditure is well controlled, and the Council has a strong control environment; and • The Council has clear and transparent reporting of its financial plans and financial position.
Valuation of land and buildings	<p>There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements. To address this risk, we will:</p> <ul style="list-style-type: none"> • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert; • Write to the valuer to confirm the basis on which the valuation was carried out; • Confirm that the basis of valuation for assets valued in year is appropriate based on their usage; • Review the appropriateness of assumptions used in the valuation of land and buildings. For assets not formally revalued in the year we will assess how management has satisfied itself that these assets are not materially different from the current value at the year-end; • Review accuracy and completeness of information provided to the valuer, such as floor areas; • Test a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and • Form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.
Valuation of the pension fund net liability	<p>There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions. To address this risk, we will:</p> <ul style="list-style-type: none"> • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls;

Risk	Audit Approach
	<ul style="list-style-type: none"> • Review the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert; • Consider the accuracy and completeness of the information provided to the actuary; • Ensure that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary; • Carry out procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of Worcestershire Pension Fund in respect of the controls around the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We will report back to you as part of our completion audit work, on the outcome of our work addressing these areas.

Value for money arrangements

As part of our planning work, we consider whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we will need to perform further procedures on. Once the 2022/23 Auditor's Annual Report has been issued by the predecessor auditor, we will assess whether there are any risks of significant weakness for 2023/24 brought forward from that year. We will update the Audit Committee with the results of this risk assessment in due course.

During the year, we will keep our risk assessment under continual review and any changes will be communicated to those charged with governance.

1.5. Control environment

Through our audit planning procedures, we will continue to develop our understanding of the control environment in which the Council operates.

At the time of issuing our Audit Plan we have concluded that the control environment in which the Council operates is effective and we will tailor our audit approach accordingly.

Although we consider that the Council operates effective and formalised controls, we will not incorporate controls-based testing into our audit approach. Therefore, our work will focus on substantive procedures.

1.6. Adjusted and unadjusted items

Of the potential audit adjustments that we identify during our audit work, some may require adjustment. The decision to make an adjustment to the financial statements is one that the Council will need to make.

At the conclusion of the audit, we shall provide you with a schedule of potential adjustments that we identified during our audit work.

We will require you to confirm that you have considered the items and whether you have decided to adjust them in the financial statements; this will be included in the letter of representation.

We shall also provide you with a schedule, detailing those items that we identified during our audit work, which have not been adjusted for in the financial statements. This summary will not

include errors that are 'clearly trivial', defined by us as those errors which individually account for no more than 5% of our materiality level.

We will require you to confirm that you have duly considered these unadjusted errors and that you have decided not to adjust for them in the financial statements; this will also be included in the letter of representation.

1.7. Fraud

While the Council has the ultimate responsibility for the prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit, including making enquiries of management and those charged with governance.

1.8. Prior year recommendations

We will follow up on the progress made by the Council in addressing the recommendations made by the Council's previous auditor in respect of deficiencies reported in their ISA260 Audit Report.

2. The Audit Team

Responsible individual:
Email:

Alex Walling
awalling@bishopfleming.co.uk

Manager:
Email:

Neall Hollis
nhollis@bishopfleming.co.uk

3. Timetable

A full audit timetable has been included below:

Wyre Forest District Council YEAR END: 31 March 2024	
Date	Requirement
January-April 2024	<ul style="list-style-type: none"> • Review of predecessor auditor's files • Meetings with management • Meetings with Chair of Audit Committee
March 2024	Planning procedures and interim audit work undertaken, examining systems and controls in place, and completion of early substantive testing on transactions to date.
w/c 8 July 2024	Audit fieldwork to be undertaken, completing work on significant risk areas and other material balances.

Wyre Forest District Council YEAR END: 31 March 2024	
Date	Requirement
August 2024	Audit completion meeting with year-end draft Audit Completion Report
TBC	Audit Committee

4. Audit Fees

Wyre Forest District Council, in line with most other local government bodies, opted into the national scheme run by Public Sector Audit Appointments (PSAA) for the appointment of its external auditor for the five-year period with effect from 2023/24. PSAA set the scale fee for the audit of Wyre Forest District Council under the contract. The audit scale fee set by PSAA for the Council and our proposed variations are set out below:

PSAA scale fee 2023/24 (excluding VAT) £144,782

Proposed fee variations:

ISA 315 TBC

The proposed fee variation in relation to ISA 315 is in respect of a significant change to auditing standards that applied for the first time for your audit for the year ended 31 March 2023. Due to the timing of the tender process, the impact of this has not been built into the PSAA audit scale fees.

In summary the main changes were as follows:

- The introduction of five new inherent risk factors to aid in risk assessment; subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud.
- The introduction of a new spectrum of risk, at the higher end of which lie significant risks.

The scale fees set by PSAA:

- are based on the expectation that complete and materially accurate financial statements, with supporting working papers, will be available within agreed timeframes (as set out in PSAA's Statement of Responsibilities document); and
- reflect as far as possible the predecessor auditor's previous assessment of audit risk and complexity.

Where work was substantially more or less than envisaged by the scale fee, we will propose that the fees should be varied. PSAA determine the outcome of any fee variations. The proposed fee variations set out above reflect issues that were not reflected in the scale fee when it was set by PSAA.

As the individual responsible for the project management of the audit, Neall Hollis will monitor the position in relation to any issues that could potentially give rise to a fee variation and discuss them with the Chief Finance Officer/s.151 officer at the earliest opportunity.

There are no non-audit fees proposed at the planning stage.

5. Ethical Issues

In order to comply with professional and ethical standards we are required to communicate to you all significant facts and matters that, in our professional judgement, may affect the firm's independence. This is for reference only, and unless you wish to make any comments, there is no need to respond.

5.1. Threats & safeguards

The standards require us to consider the perceived potential threats to our objectivity and independence in carrying out the audit. We are not providing any other audit related or non-audit related services. We have not identified any threats to the firm's independence.

5.2. Overall assessment

We can confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. 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.

5.3. Maintaining objectivity & independence

As a firm we have policies and procedures in place to monitor auditor objectivity and independence on a regular basis. If any additional threats are identified, we will of course advise you immediately.

We also perform an annual review of completed audit engagements for quality control purposes.

If you would like to discuss any of the above, please contact us.

Appendices

1. Required communications with the Audit Committee

Under the auditing standards, there are certain communications that we must provide to the Audit Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of those charged with governance to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report Discussions at audit committees
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at audit committees
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report



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INTERNAL AUDIT ANNUAL PLAN - DRAFT

WYRE FOREST DISTRICT COUNCIL

2024/25

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AUDIT RISK ASSESSMENT



BACKGROUND

Our risk-based approach to internal audit uses Wyre forest District Council's own risk management process and risk register as a starting point for audit planning as this represents your own assessment of the risks to achieving your strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.



PLANNED APPROACH TO INTERNAL AUDIT 2024-2027

The indicative Internal Audit programme for 2024-2027 is set out on pages 6 and 7, with the detailed 2024/5 plan outlined on pages 8 to 12. We met with Corporate Leadership Team, each Head of Service, the Finance Portfolio Holder and the Audit Committee Chair as part of the 2023/24 planning process in November 2023, and brought the draft plan to the Council Leadership Team meeting in February 2024 for review. We bring together a full draft plan to be presented to this Audit Committee meeting for formal review and approval. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.



INDIVIDUAL AUDITS

When we scope each review, we will reconsider the anticipated coverage to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required, we will obtain approval from the appropriate Head of Service prior to commencing fieldwork.

In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council, and which ensures availability of key management and staff and takes account of any operational pressures being experienced.



VARIATIONS TO THE PLAN

We review the plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we propose to undertake, demonstrating we are focussing on your most important issues.

As such, our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Heads of Service. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

OUR NEXT GEN INTERNAL AUDIT APPROACH

Our new and innovative Next Gen approach to internal audit ensures you maximise the potential added value from BDO as your internal audit provider and the expertise we bring from our dedicated Public Sector Internal Audit team and wider BDO specialist teams.

The Next Gen approach has allowed us to move away from the traditional approach of compliance auditing, transitioning in to delivering a healthy mix of assurance that is forward looking, flexible and responsive and undertaken in partnership with yourselves. The key components to this approach are outlined below and underpin our proposed plan coverage:

Core assurance

Reviews of fundamental finance and operational systems to provide assurance that core controls and procedures are operating as intended.

Soft controls

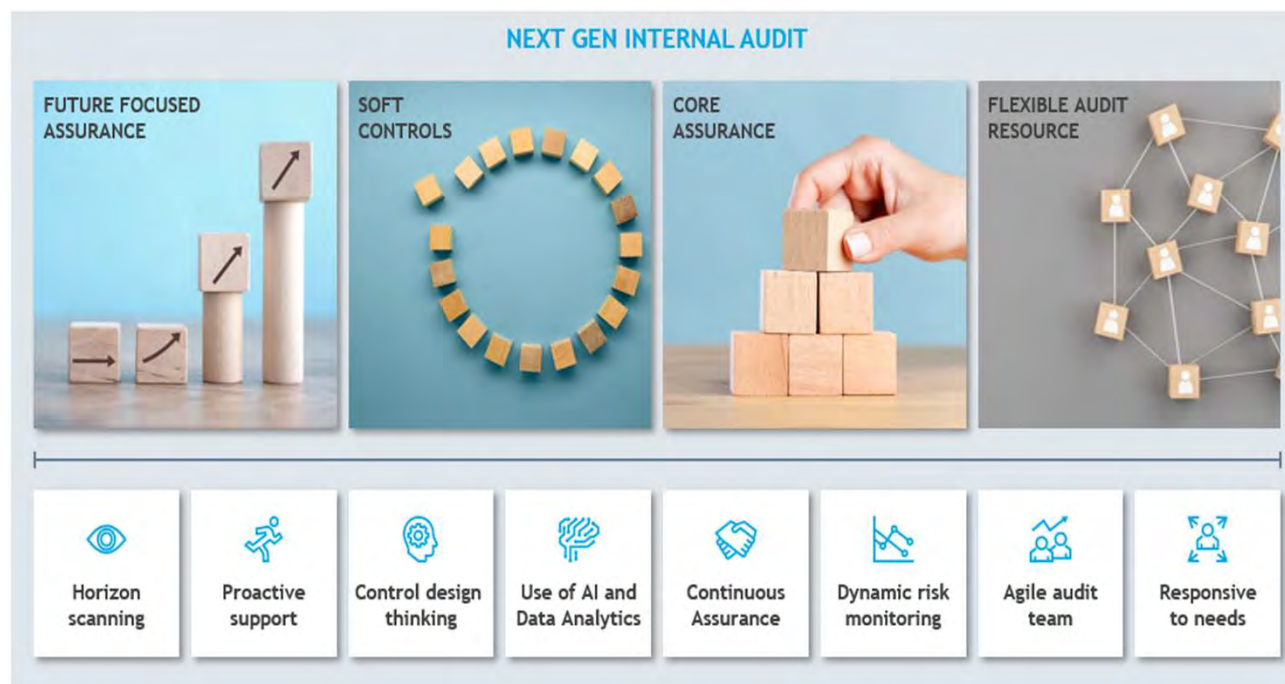
Reviews seek to understand the true purpose behind control deficiencies and provide a route map to enhance their effectiveness.

Future focused assurance

Rather than wait for implementation and then comment on identified weaknesses, we will work with you in an upfront / real time way.

Flexible audit resource

Undertake proactive work across the Council, perhaps in preparation for regulatory reviews or change management programmes.



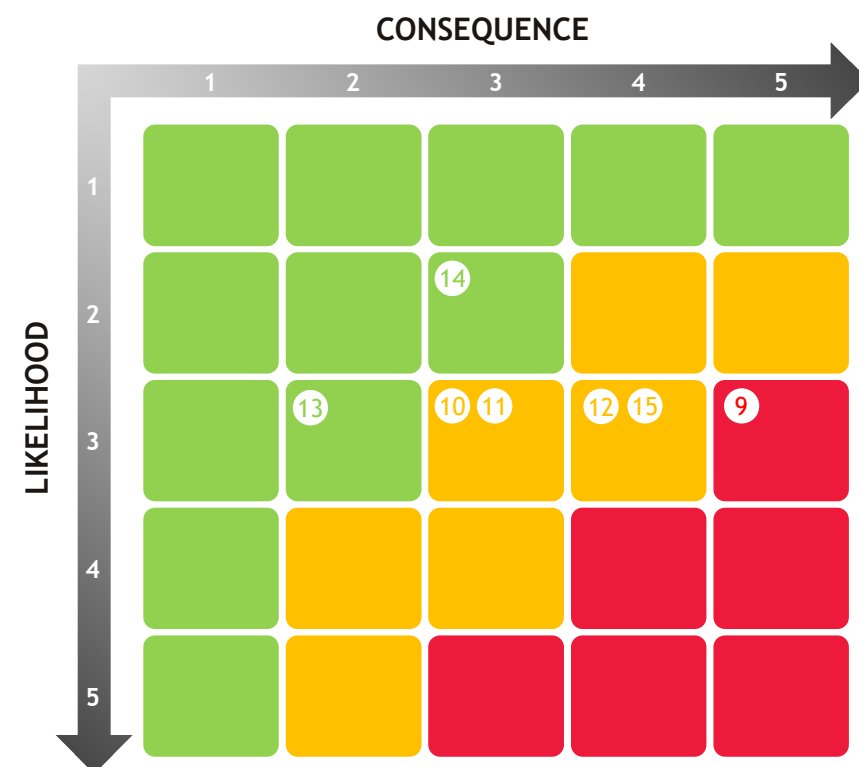
MAPPING YOUR STRATEGIC RISKS (1/2)

Ref	Strategic Risks from your CRR	Score
1	Adverse impact of Government legislation or policy on council strategies or services - particularly planning, housing, Environment Act, Elections Act Corporate Plan Priority: Internal corporate issues.	20
2	Poor member behaviour undermines Council's reputation and performance	12
3	High and sustained inflation leads to increased service demand from residents and additional cost pressures that can't be met from approved budgets or reserves	20
4	Unable to shift priorities to deal with demands from Government at short notice (recent examples: COVID grants and reliefs, Homes for Ukraine, energy rebate, asylum seeker dispersal)	15
5	Unable to deliver sustainable budget for the long term with a detrimental impact on ability to deliver Corporate Plan Priorities	16
6	Organisational capacity to deliver - unable to maintain skilled, balanced and motivated workforce	12
7	Members lack skills and knowledge necessary for effective discharge of their Committee responsibilities	6
8	Not having stable and effective managerial leadership	12



MAPPING YOUR STRATEGIC RISKS (2/2)

Ref	Strategic Risks from your CRR	Score
9	Vulnerability to cyber-attacks results in disruption in service delivery. Threats may originate both inside and outside the organisation	15
10	Unable to sustain mental health & wellbeing of staff having a negative impact on service delivery and achieving Corporate Plan Priorities	9
11	Unable to secure effective delivery of wide range of significant projects	9
12	Inability to enforce relevant legislation effectively e.g., environmental health, licensing, environmental crime, private sector housing standards, council tax/benefits	12
13	Unable to achieve balanced housing market to meet need	6
14	Lack of effective governance and oversight of local authority trading company (if operating)	6
15	Unable to deliver Levelling Up Fund and Future High Street Fund projects effectively	12



MAPPING YOUR CRR TO THE STRATEGIC PLAN (1/2)

Ref	Strategic Risks from your CRR	2023/24 Plan Underway	2024/25	2025/26	2026/27
1	Adverse impact of Government legislation or policy on council strategies or services - particularly planning, housing, Environment Act, Elections Act Corporate Plan Priority: Internal corporate issues.	<ul style="list-style-type: none"> • Planning Services • Accounts Receivable and Debt Recovery Procedures 		<ul style="list-style-type: none"> • Temporary Accommodation • Sustainability and Climate 	<ul style="list-style-type: none"> • Affordable Housing and Housing Needs
2	Poor member behaviour undermines Council's reputation and performance	<ul style="list-style-type: none"> • Governance (and Ethics) 			<ul style="list-style-type: none"> • Conflicts of Interest
3	High and sustained inflation leads to increased service demand from residents and additional cost pressures that can't be met from approved budgets or reserves	<ul style="list-style-type: none"> • MFS - Budget Management & High Level Payroll • MFS - General Controls and Access 	<ul style="list-style-type: none"> • MFS - Treasury Management • Revenue & Benefits • Income Generation 	<ul style="list-style-type: none"> • MFS - Cost Improvement Plans 	<ul style="list-style-type: none"> • MFS - Data Analytics
4	Unable to shift priorities to deal with demands from Government at short notice (recent examples: COVID grants and reliefs, Homes for Ukraine, energy rebate, asylum seeker dispersal)	<ul style="list-style-type: none"> • Ad-hoc Support 	<ul style="list-style-type: none"> • Ad-hoc Support 	<ul style="list-style-type: none"> • Ad-hoc Support 	<ul style="list-style-type: none"> • Ad-hoc Support
5	Unable to deliver sustainable budget for the long term with a detrimental impact on ability to deliver Corporate Plan Priorities		<ul style="list-style-type: none"> • MFS - Treasury Management • Revenue & Benefits • Income Generation 	<ul style="list-style-type: none"> • Cost Improvement Plans 	<ul style="list-style-type: none"> • Main Financial Systems - Data Analytics
6	Organisational capacity to deliver - unable to maintain skilled, balanced and motivated workforce		<ul style="list-style-type: none"> • Recruitment and Retention • EDI 		<ul style="list-style-type: none"> • Health and Wellbeing

MAPPING YOUR CRR TO THE STRATEGIC PLAN (2/2)

Ref	Strategic Risks from your CRR	2023/24 Plan Underway	2024/25	2025/26	2026/27
7	Members lack skills and knowledge necessary for effective discharge of their Committee responsibilities			• Committee Governance	
8	Not having stable and effective managerial leadership				• Senior Leadership Succession Planning
9	Vulnerability to cyber-attacks results in disruption in service delivery. Threats may originate both inside and outside the organisation	• Cyber Security	• Information Governance	• Business Continuity and Disaster Recovery	• IT Asset Management
10	Unable to sustain mental health & wellbeing of staff having a negative impact on service delivery and achieving Corporate Plan Priorities			• Cultural Maturity	• Health and Wellbeing
11	Unable to secure effective delivery of wide range of significant projects		• Depot Management	• Contract Management	
12	Inability to enforce relevant legislation effectively e.g., environmental health, licensing, environmental crime, private sector housing standards, council tax/benefits	• Council Tax and NNDR • Risk Management		• Licensing	• Private Sector Housing Standards
13	Unable to achieve balanced housing market to meet need	• Planning Services	• Homelessness Service Spend	• Temporary Accommodation	
14	Lack of effective governance and oversight of local authority trading company (if operating)	• Governance (and Ethics) • Ad-hoc Support	• Ad-hoc Support	• Ad-hoc Support	• Ad-hoc Support



CORE ASSURANCE



SOFT CONTROLS


FUTURE FOCUSED
ASSURANCE

FLEXIBLE AUDIT
RESOURCE

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (1/5)

Area	CRR	Days	Timing	Description of the Review	Reason for Inclusion
Core Assurance					
Main Financial Systems - Treasury Management	3, 5	12	Q4	The purpose of this review is to assess the design and effectiveness of controls in relation to Treasury Management.	This is a mandatory element of the internal audit programme and forms a key component of the Head of Internal Audit opinion. We undertake a rotational set of reviews covering the Council's key financial systems.
Revenue and Benefits	3, 5	13	Q3	Assessment of benefit cases against evidence retained on systems to evaluate whether cases are legitimate and sufficient evidence was received and protocols followed as well and whether reporting of information in this area is appropriate.	This is a mandatory element of the internal audit programme and forms a key component of the Head of Internal Audit opinion. We undertake a rotational set of reviews covering the Council's key financial systems.
Recruitment and Retention	6	15	Q1	This review will analyse the Council's workforce planning process and framework to ensure that workforce is aligned with the demand for services, changing organisational needs, recruitment and retention.	This is a standard review we undertake on a cyclical basis to provide us with assurance required for support our annual opinion.
Homelessness Service Spend	13	15	Q2	This audit will review how the Council manages its homelessness spend and how effective these arrangements are. As part of this we will also review the administration of 'thank you' payments to refugee hosts.	This is a key area of activity and risk to the Council and has been raised as an area of concern in discussions with members of senior leadership.
Depot Management	11	15	Q1	This review will analyse the controls and procedures in place to manage service delivery within the depots, including resource, income and operations.	This is a key area of activity and risk to the Council and has been raised as an area of concern in discussions with members of senior leadership.



CORE ASSURANCE



SOFT CONTROLS



FUTURE FOCUSED
ASSURANCE



FLEXIBLE AUDIT
RESOURCE

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (2/5)

Area	BAF	Days	Timing	Description of the Review	Reason for Inclusion
Soft Controls					
EDI Maturity	1	15	Q3	The purpose of the BDO Equality, Diversity and Inclusion Maturity Assessment is to help ensure an effective approach to Equality, Diversity and Inclusion becomes embedded across the Trust by highlighting areas where processes could be improved.	The review was requested by the Head of Strategic Growth in light of the new Public Sector Equality Duty. We will consider and compare the Council's approach in line with good practice seen elsewhere and whether we can identify improvements to the EDI framework.



CORE ASSURANCE



SOFT CONTROLS



FUTURE FOCUSED
ASSURANCE



FLEXIBLE AUDIT
RESOURCE

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (3/5)

Area	BAF	Days	Timing	Description of the Review	Reason for Inclusion
Future Focussed					
Income Generation	3, 15	15	Q3	In December 2023, the Cabinet approved a new commercial income target of £160k in 2024/25 and £240k in 2025/26. This review will assess whether the Council has the controls and procedures in place for these targets to be achieved.	This is a key area of activity and risk to the Council and has been raised as an area of concern at Cabinet meetings as well as our discussions with members of senior leadership.
Information Governance	9	15	Q4	The aim of the audit is to provide assurance by undertaking an independent review and appraisal of the design and effectiveness of the Council's Information Governance arrangements and whether these are in line with the Council's procedures, protocols and expectations.	This is a standard review we undertake on a cyclical basis to provide us with assurance required for support our annual opinion.



CORE ASSURANCE



SOFT CONTROLS



FUTURE FOCUSED
ASSURANCE



FLEXIBLE AUDIT
RESOURCE

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (4/5)

Area	BAF	Days	Timing	Description of the Review	Reason for Inclusion
Flexible Live Assurance - To be allocated during the year as required but could include the example shown below					
Ad-Hoc Support/Contingency to cover: Review of Financial Regulations/Contract Procedure Rules/Corporate Fraud Policies NFI ~ Cabinet Office Counter fraud arrangements Grant certifications	14	15	N/A	To review the Ad-Hoc Support/Contingency and covering the Review of Financial Regulations/Contract Procedure Rules/Corporate Fraud Policies NFI ~ Cabinet Office Counter fraud arrangements Grant certifications.	Gives Senior Leadership the flexibility to respond to emerging risks or issues that may require urgent attention.

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (5/5)

Area	CRR	Days	Timing	Description of the Review	Reason for Inclusion
Contract Management					
Planning / liaison / management	N/A	5	Q1 - Q4	Creation of audit plan, meeting with Executive Directors	Effective contract management
Recommendation follow up	N/A	3	Q1 - Q4	Assessment and reporting of status of implementation of recommendations raised	Assurance for Executive Team and Audit Committee
Audit Committee	N/A	2	Q1 - Q4	Attendance at Audit Committee meetings, pre-meets and Audit Committee Chair liaison	Effective contract management
Summary					
Core assurance	Various	70			
Soft controls	Various	15			
Future focused	Various	30			
Flexible audit resource	Various	15			
Contract Management		10			
Total days		140			

APPENDIX I (1/5)

Internal Audit Charter - Role and Scope of Internal Audit

PURPOSE OF THIS CHARTER

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Wyre Forest District Council (Council) and defines the scope of internal audit activities.

Final approval resides with the Full Council, in practice the charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of the Board of the Council.

INTERNAL AUDIT'S MISSION

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

STANDARDS OF INTERNAL AUDIT PRACTICE

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

INTERNAL AUDIT DEFINITION AND ROLE

Internal auditing 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.

Internal audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

INTERNAL AUDIT'S SCOPE

The scope of internal audit activities includes all activities conducted by the Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

EFFECTIVE INTERNAL AUDIT

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

APPENDIX I (2/5)

Internal Audit Charter - Role and Scope of Internal Audit

The internal audit activity adds value to the Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us.

INDEPENDENCE AND INTERNAL AUDIT'S POSITION WITHIN WYRE FOREST DISTRICT COUNCIL

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee. The Head of Internal Audit reports administratively to the Head of Service who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for the Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications.

INTERNAL AUDIT'S ROLE IN COUNTERING FRAUD, BRIBERY AND CORRUPTION

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspects a fraud, this will be referred to appropriate management in the first instance and then the Audit Committee.

ACCESS TO RECORDS AND CONFIDENTIALITY

There are no limitations to internal audit's right of access to the council officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 2018.

APPENDIX I (3/5)

Internal Audit Charter - Role and Scope of Internal Audit

COORDINATION AND RELIANCE WITH OTHER ASSURANCE PROVIDERS

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

INTERNAL AUDIT'S COMMITMENTS TO WYRE FOREST DISTRICT COUNCIL

Internal audit commits to the following:

- Working with management to improve risk management, controls and governance within the organisation
- Performing work in accordance with PSIAS

- Complying with the ethical requirements of PSIAS
- Dealing in a professional manner with Council staff, recognising their other commitments and pressures
- Raising issues as they are identified, so there are no surprises and providing practical recommendations
- Liaising with external audit and other regulators to maximise the assurance provided to the Council.
- Reporting honestly on performance against targets to the Audit Committee.

INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

The tables on the following pages contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

As required by PSIAS, an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Audit Committee as part of the internal audit annual report, along with corrective action plans.

APPENDIX I (4/5)

Internal Audit Charter - Role and Scope of Internal Audit

TABLE ONE: PERFORMANCE MEASURES FOR INTERNAL AUDIT

Measure / Indicator

Audit Coverage

Annual Audit Plan delivered in line with timetable.

Actual days are in accordance with Annual Audit Plan.

Relationships and customer satisfaction

Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.

Annual survey to Audit Committee to achieve score of at least 70%.

External audit can rely on the work undertaken by internal audit (where planned).

Staffing and Training

At least 60% input from qualified staff.

Audit Reporting

Issuance of draft report within 3 weeks of fieldwork 'closing' meeting.

Finalise internal audit report 1 week after management responses to report are received.

90% recommendations to be accepted by management.

Information is presented in the format requested by the customer.

Audit Quality

High quality documents produced by the auditor that are clear and concise and contain all the information requested.

Positive result from any external review.

MANAGEMENT AND STAFF COMMITMENTS TO INTERNAL AUDIT

The management and staff of Wyre Forest District Council commit to the following:

- Providing unrestricted access to all of Council records, property, and personnel relevant to the performance of engagements
- Responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- Implementing agreed recommendations within the agreed timeframe
- Being open to internal audit about risks and issues within the organisation
- Not requesting any service from internal audit that would impair its independence or objectivity
- Providing honest and constructive feedback on the performance of internal audit.

MANAGEMENT AND STAFF PERFORMANCE MEASURES AND INDICATORS

The three indicators on the following page are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Audit Committee Progress Report.

APPENDIX I (5/5)

Internal Audit Charter - Role and Scope of Internal Audit

TABLE TWO: PERFORMANCE MEASURES FOR MANAGEMENT AND STAFF

Measure / Indicator

Response to Reports

Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.

Implementation of recommendations

Audit sponsor to implement all audit recommendations within the agreed timeframe.

Co-operation with internal audit

Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff.

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INTERNAL AUDIT PROGRESS REPORT

WYRE FORST DISTRICT COUNCIL

MARCH 2024

IDEAS | PEOPLE | TRUST



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SUMMARY OF INTERNAL AUDIT WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of the progress against the 2023/24 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



INTERNAL AUDIT METHODOLOGY

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report and are based on us giving either 'substantial', 'moderate', 'limited' or 'no'. The four assurance levels are designed to ensure that the opinion given does not gravitate to a 'satisfactory' or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

2023/2024 INTERNAL AUDIT PLAN

As part of the 2023/24 internal audit plan we have completed and are pleased to present the following report to the Audit Committee:

- ▶ Governance and Ethics
- ▶ Key Financial Systems: Budget Management including High Level Payroll
- ▶ Key Financial Systems: General Controls and Access
- ▶ Planning Services.

We are also pleased to present the Internal Audit Operational Plan 2024-2027 for Audit Committee approval. The Plan was reviewed and approved by CLT on 6 February 2024.

We have commenced our fieldwork of audits for the remaining 2023/24 reviews and expect to present the following reports the next Audit Committee meeting:

- ▶ Cyber Security
- ▶ Accounts Receivable and Debt Recovery
- ▶ Council Tax and NNDR
- ▶ Risk Management.

REVIEW OF 2023/2024 WORK

AUDIT	AUDIT COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Planning Services	March 2024	✓	✓	✓	S	S
KFS: Budget Management incl High Level Payroll	March 2024	✓	✓	✓	S	M
KFS: General Controls and Access	March 2024	✓	✓	✓	S	M
Governance and Ethics	March 2024	✓	✓	✓	M	M
Cyber Security	May 2024	✓	✓			
Accounts Receivable and Debt Recovery	May 2024	✓	✓			
Council Tax and NNDR	May 2024	✓	✓			
Risk Management	May 2024	✓	✓			

LOCAL AUTHORITY DELIVERY PHASE 3 (LAD3) GRANT REVIEW

In addition to the above work, in December 2023 we were also engaged by the Council to report in the form of an independent reasonable assurance conclusion as to whether the applicable criteria for the grant have been met. We issued the opinion that the Council's subject matter for the period from 1 January 2022 to 28 November 2023 had all been prepared, in all material respects, in accordance with the applicable criteria.



GOVERNANCE AND ETHICS

CRR REFERENCE: CRR 2 - POOR MEMBER BEHAVIOUR UNDERMINES COUNCIL'S REPUTATION AND PERFORMANCE.

Design Opinion	 Moderate	Design Effectiveness	 Moderate
Recommendations	  		



SCOPE

BACKGROUND

- ▶ An annual review of corporate governance feeds into the production of Wyre Forest District Council's (the Council) Annual Governance Statement. Effective governance should equip the Council with a mechanism for ensuring that the focus of activities supports the achievement of its strategic aims. Good corporate governance extends from policy setting through to control objectives and is based on the people, ethos and culture established with the organisation. Governance processes can be more narrowly defined as comprising committee structures, schemes of delegation, higher level strategies, policies and processes.
- ▶ The Chartered Institute of Public Finance & Accountancy (CIPFA) provides the following key principles of good governance in the International Framework: Good Governance in the Public Sector:
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
- ▶ The Local Government Association outlines that all Council's must adopt their own code of conduct that is based on the Committee on Standards in Public Life's seven principles of public life, also known as the 'Nolan principles'. These principles apply to anyone who works as a public office holder:
 - Selflessness.
 - Integrity.
 - Objectivity.
 - Accountability.
 - Openness.
 - Honesty.
 - Leadership.
- ▶ The Council has a governance structure in place which is detailed on its website and includes the following governance groups:
 - Full Council.
 - Cabinet.
 - Overview and Scrutiny.
 - Ethics and Standards.
 - Appointments and Appeals.
 - Planning.
 - Licensing and Environmental.
 - Audit Committee.
- ▶ In March 2024 the Council are having an LGA peer review which aims to identify areas of strength and areas for development in areas such as leadership, good governance and decision-making arrangements.

AREAS REVIEWED

- ▶ The purpose of the audit was to review specific elements of governance in the Council to ensure the control and governance processes are effective and in line with expected practices.
- ▶ We reviewed the terms of references (ToR) in place for the Council and each of its Committees and evaluated the minutes from the last two meetings to ascertain whether the governance structures, systems and processes in place were sufficiently robust, provided appropriate levels of oversight and scrutiny, and that the role, remit and responsibilities delegated to each of the committees was clear.
- ▶ We reviewed the training provided to Members and Officers and obtained evidence of the training materials, schedules and attendance records for all Members essential training to ensure these were adequate and well attended.
- ▶ We reviewed the latest declaration of interest forms for all Members and performed an open-source desktop review to ensure that all interests have been sufficiently declared in line with the LGA Councillors Code of Conduct Guidance adopted by the Council in May 2023 and that the declarations were up to date.
- ▶ We reviewed the Council's guidance on gifts and hospitality declarations to ensure that this was robust and communicated appropriately. We obtained evidence regarding the one gift declared within the past 12 months to ensure this was appropriately dealt with as per the Council's procedures.
- ▶ We reviewed the processes that the Council and its Committees have in place to perform self-assessments of their performance and how opportunities for learning are identified and implemented from this.
- ▶ We reviewed the Council's Code of Conduct for Councillors to ensure that this was based on the Committee on Standards in Public Life (Nolan) Principles and assessed whether all Councillors had attended the mandatory Code of Conduct training held in May 2023 as required.



AREAS OF STRENGTH

The following areas of good practice were identified:

- ▶ The Council adopted the Local Government Association's (LGA) Model Councillor Code of Conduct in May 2023 and has published this within Section 14 of its Constitution.
- ▶ The Council have a clear governance structure in place which is published on their website under the Democratic Structure page. This shows the Committee reporting lines and signposts to other relevant sections of the Constitution.
- ▶ The Council have developed a Member Training and Development Guide that brings together information on the four main sources of training and development for Councillors elected to the Council in May 2023. This was comprised of:
 - Online resources on the Councils eLearning system, iLearn, including sessions on Health & Safety, Equality in the Workplace, GDPR, Unconscious Bias.
 - Cyber Security training provided by an external training provider, KnowBe4.
 - Various courses and events run by the LGA with access provided to a Councillors e-learning platform and the Councillor Hub which provides newly elected members with essential information on becoming a Councillor. Events were signposted including the New Councillors Induction Event, Young Councillors Weekender and LGBTQ+ Councillors Weekender.
 - The Councils programme of Member Development Sessions for 2023/24 stipulating the training required for new/re-elected Councillors.

The programme of Member Development Sessions was comprehensive, outlining the date, time and location of the training, the content, outcome and whether attendance was essential or desirable.
- ▶ The Planning, Licensing, Safeguarding & Scrutiny, Treasury Management and Housing training presentations were held between May and June 2023, with the exception of Treasury Management training which was held in November 2023 and January 2024 (and has been raised in finding 1). Training was provided by Lead Officers in these areas including Executives, Heads of Operational Areas and Solicitors. The content was comprehensive and in line with our expectations.
- ▶ All 33 Councillors have profiles and their corresponding declaration of interest forms published on the website.
- ▶ Reminders on which gifts/hospitality to decline and who to speak to if in doubt are periodically included in the Council's Wyred Weekly Bulletin sent to all staff. The December 2023 bulletin directs employees to the Council's Code of Conduct and provides a link to the gifts and hospitality declaration form.




AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>Councillor Training Attendance - We reviewed the training schedule, content and attendance records for essential Councillor training and found:</p> <ul style="list-style-type: none"> Sessions for the Treasury Management training course, essential for Councillors take before being able to sit on the Audit Committee were not held until November 2023 and January 2024. The Audit Committee first met in May 2023. Seven essential training courses were not attended by all required Councillors, and whilst the Council have followed up on absences, they have not prevented Councillors from attending Committees they have not completed training for. The induction training does not include content on Member's responsibilities and does not signpost towards the applicable responsibilities section included in the Constitution. <p>(Finding 1 - Medium)</p>	<p>A. The Solicitor to the Council should ensure all training sessions required to be completed in order to sit on a Committee are scheduled prior to the first meeting of that Committee. Alternatively, a review should be undertaken of what training is essential for Audit Committee members to undertake. If Treasury Management training is considered essential, the Council should provide high level training in May for Audit Committee members in addition to the two training sessions currently provided to ensure that they have sufficient understanding of the implications of Treasury Management on the accounts presented in July.</p> <p>B. If Members do not attend essential training sessions for certain Committees, they should not be allowed to sit on those Committees meetings, or they should have their roles reduced and be temporarily prevented from voting on certain items until training is completed. This should be implemented in the new municipal year for Councillors with Committee responsibilities and should be communicated to all Members within the training and development guidance. This guidance should stress the importance of prioritising the training for the good governance of the Council.</p> <p>C. The HR team should ensure that quarterly reports on Officer training completion rates are produced and provided to managers. These figures should also be reported through the relevant channels of the Councils Performance Management Framework to an appropriate oversight group for scrutiny.</p> <p>D. The content for the induction session should be reviewed and updated to include a section on the expectations of Councillors and a brief overview of their responsibilities. Councillors should also be signposted towards the Members of the Council section of the Articles of Association for further guidance.</p> <p><u>Management Response</u></p> <p>The Council welcomes the proposal that members who fail to attend essential training are not permitted to attend committees. The S151 officer will ensure that Treasury Management training has been completed by all members of Audit Committee before they review the Statement of Accounts. For new members of the Committee, high level training will be provided before their first meeting. Quarterly reports on officer training will be added to Pentana and reported quarterly to CLT.</p>

		<p>The induction procedure already invites familiarity with the Constitution as an essential governance document.</p> <p>Target Date: December 2024</p>
	<p>Councillors Declarations of Interest - An open-source desktop review identified that 16 of 33 (48%) Councillors had not declared 'Disclosable Pecuniary Interests' or 'Other Registrable Interests', as defined by the LGA Councillors Code of Conduct Guidance, in their annual declaration of interests' form. We also found that five forms were not signed within 28 days of Member's being elected/re-elected in line with the LGA guidance. (Finding 2 - Medium)</p>	<p>A. In light of the exceptions identified in relation to declarations of interests, the Chair of the Council should reiterate to Councillors their responsibilities to declare all relevant interests and the consequences of not doing so.</p> <p>B. To ensure declaration forms are complete, the form template should be updated to include the following:</p> <ol style="list-style-type: none"> Examples of each Disclosable Pecuniary Interest and Other Registrable Interests A reference to the LGA guidance which outlines what should be disclosed, the timescales for doing so and consequences of not. <p>C. To ensure all declaration of interest forms are returned within 28 days of Members being elected/re-elected to office, Members should be prevented from sitting on committee meetings until their return has been submitted. This should be implemented for Councillors in the new municipal year and should be communicated to all Members on being elected and included on the declaration form itself.</p> <p><u>Management Response</u></p> <p>A. Yes, the Council welcomes the Chairman reiterating to Councillors their responsibilities.</p> <p>B. Yes, the full LGA guidance, including examples, is already provided to every member and will continue to be provided to all new members.</p> <p>C. Yes, the Council welcomes this recommendation, that members should be prevented from sitting on committees if they fail to return ROI forms.</p> <p>Target Date: May 2024</p>
	<p>Gifts and Hospitality - The Council's gifts and hospitality guidance does not provide detail on the declaration process or signpost staff to the gifts and hospitality declaration form. Upon review of the form, we found this does not require the member to include detail of the date the gift was received, only the date it was accepted, which meant we were unable to confirm that the gift was declared by the Member in line with the LGA Councillor Code of Conduct Guidance. We also found the date stated on the Council's webpage for the latest update of the gifts and hospitality register was significantly outdated, indicating that the webpage was not kept up to date. (Finding 3 - Medium)</p>	<p>A. The Council's gift and hospitality guidance should be updated to outline the declaration process and where the declaration form can be located. This should also be included or signposted in the Induction training provided to new Councillors.</p> <p>B. The gifts and hospitality declaration form should be updated to include a field to document the date the gift/hospitality was received/offered. We have provided an example of a form we have seen elsewhere in Appendix I.</p> <p>C. The Gifts and Hospitality Register held on the Council's website should be updated at least on a bi-annual basis and the date</p>






		<p>of the update should be documented on the webpage. This should be performed even if there have been no declarations in the period, for Transparency.</p> <p><u>Management Response</u></p> <p>A), B) and C) - All proposals welcomed and implemented.</p> <p>Target Date: May 2024</p>
	<p>Council and Committee Performance Self-Assessment - The Council has not completed a performance evaluation on the effectiveness of the Council itself, or its Committees, through the use of internal assessment or external feedback. (Finding 4 - Medium)</p>	<p>An internal self-assessment exercise should be completed at the end of each financial year, which should be included in the annual workplan for all the Committees as agreed by members. This will enable Committees to reflect on their performance over the year, comparing what they have achieved to targets set at the beginning of the year to identify any learning to take forward. This should be reported to the Council as part of the Committee's annual report.</p> <p>Example templates for Committee self-assessments we have seen used at other Councils are included at Appendix II, which the Council can adapt to suit their purposes.</p> <p><u>Management Response</u></p> <p>The Council welcomes the templates and these will be added to the penultimate meeting of relevant committees.</p> <p>Target Date: May 2025</p>
	<p>From our review of the Council's Terms of References and the Council's constitution, we found that further information on the Council's Committees was missing or should be consolidated in a single document to improve transparency and clarity. (Finding 5 - Low)</p>	<p>The Council should consolidate the below information into one location in the Constitution and ensure this is presented clearly for each Committee of the Council, including any variations between the committees:</p> <ul style="list-style-type: none"> ▶ Purpose of the Committees for the Ethics and Standards, Appointments and Appeals, Licensing and Environmental, Licencing Sub Committee or Audit Committees. ▶ Reporting arrangements for all Committees but the Council. ▶ Committee membership and frequency of meetings for all Committees but the Council, Cabinet and Overview and Scrutiny Committee (For all Committees, Committee membership is included on Meeting Agendas and the frequency of meetings is included in a schedule of Committee meetings published on the website). ▶ Purpose, Committee Membership and Frequency of Meetings for Council, Cabinet and Overview and Scrutiny. ▶ Reporting arrangements to the Council. ▶ Responsibilities of the Chair. ▶ Quorum of Meetings. <p>We have included an example of how this information has been consolidated at another</p>

		<p>District Council in Appendix III for your consideration.</p> <p><u>Management Response</u></p> <p>The Council is happy to consolidate the information in one location.</p> <p>Target Date: December 2025</p>
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 <p>CONCLUSION</p>	<ul style="list-style-type: none"> ▶ The Council has a clear governance structure in place which is supported by a comprehensive Constitution published on the public website and controls in place surrounding Councillor training and declaration of interests. ▶ However, the effectiveness of these controls could be enhanced to ensure attendance of essential Councillor training by excluding members who do not attend training from committees. Councillor declaration forms were not consistently filled out completely or in a timely manner despite guidance being provided. ▶ We also found the design of controls could be improved in relation to the declaration and reporting of gifts and hospitality and self-assessment of Council and Committee performance to identify opportunities for improvement. ▶ Therefore, we have reported a moderate opinion over both the design and operational effectiveness of the controls for governance in the Council.
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KFS: BUDGET MANAGEMENT INCL HIGH LEVEL PAYROLL

CRR REFERENCE: CRR 5 - UNABLE TO DELIVER SUSTAINABLE BUDGET FOR THE LONG TERM WITH A DETRIMENTAL IMPACT ON ABILITY TO DELIVER CORPORATE PLAN PRIORITIES.

Design Opinion	 Substantial	Design Effectiveness	 Moderate
Recommendations	  		



SCOPE

BACKGROUND

Budget Management

- ▶ Budgeting provides a method by which Wyre Forest District Council (the Council) seeks to make effective use of its resources and achieve its objectives set out in the Corporate Plan 2023-2027. The Local Government Act 2003 section 25 requires the Council's Section 151 Officer to report to the Council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations.
- ▶ The Council's total committed expenditure budget is broken down into six areas:
 - Chief Executive and Solicitor to the Council/Monitoring Officer.
 - Community and Environment.
 - Economic Development & Regeneration.
 - Resources.
 - Revenues, Benefits & Customer Services.
 - Strategic Growth.

Payroll

- ▶ The principal purpose of any payroll department is to pay the employees and remit associated deductions, taxes, and benefits. Internal controls are necessary for this department to function effectively, efficiently and within the parameters set by management. The Council employs c320 staff members who are based across several sites.
- ▶ The Council's payroll function is provided by Redditch Borough Council and Bromsgrove District Council's Shared Services under a shared service arrangement. The Council inform the provider of any payroll changes each month. These are then processed before a payroll summary report is sent to the Council to check the accuracy of the payroll report prior to payments being made to staff.

AREAS REVIEWED

As part of this audit, we reviewed the following areas:

Budget Management

- ▶ We interviewed a selection of budget holders to understand how they manage and monitor their budgets, their understanding of financial reporting, how they action overspends, and training/support to ensure their budget responsibilities are effectively enacted.
- ▶ We reviewed the financial information made available to budget holders via a walkthrough of the Agresso system with the Principal Accountant.
- ▶ We reviewed the minutes and papers for three Cabinet meetings to assess whether budgets were overseen as per the Council's Financial Regulations and where issues were identified and actioned as required.
- ▶ We reviewed the 2023/24 budget setting documentation and evidence to support a sample of figures to ensure assumptions were supported and as accurate as possible.

- ▶ We reviewed the documentation to support the variances to the 2023/24 budget that were presented to Cabinet in November 2023, to ensure that they had been subject to appropriate scrutiny prior to Cabinet approval.

Payroll

- ▶ We reviewed a sample of new starters, leavers, and amendments to pay from between 1 April and 30 November 2023 to ensure that these changes to payroll were appropriately documented, approved and actioned. We then recalculated the relevant payslips to ensure that these had been correctly prorated.



AREAS OF STRENGTH

The following areas of good practice were identified:

- ▶ **Financial Regulations** - The responsibilities of budget holders were outlined in the Council's Financial Regulations, which are included within the Constitution. The Financial Regulations were last updated in January 2022 and were publicly available on the Council's website. The Constitution also includes the Budget and Policy Framework Procedure Rules which outline the process for setting, approving, monitoring and revising the annual budget throughout the year.
- ▶ **2023/24 Budget Assumptions Benchmarking** - From our benchmarking exercise of the budgetary assumptions applied by the Council and other lower-tier authorities, we found that the Council was one of only two authorities that had earmarked funds for innovation and transformation. The percentage increases applied in the budget to forecast general inflation and pay increases were in line with those used by the other lower-tier authorities.
- ▶ **Reporting to Cabinet** - We reviewed the papers and available minutes for the September, November and December 2023 Cabinet meetings and found that the Council's budgets were reviewed at each of these meetings. This was either in the form of quarterly performance updates or revision to the overall Medium Term Financial Strategy (MTFS). We found that detailed reports were provided to the Cabinet that outlined clearly where slippage against the original budget had occurred, the reason for this, and the impact of the slippage.
- ▶ **Ongoing monitoring** - Due to time pressures, the majority of budget holders explained that they do not have regular meetings with their finance officers to discuss and monitor their budgets (see Finding 1). However, this is mitigated by the fact that the budget holders expressed that they found the Finance Team supportive and approachable, which creates a positive culture within the Council for managing budgets effectively.
- ▶ **Variances to Original Budget** - The November 2023 Cabinet meeting minutes identified that a significant slippage against the original budget was forecast as part of the Quarter 2 update of £1.085m. We found that the process for approving the revised budget complied with the Constitution, as the report was reviewed by Corporate Leadership Team (CLT), CLT Cabinet and the Overview and Scrutiny Committee prior to being approved by Cabinet.
- ▶ **Budget Manager Interviews** - all the budget managers that we spoke to confirmed that they are highly involved in the budget setting process for their area each year and therefore have confidence that the figures provided to them are realistic and achievable. They also confirmed that they are confident in identifying and addressing overruns and feel comfortable in raising any issues with the accountant for their area.
- ▶ **Payroll** - New starters, leavers and amendments to payroll are made in a timely manner and are appropriately documented and approved by management.



AREAS OF CONCERN

Finding	Recommendation and Management Response
In November 2023 the Head of Resources and Cabinet Member for Finance and Capital Portfolio presented an estimated outturn to the Cabinet in the Budget and Performance Monitoring Second Quarter 2023/24 report. This included a forecast adverse variance to spend of £1.085m. (Finding 1 - Low).	<ol style="list-style-type: none"> The Head of Resources and Section 151 Officer should consider liaising with peers at other Councils in the region to compare assumptions used for upcoming budgets. <i>N.B. We acknowledge that the Council undertakes this through attendance at the Herefordshire and Worcestershire Treasurers Association meetings, this should be continued and particular emphasis placed on benchmarking budget assumptions.</i>

		<p>2. A review of the revised budget should be undertaken to identify areas where further sensitivity and provisions should be built in the budget to prevent overspend, particularly in higher risk areas that are more volatile to impact from outside influences.</p> <p>3. Information on the sensitivities included within the budget to mitigate the impact of variances should be included within the report to the Cabinet to provide assurance that the budget has been developed prudently.</p> <p><u>Management Response</u> Accepted. Target Date: December 2024</p>
	Budget holders would benefit from formal training on the Council's main financial system Agresso to ensure that they are able to obtain the full benefits of budget management reporting. (Finding 2 - Low).	<p>The Principal Accountant should develop an internal training session on Agresso for budget managers to provide a full overview of the budget reporting capabilities of the system that budget managers can access on a self-service basis.</p> <p><u>Management Response</u> Accepted. Target Date: December 2024</p>
	We reviewed the CLT and CLT Cabinet meeting minutes for October 2023 and the Overview and Scrutiny Committee and Cabinet meeting minutes for November 2023 to assess whether the revised budgets had been subject to challenge and scrutiny, as required by the Constitution. We found that whilst the minutes evidenced that the revised budget report was presented to these groups and that the changes to the budget were approved at all levels, there was a lack of detail over the scrutiny by Committee members and Cabinet prior to the approval being given. (Finding 3 - Low).	<p>Going forward, where key reports regarding the Council's finances and budgetary are discussed, the meeting minutes for CLT, CLT Cabinet, the Overview and Scrutiny Committee and the Cabinet should include greater detail over questions and challenges raised by committee and Cabinet members, and comprehensive information on the assurances provided by officers.</p> <p><u>Management Response</u> Accepted. Target Date: July 2024</p>



CONCLUSION






- ▶ Budget Management processes within the Council were clear and robust, and budget managers were confident in delivering their role, with support from the Finance Team where required. Budget managers and the Finance Team had access to detailed, live reporting on actual income/expenditure on cost centres and budgets are formally monitored by Cabinet at each meeting. However, we found that in December 2023 the Council presented a revised budget with an forecast adverse variance to spend of £1.085m, as a result of unexpected cost increases and a shortfall in forecasted income. We have raised a low finding regarding this, and two further low findings regarding budget software training and a lack of detail in meeting minutes where controls could be enhanced. However, broadly, budget management processes were strong.
- ▶ We found that there were robust procedures in place to ensure that any changes to payroll for new starters, leavers and salary amendments to pay were appropriately approved and changed in the payroll system in a timely manner. We have assessed the robustness of user access controls to the payroll system, Chris21, as part of a separate review.
- ▶ Therefore, we have provided substantial assurance over the design and moderate assurance over the effectiveness of controls in place for budget management and high- level payroll amendments.


KFS: GENERAL CONTROLS AND ACCESS


CRR REFERENCE:

CRR 3 - HIGH AND SUSTAINED INFLATION LEADS TO INCREASED SERVICE DEMAND FROM RESIDENTS AND ADDITIONAL COST PRESSURES THAT CAN'T BE MET FROM APPROVED BUDGETS OR RESERVES.

CRR 5 - UNABLE TO DELIVER SUSTAINABLE BUDGET FOR THE LONG TERM WITH A DETRIMENTAL IMPACT ON ABILITY TO DELIVER CORPORATE PLAN PRIORITIES.

Design Opinion	 Substantial	Design Effectiveness	 Moderate
Recommendations	 0	 2	 4

 SCOPE	BACKGROUND <ul style="list-style-type: none"> ▶ Wyre Forest District Council (the Council) is required to maintain sufficient and effective controls over its key financial systems to support effective management of resources and the integrity of its financial reporting. The Council was in the 1% of local government bodies to have their 2022/23 statement of accounts signed off by the 30 September 2023 deadline. ▶ As reported to the Cabinet meeting on 9 November 2023 the Council has an estimated net overspend against budget for 2023/24 of £330k. At the date of the review the Council had an efficiency savings target for 2023/24 of £481k and this rises significantly to £864k the following year with an increased use of its reserves to manage the overspend. The 2024-27 MFTS revises these targets. The 2024-25 target is £418k rising to £635k in 2026-27. ▶ The Council uses the Agresso finance software to manage the general ledger and Chris21 HR software for all payroll transactions.
	AREAS REVIEWED <p>As part of this review, we conducted the following testing:</p> <ul style="list-style-type: none"> ▶ We reviewed access controls to Agresso and new users to assess whether access was appropriately approved and was commensurate with the role. ▶ We reviewed access controls to Chris21, the Council's HR and payroll system, and obtained a list of users with access view and change details on the payroll screens. ▶ We reviewed the supporting documentation and the approval audit trail for 20 journals to assess whether there was evidence to support the journals and that these were approved in line with the Council's authorisations. ▶ We obtained and reviewed the documentation for three weeks of income and expenditure bank reconciliations and two payroll reconciliations to assess whether these agreed to source documentation, the reconciliation was balanced or if there was a variance, that this was investigated. We also reviewed whether there was evidence of preparation and appropriate review and approval, with a separation of duties. ▶ We assessed whether the suspense account was cleared on a regular basis and that all transactions remaining were being investigated and allocated to the correct cost code, and that the reviews were checked and approved by a senior member of staff. ▶ We enquired about the process for verifying supplier bank detail change requests and obtained evidence for five recent changes to assess whether an appropriate process had been followed prior to the change being entered into Agresso.

 AREAS OF STRENGTH	<p>The following areas of good practice were identified:</p> <ul style="list-style-type: none"> ▶ Access to the payroll screens on Chris21 was restricted to relevant members of the Finance and HR teams who require access for their job role. The ability to make changes to employee details in the payroll screens has been limited to 10 appropriate members of the Finance team.
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- ▶ Access to Agresso is provided via single sign on, which is linked to a user's Wyre Forest District Council (WFDC) desktop account. The WFDC account can only be accessed on a device that is registered by the Council, on Council property or via virtual private network which requires two factor authentication. We reviewed the set-up documentation for five users added to Agresso in the last 12 months and found that their access was appropriately approved by their line manager and that requested access was commensurate with their role in all cases.
- ▶ We reviewed 20 journals processed by the Finance Team in the last 12 months and found that in all cases, these were approved in line with the delegated authority and supporting documentation was in place, which included figures that matched back to the journal entry in Agresso.
- ▶ The bank and payroll reconciliations between 1 September and 1 December 2023, the reconciliations were supported by sufficient documentation, including bank statements and reports from Chris21 and Agresso. Payroll reconciliations are performed by the CIPFA Trainee Accountant who is independent of processing payroll data to prevent self-review.
- ▶ From our review of 15 non-pay expenditure transactions, we found that payments were made in a timely manner following the receipt of an approved invoice.




AREAS OF CONCERN

Finding	Recommendation and Management Response
Independent checks of the validity of supplier bank detail change requests are not recorded before they are administered on Agresso. Additionally, there were some instances in our sample where there was no evidence of a separate check of the change by a senior member of staff. (Finding 1 - Medium).	<p>A. The Principal Accountant should review the seven exceptions identified, ensure that sufficient checks were performed, or reperform the checks, and document that this has been completed.</p> <p>B. When a request for a change to supplier bank account details is received, an independent check should be performed and documented. Records should be retained to show who performed the check, when they performed it, what contact information they used to verify the request, how this contact information was sourced, and who they spoke to at the supplier to confirm the change. This could be added as a note to the supplier details on Agresso.</p> <p>C. All changes to supplier bank account details should be reviewed by a separate, senior member of staff once the independent check has been performed and the request has been verified. The name of the approver and date of approval should be documented.</p> <p>D. On a quarterly or annual basis, a report should be run on Agresso to show all changes made to supplier bank details in the period which should be reviewed and approved by the Principal Accountant or Head of Resources. This should be used to detect any suspicious amendments, ie several amendments to the same bank details, supplier's amending bank details more than once in a short period of time, etc.</p> <p><u>Management Response</u> Accepted. Target Date: April 2024</p>

	Regular reviews of user access to Agresso are not performed and the Assistant Accountant was unable to provide confirmation that the actual access provided to five new users was in line with the access requested. (Finding 2 - Medium).	<p>The Principal Accountant and Assistant Accountant should perform annual reviews of user access, including dormant accounts and a spot check of access and approval limits, liaising with the relevant Service Area Managers to ensure these are in line with each user's job role. This review should be documented and retained.</p> <p><u>Management Response</u> Accepted. Target Date: September 2024</p>
	Review and approval of bank and payroll reconciliations was not documented. (Finding 3 - Low).	<p>At a minimum, the name of the preparer and date that the reconciliation was prepared should be recorded all reconciliations. The name of the reviewer and the date of review should also be included to document that the reconciliations have been subject to scrutiny and that segregation of duty is in place. A stronger control would be for an email to be sent by the reviewer to the preparer to confirm that the reconciliation has been checked and for these to be saved with the reconciliation. This provides a time-stamped evidence of the approval.</p> <p><u>Management Response</u> Accepted. Target Date: April 2024</p>
	There was a lack of clarity over the process for conducting suspense account reconciliations and the officers performing and reviewing the reconciliation was not documented with the date that these were undertaken. (Finding 4 - Low).	<p>A. A procedure note outlining how the suspense account review is undertaken should be developed. This should include a key outlining the colour-coding definitions used.</p> <p>B. The name of the preparer and date that the reconciliation was prepared should be recorded on all reconciliations. The name of the reviewer and the date of review should also be included to document that the reconciliations have been subject to scrutiny and that segregation of duty is in place. A stronger control would be for an email to be sent by the reviewer to the preparer to confirm that the reconciliation has been checked and for these to be saved with the reconciliation. This provides a time-stamped evidence of the approval.</p> <p><u>Management Response</u> Accepted, both controls referenced will be implemented Target Date: July 2024</p>
	We reviewed 20 journals and found that one journal, which was posted on 10 May 2023, was not approved until 19 June 2023 (40 working days following posting). The journal was for print unit recharges of £12. (Finding 5 - Low).	<p>Journals should be reviewed and approved on at least a monthly basis to prevent delays to updating the general ledger.</p> <p><u>Management Response</u> Accepted. Target Date: April 2024</p>

	<p>We reviewed 15 non-pay expenditure transactions and found:</p> <ul style="list-style-type: none"> • In two instances purchase orders were not raised. • There was one purchase order that was raised retrospectively. <p>(Finding 6 - Low).</p>	<p>Invoices should not be paid until an approved purchase order is in place. Where the Finance Team identify cost centres with regular retrospective purchase orders, it should contact the Head of Service responsible for the area to remind them that purchase orders should be raised and approved before a purchase is made.</p> <p><u>Management Response</u></p> <p>Accepted, quarterly checks will be introduced.</p> <p>Target Date: July 2024</p>
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 <p>CONCLUSION</p>	<ul style="list-style-type: none"> ▶ The Council have robust general controls in place to process and approve journals and non-pay expenditure within Agresso, as well as for the performance of bank and payroll reconciliations. However, these were not consistently documented to provide a clear audit trail and demonstrate a separation of duties. ▶ We have raised two Medium finding on the lack of evidence to demonstrate independent checks were conducted to verify the validity of supplier bank details change requests and regarding the regular checks on Agresso user access and authorisations. We have also raised four low findings where controls could be strengthened for documenting the approval of bank and payroll reconciliations, management of the suspense account reconciliation process and minor exceptions identified in our review of journals and non-pay expenditure transactions. ▶ We have therefore provided Substantial assurance for the design of controls and Moderate assurance for the effectiveness of controls to manage the key financial systems and processes. Overall, the Finance Team had clear and effective procedures in place but there were some exceptions identified where these were not complied with.
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PLANNING SERVICES

CRR REFERENCE:

CRR 1 - ADVERSE IMPACT OF GOVERNMENT LEGISLATION OR POLICY ON COUNCIL STRATEGIES OR SERVICES - PARTICULARLY PLANNING, HOUSING, ENVIRONMENT ACT, ELECTIONS ACT CORPORATE PLAN PRIORITY: INTERNAL CORPORATE ISSUES.

CRR 13 - UNABLE TO ACHIEVE BALANCED HOUSING MARKET TO MEET NEED.

Design Opinion	 Substantial	Design Effectiveness	 Substantial
Recommendations	  		



SCOPE

BACKGROUND

- ▶ Wyre Forest District Council (the Council's) Planning Policy is supported by Acts of Parliament and Statutory Instruments. Planning authorities appoint planning officers to assist with assessing planning applications. The Council has a scheme of delegation that enables planning officers to determine approx. 90% of applications.
- ▶ Planning applications of any kind (household development to agricultural buildings) are made via the national planning portal. There is a Local Validation List that provides a list of supporting documents to be submitted with the application, which is available on the Council's website. Residents can view or comment on existing applications once they have been submitted. Once submitted, the Council aims to reply with an acknowledgement within 10 days of the receipt of application.
- ▶ The majority of the applications are reviewed and approved by the Planning Committee. By statute, the Council is required to provide a decision on applications within eight weeks of submission. This is increased to 13 weeks for major applications. Applicants have the right to appeal in case of delay in determination or refusal of the application.
- ▶ Planning Services performance is monitored quarterly by the Overview and Scrutiny Committee. The team are currently reviewing the Key Performance Indicators (KPIs) that are reported on to align the performance monitoring report to external reporting.
- ▶ Under Section 66 of the Planning (Listed Buildings and Conservation Areas) Act 1990, the Council has a duty to provide special regard to the desirability of preserving a listed building, its setting or any features of historical or architectural interest when considering whether to grant planning permission.
- ▶ Planning obligations under Section 106 of the Town and Country Planning Act 1990, commonly known as S106 agreements, are a mechanism which make a development proposal acceptable in planning terms, which would not otherwise be acceptable, for example they may be used to secure particular types of use such as affordable housing. S106 agreements are often referred to as 'developer agreements'. The Council are able to seek proportionate and reasonable contributions toward the monitoring of planning obligations.
- ▶ As reported to Cabinet as part of the Q2 Financial Performance Summary update, Planning is forecast to generate £530k of income in 2023/24, in line with the original budget for the year.

AREAS REVIEWED

- ▶ The purpose of this review was to review the controls and processes within Planning Services, with particular focus on the end-to-end process of planning applications and to assess the income collection activities within the service.
- ▶ We reviewed the Local Service Plan and Standard Operating Procedures to ensure they had been developed and approved with adequate oversight and consultation. We also assessed whether a strategy, appeals process and Ombudsman process are included within these documents.
- ▶ We reviewed 15 planning applications from receipt of application to approval of the application to assess whether:

- Statutory time frames were met in reviewing and approving an application and whether the process was aligned to the Council's policy and any agreed extension periods.
- Sufficient documentation was retained to support the decision made on the application.
- Planning applications were reviewed and approved by a qualified officer before a decision notice was published to the applicant.
- Applications were accepted in compliance with Section 106 planning obligations, where relevant.
- ▶ We reviewed the governance arrangements for planning services and whether reports were sufficiently detailed and accurate, to assess whether management maintained sufficient oversight of performance.
- ▶ We reviewed the Planning Services quarterly performance reporting to the Overview and Scrutiny Committee and Cabinet, and assessed whether the new KPIs developed were in line with those of external reporting.



AREAS OF STRENGTH

The following areas of good practice were identified:

- ▶ **Local Plan** - The Council has a robust plan in place, which approved in April 2022 by the Council and clearly sets out Council's aims and objectives for determining planning applications. We confirmed with the Planning Manager that the Plan was developed in line with the National Planning Policy Framework (NPPF) and found from our comparison of the plan against the NPPF that all expected topics were included.
- ▶ **Supplementary Planning Documents and Guidance** - All Planning Officers have access to the Supplementary Planning Documents via the Council's website, which detail all requirements that need to be considered when making a decision on a planning application.

Step-by-step guides have also been developed and were last updated in June 2023, which provide detail on specific processes within planning application review including the pre-application procedure, public consultation, site visits, reporting to the committee, and dealing with appeals.

- ▶ **Planning Application Process** - We reviewed the end-to-end process for 12 planning applications (nine minor and three major) approved between 1 October - 31 December 2023 and confirmed:
 - All relevant documents for each of the applications was retained on the Council's internal planning application software IDOX. This included the original application and supporting cover letter, correspondence with the applicant, correspondence from neighbours and consultees, the officer report, and revised drawings, where applicable.
 - All applications reviewed were appropriately approved by the relevant officers as required by the Council's procedures, following consultation with the Biodiversity Officer and where relevant Parish Council representatives and Worcestershire archaeologists.
 - The fee for each application was charged as per the 'Town and Country Planning Regulations 2012'. We also found that all fees for applications submitted via the national planning portal are calculated by the national planning portal and automatically entered into IDOX and checked by Officers. All fees for applications submitted by email or post are entered manually into IDOX and checked by Officers. The fees are based on the statutory regulations, which are used to confirm the Planning Officer's calculations. We recalculated the fees for each application against the statutory regulations and found that in all cases the correct fee was charged. Fees are paid to the Council via the online planning portal, and we found that for all applications reviewed, the fee had been received by the Council from the applicant.
 - For seven of the applications, the statutory deadlines were not met due to delay from the applicant in providing suggested amendments to the application for approval. In all instances, the Council sought approval from the applicant regarding the extension and the adjusted deadline was met and this was documented within IDOX.
- ▶ **Section 106 Fees and Obligations** - We also reviewed five applications that qualified for S106 obligations and confirmed:
 - The Officer Report clearly highlighted the reasons that the application qualified for S106 obligations.

- All the relevant consultees, including Highway Authority, Conservation Officer and local NHS ICBs were considered in developing the relevant provisions that had to be met before the application could be approved. This was documented within the Officer's report.
- For all applications, there was a contract which outlined the fee and the obligations to be met and was signed by the applicant and an authorised signatory from the Wyre Forest District Council and Worcestershire County Council. In all instances, the head of terms for the agreement was approved by the Planning Committee prior to it being completed.
- Triggers for compliance for each provision pertaining to s106 obligations were identified and are monitored by the Senior Planning Policy Officer. It was confirmed in IDOX that for all applications, the S106 obligations were met by the developers prior to construction beginning.
- ▶ **Officer Reports** - The Officer Reports for all applications reviewed were detailed and detailed all statutory policies that had been considered in coming to a decision for the application. They contained the considerations made by the Officer following correspondence with the consultees and neighbours to the site in question. Subsequently, where required, amendments were proposed to the applicant, which were required prior to the application being approved.
- ▶ **Monitoring by the Planning Team** - The Council had a robust process in place as the planning applications were reviewed weekly - first by the Principal Planning Team Leader alongside the case officer for all householder and small scale minor applications, and then further reviewed by the Planning Manager before decision is made on the application. The Planning Manager also had weekly meetings with Senior Officers to review their caseload. Wherever applicable, the planning applications were further escalated to the planning committee that met monthly for review and approval.
- ▶ **Upwards Reporting** - The Planning team reports to the Overview and Scrutiny Committee and to Cabinet quarterly as part of the Budget and Performance Monitoring Update. We reviewed the Q1 and Q2 updates and relevant minutes and found that there were discussions on the impact of planning applications on the Council's revenue. The actual revenue year to date was compared against budget. There was quarterly performance reporting to the Overview and Scrutiny Committee with reporting on outlining percentage of applications received and determined, and the percentage of applications that were appealed.

We were informed by the Planning Manager that the reporting will updated going forward to ensure that it aligns with the statutory PS1/PS2 returns as required by the latest changes to DELTA form by the Department for Levelling Up, Housing and Communities.



CONCLUSION

Overall, the Council has robust controls and processes within Planning Services to ensure that the end-to-end planning application process meets statutory requirements. We found that all the obligations are met before a decision is made on an application and that applications are approved appropriately in line with requirements. There is sufficient oversight from the Planning Manager and Planning Committee and performance is reported to the Overview and Scrutiny Committee quarterly ensuring that issues can be identified and rectified in a timely manner.

We have not raised any findings from our review. Therefore, we have provided substantial assurance over both control design and operational effectiveness.

SECTOR UPDATE

This briefing summarises recent publication and emerging issues relevant to local government that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior management and Members.

2024 SPRING BUDGET: IMPACT FOR LOCAL GOVERNMENT

The measures announced in the Spring Statement include:

Sector-Wide

- ▶ New plans for public sector productivity will deliver up to £1.8bn worth of benefits by 2029. According to the Office for Budget Responsibility, returning to levels of pre-pandemic productivity could save £20bn a year across the public sector.
- ▶ Local authorities have already been asked to produce productivity plans by July 2024 setting out how they will improve service performance, utilise data and technology, and reduce wasteful spend.

Devolution and Regeneration

- ▶ A trailblazer devolution deal for the Northeast and three county devolution agreements for Warwickshire, Buckinghamshire and Surrey. These agreements should bring powers closer to communities.
- ▶ The government has announced further details on Investment Zones in Greater Manchester, Liverpool City Region, Northeast of England, South Yorkshire, West Midlands and West Yorkshire. The government has also confirmed that the Tees Valley Investment Zone will focus on the digital and creative sectors.
- ▶ The government is announcing £400m of investment to extend the Long-Term Plan for Towns to a further 20 places across the UK.

Other Specific Measures

- ▶ Household Support Fund Extension - The government is providing an additional £500m (including Barnett impact) to enable the extension of the Household Support Fund in England from April to September 2024.
- ▶ Expanding counter fraud capability through deploying AI - The government has announced £34m to expand the Public Sector Fraud Authority by deploying AI to help combat fraud across the public sector.
- ▶ The government will provide £45m match funding to local authorities to build an additional 200 open children's home placements and £120m to fund the maintenance of the existing secure children's home estate.
- ▶ Digital Planning - A new pilot will use AI to help speed up development of local plans. In addition, new software will be explored to streamline key processes for planning officers.
- ▶ Allowing local authorities further flexibility in their use of Right to Buy receipts. The government will increase the cap from 40% to 50% on the percentage of the cost of a replacement home that can be funded from Right to Buy receipts.

FOR INFORMATION

For the Audit Committee and Executive Directors

COUNCIL PERFORMANCE REVIEWS GET REFRESH

LGA consults on improvement and assurance framework.

A refresh of the oversight framework seeks to improve clarity around how councils deliver and evaluate services, the Local Government Association has said.

In its second consultation on the framework, the LGA said there is no single document that outlines all the elements of council assurance and how they all fit together.

The LGA said creating this single document would increase clarity and transparency within the sector, and improve understanding of how assurance and oversight works.

The consultation is seeking views on the principles of assurance and accountability, including performance monitoring against local targets, good quality data and clarity over the responsibilities of officers and councillors.

Abi Brown, chairman of the LGA's Improvement and Innovation Board, said: "Feedback from our initial engagement was really helpful, and has helped us to extend our mapping of the improvement and assurance framework for local government, which hasn't previously been written down anywhere.

"We are taking on board all comments received and now want to follow up with some more detailed questions about how the current framework can be improved.

"It's important we hear the views of all councils, partners and all other stakeholders and I encourage everyone to engage with us, for the benefit of the whole of local government and the wider public."

<https://www.publicfinance.co.uk/news/2023/11/council-performance-reviews-get-refresh>

FOR INFORMATION

For the Audit Committee and Executive Directors

IFG CALLS FOR FIVE-YEAR SPENDING REVIEWS

Longer-term certainty over departmental funding will improve value for money and give government spending plans more credibility, the Institute for Government has said.

Setting five-year spending reviews (instead of the regular three) that are assessed every three years will give departments more predictable funding and enable more efficient use of public money, an IfG report said.

Researchers said this would allow the government to set budget allocations for the same duration as its main fiscal rule, to show debt falling in the final year of a five-year rolling forecast, improving credibility by preventing ministers from pencilling in “unrealistic” low spending increases in the later years of the forecast.

They said any spending review should also be set at least a year before allocations end to avoid funding cliff edges.

“We need to re-establish the norm of setting long-term spending plans that stand the test of time and move fiscal policymaking from short-term tinkering to be more long-term and strategic,” an IfG spokesperson said.

“Cliff-edges should be eliminated by reviewing and extending spending plans before they expire.

“To achieve this, the chancellor should commit to a new regular cycle of spending reviews covering five years, to be reviewed and extended every three, as part of a wider package of reforms to the fiscal framework.”

The think-tank has joined a growing number of organisations to raise concerns about potential pre-election tax cuts, offset (in terms of the fiscal rule) by real-terms cuts to departmental spending from 2025-26 that will be “impossible” without reducing the quality and quantity of public services.





<https://www.publicfinance.co.uk/news/2024/03/ifg-calls-five-year-spending-reviews>

FOR INFORMATION

For the Audit Committee and Executive Directors







KEY PERFORMANCE INDICATORS




QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Audit Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Partner or Audit Assistant Manager.	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	
Quality of Work	We have finalised four reports and the Local Authority Delivery Phase 3 (LAD3) Independent Reasonable Assurance Report. Discussions with the responsible Executive Directors have highlighted that the process has been positive. We have yet to receive responses to the survey sent to officers with the final reports, but will continue to do so and report on this at the May 2024 Audit Committee.	
Completion of audit plan	We are in line with our schedule for the 23/24. Four of the eight reviews for 23/24 are finalised, with the remaining four reviews fully underway and to be presented at the May 2024 Audit Committee.	

APPENDIX I

OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

20TH MARCH 2024

Accounting Policies and Estimates for 2023-24

OPEN ITEM	
Cabinet Member:	Councillor D Ross , Cabinet Member for Finance and Capital Portfolio
Responsible Officer:	Helen Ogram Head of Resources and s151 Officer
Contact Officers:	Lisa Hutchinson Ext 2120 Lisa.hutchinson@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 – Accounting Policies

1. PURPOSE OF REPORT

- 1.1 The report explains the accounting concepts and policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the 2023-24 annual accounts.

2. RECOMMENDATIONS

2.1 The Audit Committee are asked to:

- i) **review and approve the Accounting Policies to be used in preparing the Council's 2023-24 Statement of Accounts (Appendix 1);**
- ii) **note the critical accounting judgements made and key sources of estimation uncertainty and other choices made under International Accounting Standards (IFRS)**

3. BACKGROUND

- 3.1 The Council's Annual Statement of Accounts is prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Local Authority Accounting in the UK (the 'Code') which is based on International Financial Reporting Standards (IFRS's). This means the Council's accounts are presented in a format which should make comparison with the accounts of other local authorities and other organisations generally as easy as possible. This report presents the accounting policies that will be used in the preparation of the 2023-24 Statement of Accounts and summarises the changes from 2022-23 that have been introduced as a result of amendments to the Code of Practice or as part of the Council's annual review process.

- 3.2 The preparation of financial statements requires management to make judgements, estimates and assumptions which affect the value of assets and liabilities reported at the balance sheet date and amounts recognised as income and expenditure in the year. There is a requirement to disclose the critical judgements and accounting estimates made by management when producing the Statement of Accounts. Where estimates have high estimation uncertainty or require significant judgement it is important that management arrangements and risk are highlighted, and guidance provided.
- 3.3 Where IFRS requires judgement and choice, Audit Committee should be aware of and confirm the choices made.

4. KEY ISSUES

4.1 Accounting Policies

- 4.1.1 The Council's accounting policies are the specific principles, conventions, rules and practices that are applied by the Council in the production and presentation of the annual financial statements.
- 4.1.2 The Accounting Policies to be used are disclosed as a note to the annual accounts. The proposed Accounting Policies for the 2023-24 Statement of Accounts are attached as Appendix 1 to this report. The policies are in line with the Code for 2023-24 and changes are made annually to reflect amendments to the code. Any amendments that are necessary to reflect any matters that come to light during final preparation of the financial statements will be brought to the attention of the Committee at subsequent meetings. These Accounting Policies are shared with the Council's External Auditors who will review them in full during the audit of the Statement of Accounts in July 2024.
- 4.1.3 The key changes to accounting standards are set out in the update of the 2023-24 Code, being amendments to:
- IAS 8 (Accounting Policies changes in Accounting Estimates and Errors) now provides a definition for 'accounting estimates'. This clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.
 - IAS 1 (Presentation of Financial Statements) provides further updates to the scope of materiality. This will assist when producing the accounts as it provides more focused and proportionate information on accounting policies.

4.1.4 The implementation date for International Financial Reporting Standards (IFRS) 16 Leasing was reviewed as part of the emergency consultation on the temporary changes to the accounting code for 2021-22 and 2022-23 accounts. The consultation proposal approved that mandatory implementation has been deferred until 1st April 2024 (ie, for the 2024-25 accounts). The 2023-24 Code does allow for adoption as of 1st April 2023; however, the Council has decided against early adoption of the standard. Work to ascertain any leases that will be required to be recognised on balance sheet at 31st March 2025 (with the exception of short-term leases (leases of 12 months or less) and low value assets (where the right of use asset is less than £10,000) was commenced in 2020 and will continue in preparation for the 2024-25 accounts.

4.2 Accounting Estimates

- 4.2.1 The preparation of financial statements requires management to make judgements, estimates and assumptions which affect the value of assets and liabilities reported at the balance sheet date and amounts recognised as income and expenditure in the year.
- 4.2.2 In accordance with International Accounting Standards and the Code, the Council is required to disclose those judgements that management have made in the processing of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements. The notes to the accounts contain details of the critical accounting judgements that have been made in completing the annual accounts. These are shown in Appendix 1.
- 4.2.3 The critical judgements include:
- the valuation basis to be used for Wyre Forest House - The wing containing the Council Chamber continues to be valued as a specialised asset on a Depreciated Replacement Cost (DRC) basis, with the remainder now being valued at fair value using a traditional capitalisation method.
 - The classification of the Council's property estate as operational. The Council's property estate has been assessed using the identifiable criteria under the International Accounting Standards to determine whether assets are being held purely for their rental income potential or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation, and it is the council's view that all properties are held for an operational reason, such as economic development or regeneration.
 - Business Rate appeals - After considering IAS37 management are satisfied that a provision should be made against this potential liability.

4.2.4 The material accounting estimates which affect balances and transactions in the financial statements for the year ending 31st March 2024 have been identified by management as:

- Valuation of land and buildings, depreciation and impairment
- Measurement of financial instruments
- Valuation of defined benefit net pension fund liabilities which is estimated by qualified actuaries
- Provision for business rates appeals based on claims received and previous experience of the outcome of appeals

4.2.5 Our assessment of material accounting estimates is made taking into account historical experience, current trends and other relevant factors and includes consideration of the requirement for specialised skills and knowledge from experts. Consideration includes a review of methods, models and assumptions used to inform the accounting estimate and consideration of the degree of estimation uncertainty relevant to each accounting estimate. However, because some balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

4.2.6 The notes to the 2023-24 financial statements will disclose the material accounting estimates included in our balances and transactions together with details of the models and assumptions on which they are based. Where a risk of material uncertainty has been identified, the notes will include additional information to disclose the sensitivity of values to the assumptions and uncertainties and the range of reasonably expected outcomes relevant to the balance or transaction.

4.3 Other Choices Made under IFRS

4.3.1 Accounting policies are applied consistently over the years but in accordance with best practice Audit Committee are asked to consider and reaffirm the limits applied for the following three policies:

- De Minimis Capital Expenditure
- Componentisation
- Depreciation

4.3.2 De Minimis Capital Expenditure

All assets acquired that meet the definition of capital can be included in the Balance Sheet, regardless of their cost. However, where the current value is less than the following amounts the Council may choose to exclude the asset from the Balance Sheet:

	£
Vehicles and Plant	10,000
Computer Equipment	10,000
Land & Buildings	10,000
Heritage Assets	10,000

ICT Strategy expenditure is aggregated, as are some items of vehicles and plant where they are intrinsically linked.

4.3.3 **Componentisation**

Where an asset consists of significant components that have different useful lives, these components are separately identified and depreciated over their respective useful lives. Examples of the components of property could be land, roof, walls, boilers and lifts. The Council has chosen to only apply componentisation where the value of the asset is in excess of £1m and where the asset has major components whose cost is 20% in relation to the total cost of the item.

4.3.4 **Depreciation (including amortisation of intangible assets)**

Certain Property Plant and Equipment components and Intangible Assets are written down over time and charged to revenue. International Financial Reporting Standards allow the Council to assess the asset life as well as the depreciation method. The following assets are depreciated on a straight-line basis over estimated useful life:

- Buildings, vehicles, plant, furniture and equipment
- Infrastructure and Community
- Intangible assets

5. **FINANCIAL IMPLICATIONS**

- 5.1 The appropriate adoption of accounting policies and application of critical judgements ensures that information within the accounts is relevant and reliable.

6. **LEGAL AND POLICY IMPLICATIONS**

- 6.1 None.

7. RISK MANAGEMENT

- 7.1 The financial health of the Authority as demonstrated within its Statement of Accounts will be used to inform the Council's overall financial risk assessment and the Council's reserve strategy. The accounting policies, critical judgements and assumptions made about the future and other major sources of estimation uncertainty are key to the presentation and understanding of the Council's financial health. The principal risk to the Council is a material misstatement due to inappropriate judgements and estimation techniques. Officers will work in close liaison with Bishop Fleming (the Council's new external auditors) to respond to queries or additional evidence requests to mitigate the risk of material misstatement.

8. IMPACT ASSESSMENTS

- 8.1 Accounting policies and critical accounting judgements underpin the preparation of the annual statement of accounts. The reporting of income and expenditure is prescribed by regulation and the CIPFA Code. This is a financial report and there is no requirement to undertake an Equality, Climate Change or Health and Wellbeing Impact Assessment.

9. CONCLUSION

- 9.1 This report details key information on Accounting Policies and Estimates to be applied for the closure of the 2023-24 Final Accounts.

10. CONSULTEES

- 10.1 Bishop Fleming – External Auditors

11. BACKGROUND PAPERS

The Accounts and Audit Regulations 2015

Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in the United Kingdom 2023-24

International Financial Reporting Standards

ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2023-24 financial year and its position at 31st March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015; those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices, under Section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Accounts have been drawn up under the going concern concept, i.e. that, under the Code, it is assumed that the services of the Council will continue to operate for the foreseeable future. Local Authorities cannot be created or dissolved without statutory prescription. The provisions of the CIPFA Code on going concern reflect the economic and statutory environment in which local authorities operate and hence these accounts are prepared on this basis.

1.2 Accruals of Income and Expenditure

All revenue and capital expenditure is accounted for on an accruals basis in accordance with the Code and International Accounting Standard (IAS) 1; that is, sums due to or from the Council during the year are recorded, irrespective of whether the cash has actually been received or paid during the year. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies and services are recorded as expenditure when they are consumed (when supplies are held for future use they are carried as inventories on the Balance Sheet).
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

1.5 Charges to Revenue for Non-Current Assets

Services revenue accounts including professional business support and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end that employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus and Deficit on the Provision of Service, but then reversed out through the Movement in Reserve Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the relevant service or, where appropriate, to a corporate service at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. When termination benefits involve the enhancement of pensions, statutory provision requires the General Fund balance to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standard. In the Movement in Reserve Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amount payable but unpaid at the year end.

Redundancy payments are based upon an employee's actual week's salary and the number of weeks as defined in the Employment Relations Act 1996, up to a maximum of 30 weeks' pay.

Post-Employment Benefits

The Council participates in one defined benefit scheme for its employees (retirement lump sums and pensions), earned as employees work for the Council, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified Actuary (Mercer Limited).

The Local Government Pension Scheme

The liabilities of the Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about life expectancy, employee turnover rates, etc, and projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 4.8% based on the indicative rate of return on high quality corporate bond.

The assets of Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price

- Property – market value

The change in the net pension liability is analysed into the following components:

➤ **Service cost comprising:**

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the net defined benefit liability - i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

➤ **Remeasurements comprising:**

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

➤ **Contributions paid to the Worcestershire County Council pension fund:**

- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further information in respect of the Pension Fund Accounts can be found in Worcestershire County Council's Superannuation Fund Annual Report available on request from:

Worcestershire County Council,
County Hall,
Spetchley Road,
Worcester,
WR5 2NP

<http://www.worcestershire.gov.uk/pensions>

1.7 Events After the Reporting Period

Events after the balance sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue, detailed in Note 39, are not reflected in the Statement of Accounts.

1.8 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

The amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council currently only holds financial assets at amortised cost.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest). Interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Where the risk of default is not material an adjustment to the accounts will not be made.

1.9 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grants or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.10 Heritage Assets

Heritage assets are held in support of the Council's primary objective of increasing the knowledge, understanding and appreciation of the social and industrial history of the Wyre Forest area. They currently consist of the Richard Eve Memorial, art collection and those exhibits that are held in the Bewdley Museum and in other Council Buildings.

Heritage assets have indeterminate useful economic lives and high residual values and, therefore, it is not considered appropriate to charge depreciation. They have been measured in the Balance Sheet at their insurance valuations, based on market values and are updated every two years unless, in the interim, evidence from the various trade press or auctions etc indicates a significant variation in prices of similar assets. The accounting treatment of revaluation gains & losses are in accordance with those for property, plant & equipment.

The Balance Sheet carrying values of all heritage assets are reviewed at the end of the year where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (Note 1.17).

Purchases and acquisitions e.g. by donations are rare, but when they do occur purchases will be initially recognised at cost and acquisitions will be initially recognised at valuations ascertained by either the museum's curators, with reference to the appropriate commercial markets, or by an external valuer.

The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. Transfers to partners/appropriate third parties such as Town Councils under Localism principles may also be agreed. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Any disposal proceeds will be disclosed separately in the notes to the financial statements and will be accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (Note 1.17).

The Council applies a de minimis level of £10,000 for assets included in the Balance Sheet. However, there are many de minimis Heritage Assets that, when aggregated, exceed this level. Therefore, all Heritage Assets have been aggregated into the categories stated above and included in the Balance Sheet.

1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.12 Interests in Companies and Other Entities

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities will be recorded as investments, i.e. at cost, less any provision for losses. The Council has interests in companies, but no material business was transacted in 2023-24 as detailed in Note 38.

1.13 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

1.14 Joint Operations

The Council is a partner in the Worcestershire Regulatory Services (WRS) shared service, which discharges various of the council's statutory functions relating to Environmental Health and Licensing via a Joint Committee constituted under the relevant provisions of the Local Government Act 1972, together with Bromsgrove District Council (the host), Redditch Borough Council, Malvern Hills District Council, Worcester City Council and Wychavon District Council. All partners have rights to the assets and obligations for the liabilities relating to this shared arrangement and each participant accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows. The shared service undertakes work for a range of other local authorities and third parties including a contractual arrangement with Worcestershire County Council for the provision of management and support services for its Trading Standards and Animal Health team that was formerly part of the partnership arrangement.

This Council hosts the shared service agreements with Redditch Borough Council and Bromsgrove District Council for North Worcestershire Economic Development and Regeneration, North Worcestershire Water Management and North Worcestershire Civil Contingencies and Resilience.

The Council also partners with Bromsgrove District Council who host Building Control, Redditch Borough Council as host authority for payroll services and Wychavon District Council who provide a car park administration service for penalty charge notices.

1.15 Leases

Leases are classified as either finance or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee. Whether the lease is a finance lease, or an operating lease depends on the substance of the transaction rather than the contract. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Land and building elements of a lease are considered separately for the purpose of lease classification. The Council has not identified any finance leases in 2023-24.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. This is referred to as an embedded lease.

Operating Leases**The Authority as Lessee**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The Council has not identified any material operating leases in 2023-24.

From 1st April 2024 the Council will adopt the IFRS16 leasing standard, that will effectively remove the distinction between finance and operating leases, with all leases being considered finance in nature. To support this transition, the 2023-24 accounts will include a disclosure which assesses the impact on the accounts as at the balance sheet date had the standard been adopted.

The following policy will be applied upon the introduction of IFRS16:

Finance Leases**The Authority as Lessee**

Property, Plant and Equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its current value at the time of inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a deferred liability for the obligation to pay the lessor. Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the deferred liability and a finance charge which is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. These property, plant and equipment recognised are subject to depreciation. The MRP on these assets equates to the amount of the lease payment that is applied to write down the deferred liability. The deferred liabilities are classified as either short or long-term in line with the lease repayments

1.16 Overheads and Support Services

The costs of overheads and support (Professional and Business) Services are charged to services in accordance with the Council's arrangements for accountability and financial performance.

1.17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- where applicable, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- land and buildings – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- specialised assets (for example the council offices containing the Council Chamber) – because of their specialist nature are measured at depreciated replacement cost which is used as an estimate of current value
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate. In some circumstances it may be necessary for specialist valuations to be combined with an accounting estimate where there is sufficient local knowledge to justify such treatment.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. Assets with a valuation in excess of £1m are revalued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

Impairment

Assets are assessed at each year-end by the Council's Valuer to determine 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.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g., freehold land and certain Community Assets) and assets that are not yet available for use (e.g., assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer
- no depreciation is charged in the year of acquisition unless the apportioned sum is above trivial
- a full year's depreciation will be charged on assets revalued in year (where applicable) to ensure that the service retains a consistent charge for the consumption of the asset, in accordance with the principal of total cost as defined in the CIPFA Service Reporting Code of Practice for Local Authorities.

Where an item of Property, Plant and Equipment, valued in excess of £1million, has major components whose cost is 20% in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Surplus Assets

Assets that have been declared 'surplus' but are being held pending an improvement in market conditions are classified as surplus assets but continue to be held within Property, Plant and Equipment.

1.18 Fair Value Measurement of Non-Financial Assets

The Council's accounting policy for fair value measurement of financial assets is set out in Note 1.8. The Council also measures some of its non-financial assets such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- a) in the principal market for the asset, or
- b) in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 – unobservable inputs for the asset.

1.19 Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date:

- that gives the authority a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

Provisions are charged as an expense to the appropriate service in the Comprehensive Income and Expenditure Statement in the year that the Council has an obligation, or the Collection Fund in respect of business rates, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

1.20 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 36 to the accounts.

1.21 Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but would be disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.22 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation (including business rates), retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.23 Revenue Expenditure funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.24 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.25 Interest and Investment Income

Investments of surplus resources are carried out in accordance with regulations. Interest is credited to the General Fund based on the actual interest earned on investments during the year. Funds are managed in accordance with the Council's Treasury Management Service Strategy.

1.26 Borrowing

In accordance with the Capital and Treasury Management Service Strategies the Council has made use of the prudential borrowing regime. Several schemes contained within the capital programme are being financed through prudential borrowing, the result being that the Capital Financing Requirement (CFR) will increase. A statutory minimum revenue provision (MRP) is made, based on the writing down period of the assets. The CFR is kept under review with the possibility of further external borrowing available if required.

Minimum Revenue Provision

The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments if required at the discretion of the Chief Financial Officer (Voluntary Revenue Provision - VRP). Further details can be found in the approved Treasury Management Strategy.

The Department for Levelling Up, Housing & Communities (DLUHC) Regulations require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils so long as there is a prudent provision. The Council approved MRP Policy Statement for 2023-24 can be found in the Treasury Management Strategy; key points are summarised below and include the option of using the annuity method to calculate MRP under the Asset Life Method:

- For outstanding debt liability incurred prior to the new guidance – i.e. pre 2008-09 then MRP is calculated based on the previous 4% reducing balance method.
- From 1st April 2008 for all unsupported borrowing the MRP will be:

Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive).

There are two ways of calculating MRP under the Asset Life Method:-

- i. **the equal instalment method** allows the use of a simple formula to generate a series of equal annual amounts over the estimated life of the asset.
- ii. **the annuity method** makes provision for an annual charge to the General Fund which takes account of the time value of money (e.g. whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The schedule of charges produced by the annuity method results in a consistent charge to revenue over an asset's life, taking into account the real value of the annual charges when they fall due. The annuity method also matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early years of an asset's life and accelerate towards the latter years). This is commensurate with a prudent provision matching debt repayment to the period which the capital expenditure provides benefit. This method is most appropriate for use in circumstances where the initial investment is recouped from rental yields that are subject to cyclical, upwards only reviews. It is also appropriate in connection with projects promoting regeneration or administrative efficiencies or other schemes where revenues will increase over time.

The Chief Finance Officer (Section 151 Officer) will determine whether an annuity or equal instalment method is utilised to ensure that a prudent and financially beneficial method is adopted.

1.27 Council Tax and Non-Domestic Rates (NDR)

Billing authorities act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the debt is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.28 Business Improvement District

A business improvement district (BID) scheme for Kidderminster commenced with effect from 1st April 2020. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as agent under the scheme, collecting the BID levy income on behalf of the BID body and therefore most BID transactions would not be recognised in the Comprehensive Income and Expenditure statement. The BID levy collection costs and associated reimbursement income will be shown in the Revenues, Benefits & Customer Services outturn line.

1.29 Long-Term Contracts

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

1.30 Other Accounting Principles

- The provision for impairment of bad debts is estimated by reference to CIPFA guidance and local knowledge.
- Officers' remuneration. It has been determined that payment for Returning Officer duties is not included but are disclosed separately within the same note where/if applicable.

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****20th March 2024****Risk Management – Corporate Risk Management Action Plan – Quarter 3
progress update**

OPEN	
CABINET MEMBER:	Councillor D Ross, Cabinet Member for Finance and Capital Portfolio
RESPONSIBLE OFFICER:	Head of Resources and s151 Officer
CONTACT OFFICER:	Helen Ogram Helen.ogram@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Corporate Risk Register latest update (31 st January 2024) Appendix 2 – Risk impact and likelihood Scoring Criteria Appendix 3 – Budget Risk Matrix 2024-27

1. PURPOSE OF REPORT

- 1.1 To review the current update of progress against The Corporate Risk Management Action Plan, updates to the Corporate Risk scores and the Budget Risk Matrix attached as Appendices 1 and 3.

2. RECOMMENDATIONS

- 2.1 **The Audit Committee are asked to CONSIDER AND NOTE the progress against the Corporate Risk Management Action Plan as at 31st January 2024 and the 2024-27 Budget Risk Matrix.**

3. BACKGROUND

- 3.1 Council's approved Risk Management policy statement and strategy requires that the risk register entries for the Council, are considered by the Audit Committee to provide an independent assurance of the adequacy of the risk management framework and the associated control environment. The current risk strategy was considered by Audit Committee in March 2023. An updated Strategy document is being considered this evening elsewhere on the agenda.
- 3.2 The authority manages a corporate risk register for the significant organisational risks. The risk register is held within the Pentana Performance system. Arrangements are in place to ensure that access is available to all officers who require it. Corporate risks are updated by CLT members monthly and rescored as appropriate.
- 3.3 Zurich Municipal are appointed as the Council's insurers and to provide specialist advice on Risk Management. The Risk Register is one of the key documents we provide to our insurers for the review of risk. We are also working with an

Independent Specialist Insurance and Risk Management expert from Gallagher commissioned to work across the Insurance Consortium and this is proving beneficial to supplement the Zurich contract.

- 3.4 The Risk Register is reconsidered and updated at least annually by the Corporate Leadership Team (CLT). This ongoing review is led by the Head of Resources in liaison with the Cabinet Member for Finance and Capital Portfolio with input from all Service Managers as appropriate. A report was considered and noted by Audit Committee on the 20th July 2023 that reviewed the Corporate Risk Register and included revisions to reflect the current Strategic risks facing the Council. The report also approved the 2023-24 Risk Management Action Plan. Performance against the action plan is monitored quarterly by the Corporate Leadership team and by Audit Committee twice each year.
- 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 Performance reports attached as Appendix 3.

4. KEY ISSUES

- 4.1 This report covers performance against the 2023-24 Risk Management Action Plan, updated to 31st January 2024.
- 4.2 The risk register for 2023-24 was considered and agreed by Committee on 20th July 2023. The risk register includes those risks that could have a significant impact on the Council's ability to deliver its services and objectives. All reported risks score of 12 or above and are detailed below.

	Risk description	Risk owner or Manager	Latest score	Change from previous quarter
01	Adverse impact of Government legislation on council strategies or services – particularly planning, housing, Environment Act, Elections Act	Chief Executive; CLT	20	No
03	High and sustained inflation, negative effect on council's finances and on service demand from residents	Head of Resources	20	No
05	Unable to deliver sustainable budget for the long term	Head of Resources	16	No
04	Unable to shift priorities to deal with demands from Government at short notice	Corporate Leadership Team	15	No
09	Vulnerability to cyber attacks	ICT Manager	15	No
02	Poor member behaviour undermines Council's reputation and performance	Chief Executive; Solicitor to the Council	12	No
06	Organisational capacity to deliver - unable to maintain skilled, balanced and motivated workforce	Chief Executive	12	No
08	Not having stable and effective managerial leadership	Chief Executive	12	No

12	Inability to enforce relevant legislation effectively e.g. environmental health, licensing, environmental crime, private sector housing standards, council tax/benefits	Chief Executive	12	No
15	Unable to deliver Levelling Up Fund and Future High Street Fund projects effectively	Head of NWEDR	12	No

The risk scores for all strategic risks are reviewed monthly and updates reported each quarter by the risk owner. No risks have been rescored during the quarter following a reassessment of the overall risk to the council by the risk owner.

- 4.3 Whilst the scores remain unchanged from the last report, the likelihood of the following risk is perceived to have notably changed due to the findings in the Governance and Ethics Internal Audit Review:

- **CR02 - Poor member behaviour undermines Council's reputation and performance (overall score 12).**

The 2023-24 Internal Audit Plan included a review of Governance and Ethics. An open-source desktop review identified poor compliance with the requirement to declare disclosable pecuniary interests. There is a risk that members are making decisions without relevant declarations being made or being approved by Cabinet. The duty to disclose interests lies with the Councillor and it is a criminal offence under the Localism Act 2011 if Members fail to notify the Monitoring Officer of any disclosable interests within 28 days of election.

Non-disclosure is considered a Code of Conduct breach that could undermine the Council's reputation. The likelihood of the risk is scored as 3 (likely), unchanged from the previously reported position, but this score wasn't unilaterally supported by CLT, there was some support for scoring the risk as 4 (probable) due to the finding from the internal audit review.

The risk of significant costs being awarded against the Council for poor decision-making by the Planning Committee has materialised, following the appeal in respect of a site at Habberley Lane. The impact score remains unchanged at 4.

- 4.4 The following risk(s) have been taken off negative watch:

- **Organisational capacity to deliver - unable to maintain skilled, balanced and motivated workforce**, some issues continue to be experienced in respect of retention and recruitment particularly in some specialised areas at professional grades. National pay awards that disproportionately favour the lowest paid exacerbate the problem for higher paid posts. Following 4 failed recruitment attempts the Internal Audit and Assurance service has now been successfully outsourced following a procurement exercise and the recruitment process is complete for the Health and Safety Officer, where previously problems had been encountered in finding a suitable candidate. We are now attracting more suitable candidates, and this has eased the risk in these

specialist areas. The overall risk remains unchanged but it has been taken off negative watch.

- ***Unable to deliver Levelling Up Fund and Future High Street Fund projects effectively***, cost pressures resulted in revenue contingency sums being allocated to fund progression of the Future High Street Fund schemes. The levels of contingencies held were reviewed during preparation of the 2024-27 MTFS and are considered adequate after inclusion of the ring fences investment income earned from the receipt of grant in advance. Further, the risk of delay to the LUF programme resulting in inability to comply with the time bound grant conditions has receded a little with the acquisition of the piano building utilising the LUF grant. The risk is still red and scored as 12 (likelihood 3, impact 4).

- 4.5 Information on how risk impact and likelihood are assessed is included at Appendix 2 to help the audit committee interpret the scores.
- 4.6 In general good progress has been made in progressing the mitigating actions under each risk.
- 4.7 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 Performance Reports to Cabinet.
- 4.3 The inability to deliver a balanced budget is one of the Council's key corporate risks. The Risk Register for 2023-24 is regularly reviewed by CLT to ensure it is up to date and appropriate mitigating actions are in place.
- 4.4 It is appropriate for the Audit Committee to consider the current Risk Management Action Plan update attached at Appendix 1, updated to the end of January 2024, and agreed by CLT. The Corporate Risk Register will continue to be reported on a six-monthly basis to the Audit Committee, following consideration by Cabinet Members and 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 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.
- 7.2 Financial risk continues to be one of the most significant risk facing this Council and many others and this is increased significantly due to ongoing uncertainty cause by the COVID-19 pandemic, high inflation and the cost of living crisis plus continuing supply chain issues caused by the war in Ukraine and other geo political events such as Brexit and climate change. Sections 25-27 of the Local Government Act 2003 require the Section 151 Officer to report on the robustness of the estimates and the adequacy of its proposed financial reserves and this is included as an Appendix to the MTFS Council report approved by Council each year.
- 7.3 Ongoing good governance is key to managing new and emerging risks. Our constitution underpins good governance, it is kept under review and updated as required.

8. EQUALITY IMPACT NEEDS ASSESSMENT

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

9. CONCLUSION

- 9.1 In general good progress has been made in progressing the mitigating actions under each risk.
- 9.2 The corporate risk management process ensures that risks are monitored, and action taken to minimise the impact on the Council. The Risk Management Action Plan and Budget Risk Matrix as attached at Appendices 1 and 3 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 Finance and Capital Portfolio

11. BACKGROUND PAPERS

Medium Term Financial Strategy Report 2023-26

Risk Management – Review of Corporate Risk Register – Audit Committee 20th
July 2022

Corporate Risk Register 2023/24





Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

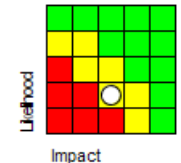
CORPRISK01


Risk:	Adverse impact of Government legislation or policy on council strategies or services – particularly planning, housing, Environment Act, Elections Act	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Major Likelihood: Almost Certain		20
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MITIGATING ACTIONS						
Action	Description	Managed By	Due Date	Progress		
Keep abreast of legislative programme	Regular assessment of implications of government policy announcements/legislation	Chief Executive; Solicitor to the Council	31-Mar-2024	On going horizon scanning and review of policy announcements/legislation.	<div><div>75%</div></div>	
Networking/training	To share knowledge and work in conjunction with peers to share expertise and assessment of implications on the sector. All officers encouraged to	Corporate Leadership Team; HR and OD Manager	31-Mar-2024	Actively promote and encourage officers to participate in appropriate networking and training events in their specialist field Imminent roll out of iLearn structured learning	<div><div>50%</div></div>	

	participate in networking events within their individual professionalisms. Participate in government consultations and participate in seminars and training as appropriate.			modules in year 1 and 2 for managers and staff.		
Influencing – through DCN/LGA. Submitting responses to consultation	To be a visible and regular contributor to the DCN special interest group and the LGA in order to influence lobbying of Government.	Chief Executive	31-Mar-2024	Ongoing activity. Chief executive is one of W Midlands representatives on DCN Chief executives' group & lead chief executive for finance & investment workstream	<div><div>75%</div></div>	
Suspension of lower priority activities, meetings and projects	Regular monitoring of priorities within teams and services to facilitate the suspension of lower priority actions or activities and where necessary transferring resources between teams or services.	Wyre Forest service managers	31-Mar-2024	Ongoing activity. Approach to localism changing in line with new administration's approach, some workstreams ended as agreed at July meetings of Cabinet and Council. Revised localism strategy agreed at Cabinet in September 2023.	<div><div>75%</div></div>	

CORPRISK02

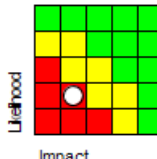

Risk:	Poor member behaviour undermines Council's reputation and performance	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Major Likelihood: Probable		12
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MITIGATING ACTIONS						
Action	Description	Managed By	Due Date	Progress		
Ethics & standards regime	The Ethics and Standards Committee promotes and seeks to maintain high standards of conduct by councillors and co opted members and assists them to	Solicitor to the Council	31-Mar-2024	Ongoing activity	<div><div>75%</div></div>	


	observe the Code of Conduct including provision of training on matters relating to the Code of Conduct. Member training continues to be the primary means of addressing the risk with an annual programme being delivered. Terms of reference of the Committee kept under review.					
Register of interests	The Monitoring Officer maintains the register of interests to record financial and other interests to provide openness and transparency. The register is maintained as a current record and is available on the council's website.	Solicitor to the Council	31-Mar-2024	<p>Ongoing activity</p> <p>Potential failures to register interests are drawn to the attention of members concerned and their group leaders. Responsibility remains with the individual Councillor.</p> <p>The Internal Audit Plan 2023-24 included a review of Governance and ethics. The review found evidence of poor compliance. Further mitigating measures are being considered as failure to disclose interests is a criminal offence (Localism Act 2011).</p>	75%	✓
Robust officer support	Focus on training strong and knowledgeable chairpersons to ensure the efficient and effective running of meetings. Engaging group leaders to promote high standards and to discipline the behaviour of group members where necessary.	Chief Executive; Solicitor to the Council	31-Mar-2024	<p>Ongoing activity</p> <p>The internal audit report found that some members had not undertaken training considered to be mandatory before participation in meetings of relevant committees.</p> <p>New protocols to be introduced May 2024, to remove members from committees until they have completed mandatory training.</p>	75%	▶
Continue to lobby Government to change legislation to provide stronger sanctions for	Continue to lobby Government to change legislation to provide stronger sanctions in respect of serious incidents of bullying and harassment or disruptive behaviour.	Chief Executive; Solicitor to the Council	31-Mar-2024	Ongoing - Raised with DLUHC again 6th September and 4 th March	75%	✓




standards committees						
Adopt the Members' Planning Code of Good practice as part of the constitution and actively promote its significance in member training.	Poor or potentially reckless planning decisions taken contrary to officer recommendation risk costly appeals or judicial review which could ultimately result in planning decisions being removed from local authority control. The Members' Planning Code of Good practice sets clear expectations for appropriate behaviour by members in respect of planning matters.	Head of Strategic Growth; Solicitor to the Council	31-Mar-2024	Adopted in May 2023. This risk crystallised with £38k costs awarded, following successful appeal, against a Planning Committee decision, contrary to officer advice, in July 2022	100%	

CORPRISK03

Risk:	High and sustained inflation leads to increased service demand from residents and additional cost pressures that can't be met from approved budgets or reserves	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Major Likelihood: Probable	 	16
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MITIGATING ACTIONS

Action	Description	Managed By	Due Date	Progress		
Increase minimum reserves	The Council has adopted the general principles of CIPFA guidance on Local Authority Reserves and balances. The Council holds a working balance of £1.65m (increased from £1.5m during final accounts closedown 2022-23) as an additional risk mitigation measure given the high inflation, low growth environment. The size of the balance will continue to be kept under review and will	Head of Resources	31-Mar-2024	The current level of reserves at the end of the 2023-26 MTFS is above the minimum level considered appropriate. The latest projection of the impact of cost and service pressures on the level of the reserves is included in the quarterly budget and performance reporting and the draft MTFS 2024 – 2027 considered by Cabinet in December.	75%	

	be reassessed as part of the budget setting process ahead of the Head of Resources S25 report.			Formal consideration by Section 151 Officer will be presented to the Council in February 2024 following a comprehensive review and assessment.		
Make adequate contingencies in project costing	Standard inflation factors and PWLB rates will be kept under review and assessed for appropriateness when each business case is prepared. External advice will be sought as appropriate to ensure that any contingencies are adequate given the prevailing environment.	Head of Resources	31-Mar-2024	<p>On-going, PWLB rates monitored daily.</p> <p>The latest assessments are included in all new business plans.</p> <p>Contingency sum requirements reviewed for each business case prepared.</p> <p>Regularly discussed with our Treasury Advisors (Link Group) and interest rate forecasts reviewed.</p> <p>The adequacy of project contingencies has been reviewed as part of the revised budget process and will be reassessed at the financial year end.</p>	75%	
Preventative activity – early provision of assistance e.g. financial inclusion and homeless prevention	Capacity kept under review within all service teams and, subject to business case, requests to recruit will be viewed positively by CLT to provide the necessary resources within teams to deliver early intervention or provision of advice	Chief Executive; Benefits and Customer Service Head of Revenues; Head of Strategic Growth	31-Mar-2024	<p>Work continues to provide financial assistance to households in need.</p> <p>New Homeless Prevention officer in post.</p>	80%	
Review levels of reserves in 2024-27 MTFS to deal with short term shocks and make appropriate provision in service budgets for embedded	The impact of price and wage inflation and other cost pressures will be closely monitored during 2023-24 and the impact on the current year and future years' budgets will be reflected in the MTFS. Further mitigating actions will be proposed to address any widening of the budget gap as a result.	Head of Resources	31-Mar-2024	<p>Ongoing review of new and emerging budget pressures and consideration given to allocations from general risk reserve by CLT.</p> <p>Quarterly budget and performance reports capture latest allocations and projections.</p> <p>Significant in year allocations reported.</p> <p>Replenishing reserves considered in the 2024/27 MTFS</p>	75%	




inflation						
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CORPRISK05

Risk:	Unable to deliver sustainable budget for the long term with a detrimental impact on ability to deliver Corporate Plan Priorities	Corporate Plan Priority:	Securing financial sustainability for services communities value	Risk Scores:	Impact: Major	<div><div><div>Urgency</div><div>Impact</div></div><div><div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div></div> <div><div></div><div></div><div></div><div></div></div> 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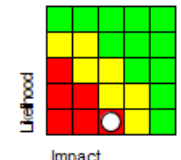
MITIGATING ACTIONS

Action	Description	Managed By	Due Date	Progress		
Progression of the Transformation Programme including exploring shared services and to secure the transfer of assets under localism to reduce the net cost of services	The Medium-term financial Strategy is prepared annually but is forecast to be balanced by a transfer from reserves for each year in the MTFS. The strategy reviews progress against savings targets to close the funding gap. The interventions introduced to close the funding gap include the service transformation programme, Wyre Forest Forward savings and the localism agenda. Progress is monitored and managed by CLT with regular Cabinet/CLT meetings focussed on change. The programme of service reviews will ensure that resources are	Wyre Forest service managers	31-Mar-2024	<p>The programme is nearing completion.</p> <p>The remaining reviews continue to be progressed and regular reports and progress are considered by CLT and shared with managers.</p> <p>The Northern Districts Waste Collaboration has been the focus of activity during the quarter.</p> <p>The Wyre Forest Forward and Localism saving targets have been realigned in the draft of MTFS to reflect current policy and estimated future savings.</p> <p>The MTFS involves proposals to increase spending in some areas and doesn't see a contribution to</p>	75%	▶



	aligned to the Council's priorities and are operating efficiently. There will be a continuation of the work stream to secure future joint service delivery agreements with Town and Parish Councils and other public sector partners. Progress is monitored and reported regularly to Cabinet in quarterly performance reports.			reducing net expenditure until year three; The Cabinet do not support 100% premium for second homes in 2025 which would have increased funding from local taxation. Work on transferring Bewdley museum to a Trust, some aspects of localism savings and joint working with Redditch and Bromsgrove has or is being discontinued. There is no certainty that these workstreams would have created any benefit but the potential to reduce net cost in these areas from this work stream is now lost.		
Implementing a robust local plan to achieve sustainable housing development	The Local Plan was adopted at Council on 26/04/2022. Having a robust local plan enables the council to control where development happens. Implementing a robust local plan will lead to sustainable housing development which will meet demand and help to grow council tax. The plan is supported by supplementary planning documents.	Head of Strategic Growth	31-Mar-2024	Consultation for a Housing SPD is now closed. The report will come back to the Committee in Spring of 2024 for adoption.	80%	
Continue to grow income	Continue to grow income by: - Continue to develop income in the Community and Environment. - Contribute to the Corporate income target over the next three years - 160, 240, 300. - Increase the NET income from our commercial activities.	Head of Community and Environment; Head of North Worcestershire Economic Development and Regeneration; Head of Resources; Head of Strategic Growth	31-Mar-2024	The income targets are 2023/2024, 2024/2025, 2025/2026, 2026/2027. They will be reported from April.	75%	
Support DCN/LGA in lobbying for	On-going contact with MP, DCN, West Midlands Chief Executives, LGA and directly with ministers to promote role of	Chief Executive	31-Mar-2024	Chief Executive continues to lead DCN workstream on finance; other opportunities for lobbying undertaken when they arise. Government announced	75%	

local government finance reform and fair and equitable funding for new government policy decisions e.g. waste strategy	district councils to achieve the best possible outcome from reform.			further delay in implementation of Waste Strategy to at least October 2025, financial details still awaited.		
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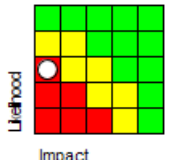

CORPRISK04

Risk:	Unable to shift priorities to deal with demands from Government at short notice (recent examples: COVID grants and reliefs, Homes for Ukraine, energy rebate, asylum seeker dispersal)	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Moderate Likelihood: Almost Certain	 <div> <div>Likelihood</div> <div>Impact</div> </div>	15
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MITIGATING ACTIONS						
Action	Description	Managed By	Due Date	Progress		
Achieve a flexible & dedicated workforce through adoption and implementation of the refreshed OD strategy	Efficient and effective recruitment and retention with targeted HR support and advice provided to hiring managers. Deep dive reviews supported by the LGA to support succession planning and talent management. Working practices that ensures people with the right skills and behaviours are employed.	Chief Executive; HR and OD Manager	31-Mar-2024	Ongoing	50%	▶

Agile & capable managers	Supporting managers to ensure they have the skills required through the Learning and Development framework. Effective project management. Access to interim staff via framework. Guidance and support in delivering agile approaches to project management promoting iterative development and fostering internal and external collaboration.	Chief Executive; HR and OD Manager	31-Mar-2024	Learning and Development under review to establish full strategy with mandatory requirements both e-learning and support by face to face training as aligned to the MDR. Training form being made available on COLIN - to be sent to managers with deadline of mid August for completion. Training requests will then be reviewed.	<div><div>25%</div></div>	
Regular review of service priorities	Regular monitoring of priorities within teams and services to facilitate the suspension of lower priority actions or activities and where necessary transferring resources between teams or services.	Wyre Forest service managers	31-Mar-2024	Ongoing activity	<div><div>75%</div></div>	

CORPRISK09

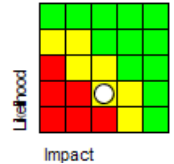
Risk:	Vulnerability to cyber attacks results in disruption in service delivery. Threats may originate both inside and outside the organisation	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Catastrophic Likelihood: Likely	 	15
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MITIGATING ACTIONS





Action	Description	Managed By	Due Date	Progress		
Maintain and enhance ICT Security and Governance	ICT Security and Governance is key to maintaining high levels of Cyber Security and ICT Security in general to protect the Council ICT Infrastructure and Data from malware, hacking and data breaches. This is particularly important with the increase in home/remote working, rise in sophisticated cyber-attacks and use of	ICT Manager	31-Mar-2024	Majority of critical and High issues have now been sorted with those remaining to be complete by end October. Some are awaiting supplier responses.	<div><div>70%</div></div>	

	mobile devices. Mitigation of the risks doesn't just involve the use of technology such as firewalls, virus software etc but user training and awareness of Council's ICT Security policies. The ICT policy in place is regularly reviewed, the ICT security perimeter is regularly tested and a cycle is in place to ensure all system versions are patched and up to date.					
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CORPRISK06

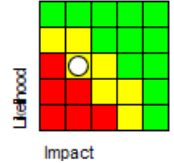
Risk:	Organisational capacity to deliver - unable to maintain skilled, balanced and motivated workforce	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Moderate Likelihood: Probable		12
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MITIGATING ACTIONS						
Action	Description	Managed By	Due Date	Progress		
Deliver the OD strategy action plan	The OD strategy sets out what is required of staff and councillors in terms of leadership, behaviour and engagement in order to deliver the Council's vision. It explains expectations of staff and the support the council will provide to further develop skills and commitment. The actions arising from the strategy will provide the framework for developing and maintaining a skilled, balanced and motivated workforce. It underpins the council's commitment to its workforce, ensuring that working practices make WFDC an employer of choice enabling the council to attract and retain high quality employees.	Chief Executive; HR and OD Manager	31-Mar-2024	Ongoing	50%	▶

The pay policy and pay strategy that delivers a pay system that is effective, fair and transparent is regularly reviewed and refreshed.	The use of pay ranges to form grades enables the council to recognise elements of loyalty, competence, experience or scarcity. The council recognises the importance of managing pay fairly and in a way that motivates staff to make a positive contribution. The pay and grading review implemented in July 2021, underpinned by job evaluation ensures fairness and equality of opportunity. The review was based on a clear and rational process for setting and reviewing pay, levels of remuneration which are sufficiently flexible and reasonably competitive. The pay policy is reviewed annually.	Chief Executive	31-Mar-2024	April 2023 national pay increase implemented in November pay.	<div><div>75%</div></div>	
Flexible employment policies including use of market supplements for recruitment and retention	The Council offers flexible employment policies including hybrid/homeworking to successfully deliver day to day services and projects. In order to retain a flexible and committed workforce service managers can offer market supplements at the discretion of the Head of Paid Service.	Chief Executive	31-Mar-2024	Ongoing mitigation available subject to approval of Head of Paid service for consideration when proposals are received.	<div><div>75%</div></div>	
Apprenticeship programme	To maximise usage of apprenticeship schemes. To continue considering the suitability of apprenticeships as part of the approval to recruit to all vacant posts and to increase development opportunities internally by supporting staff to access suitable apprenticeships to maximise the opportunity to grow internal talent to develop a skilled and motivated workforce.	HR and OD Manager	31-Mar-2024	Ongoing	<div><div>50%</div></div>	
To maintain and promote the Leadership	To maintain, promote and further develop training and development opportunities to capture, nurture and retain emerging	Chief Executive; HR and OD Manager	31-Mar-2024	Work continues on aligning this with the ongoing Learning and Development review.	<div><div>25%</div></div>	

& development programmes	talent					
Employee assistance programme	Staff are given access to mental health support through the employee assistance programme. Supporting mental wellbeing encourages a happy and engaged workforce. The communication plan will be refreshed to promote availability of the support	Chief Executive; HR and OD Manager	31-Mar-2024	Review and change of provision with regular communication in Wyred Weekly. 30% of staff are now signed up to the new service.	100%	✓
Listening to staff feedback and responding positively	To develop and enhance existing two way communication channels. Gauging satisfaction through the staff suggestion scheme and responding positively to feedback, developing regular communication channels to engage hard to reach teams and develop initiatives to support staff through organisational change.	Corporate Leadership Team	31-Mar-2024	People & OD strategy 3 year action plan in place and good progress is being made. Health & wellbeing group created, values workshop taken place, cycle to work scheme implemented etc. Employee survey launched Dec 2023. Results to be presented to CLT end Jan 2024.	75%	▶

CORPRISK08

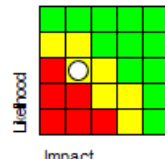

Risk:	Not having stable and effective managerial leadership	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Major Likelihood: Likely		12
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MITIGATING ACTIONS



Action	Description	Managed By	Due Date	Progress		
Robust officer support	Focus on training strong and knowledgeable chairpersons to ensure the efficient and effective running of meetings. Engaging group leaders to	Chief Executive	31-Mar-2024	Ongoing activity	75%	▶





	promote high standards and ensure group discipline.					
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CORPRISK12

Risk:	Inability to enforce relevant legislation effectively e.g., environmental health, licensing, environmental crime, private sector housing standards, council tax/benefits	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Major Likelihood: Likely	  12
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MITIGATING ACTIONS

Action	Description	Managed By	Due Date	Progress		
Participation in Worcestershire Regulatory Services shared service	Continue participation in the shared service working collaboratively to support initiatives to improve efficiency and service delivery. Working together as part of a larger shared service enhances resilience and capacity of individual staff members sharing knowledge, experience and best practice.	Chief Executive	31-Mar-2024	WFDC continues to participate in this shared service playing an active role in management committee, budget for 2024/25 considered by WRS Board in November, being finalised in February. Q2 Activity and Performance data may be seen in this report - Cabinet Report (bromsgrove.gov.uk)	75%	
PSPOs reviewed	To stop behaviour in a particular area that is making life worse for the local community the use of Public Spaces Protection Orders to be reviewed in good time before October 2023, to decide whether there is a need to change or amend including a wider range of behaviours and locations.	Head of Community and Environment	31-Oct-2023	Current Public Space Protection Orders revised and implemented – Next review October 2025	100%	




Maintain good links with other enforcement agencies	The benefits of knowledge sharing with other agencies is recognised. We continue to pursue and promote new and existing opportunities.	Head of Community and Environment	31-Mar-2024	Good networking in place Maintain close links with Keep Britain Tidy, DEFRA, the Environment Agency and locally with all district partners and WCC through the Senior Waste Officers Group.	<div><div>75%</div></div>	
Data sharing including National Fraud Initiative	Continued participation in the data-matching exercise to identify fraud and non-compliance with regulations.	Audit Manager; Head of Resources; Benefits and Customer Service Head of Revenues	31-Mar-2024	The 2022/23 National Fraud Initiative Mandatory Exercise which commenced in October 2022 with data submitted in respect of Payroll, Accounts Payable, Taxi Driver Licences, Council Tax Reduction Scheme, Housing Benefits, Council Tax Single Person Discount and Electoral Register continues to be reviewed as the Cabinet Office refresh the data sets matched. Progress on the outcomes to date will be recorded in the annual counter fraud report to the Audit Committee and contribute to Cabinet Office reports on the national fraud landscape which will include errors and overpayments as identified during the review of identified matches.	<div><div>50%</div></div>	
Issuing fixed penalty notices and taking court action where appropriate	To keep under review the appropriate use of fixed penalty notices and taking court action for enforcing regulations.	Chief Executive; Head of Community and Environment	31-Mar-2024	The recruitment issues we are dealing with are still not fully establishment.	<div><div>75%</div></div>	
Fraud and compliance officers	Compliance Officers within the Revenues & Benefits Section 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. Internal Audit continue to undertake ad hoc compliance and assurance work including post payment assurance work on all government funded support payments.	Head of Resources; Benefits and Customer Service Head of Revenues	31-Mar-2024	The Compliance Officers continue to undertake reviews to protect and increase the tax base. The team continue to review NFI matches. They are currently undertaking a review of small business rates relief and empty property reviews as well as routine reviews of exemptions and discounts. A single person discount review has also commenced which will carry over into 2024/25 (circa 17,000 accounts).	<div><div>75%</div></div>	

Work on homelessness prevention and domestic abuse	To continue to provide support to help people stay in their current housing. Finding suitable alternative accommodation, including in the private rented sector. Increased resource to help customers with their financial situation to help them to sustain their tenancies.	Head of Strategic Growth	31-Mar-2024	The New Cost of Living action plan was approved in December 2023. 3 Safe Houses are in operation, and work to refurbish 2 more is underway.	<div><div>80%</div></div>	
Welfare support	To continue to help vulnerable people with support where they can't meet their immediate short term needs or where they need help to keep their independence or re-integrate within the community. We will work in partnership with other organisations to help people in the longer term. To include financial inclusion officers providing interventions to ultimately support customers to maintain their tenancies and improve their financial situation.	Benefits and Customer Service Head of Revenues; Head of Strategic Growth	31-Mar-2024	Financial Inclusion Officers continue attending community networking events, establishing strong links with partners and providing support to those who are struggling. We are proactively contacting households who are in receipt of UC but not Council tax reduction to assist them with m financially. The teams are delivering direct support following the launch of the Household Support Fund 4. Cost of living event held 27th September 2023. The team continue to assess claims for council tax support and discretionary housing payment applications.	<div><div>75%</div></div>	
Risk-based hierarchy to enforcement (Strategic Growth)	A risk-based approach to regulation to introduce a more agile approach aimed at minimising harm rather than solely focussing on technical compliance to ensure that finite resources achieve maximum public value.	Head of Strategic Growth	31-Mar-2024	Planning Enforcement ongoing.	<div><div>100%</div></div>	

CORPRISK15

Risk:	Unable to deliver Levelling Up Fund and Future High Street Fund projects effectively	Corporate Plan Priority:	Economic growth and regeneration	Risk Scores:	Impact: Major Likelihood: Likely	 	12
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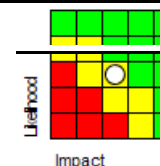
MITIGATING ACTIONS

Action	Description	Managed By	Due Date	Progress		
Governance arrangements: programme board in place	The governance structures include the Programme Boards, chaired by the Head of North Worcestershire Economic Development and Regeneration (NWEDR) who is also a member of WFDC Corporate Leadership Team (CLT) and includes WFDC Leader of the Council and Cabinet Member for Economic Regeneration, Planning and Localism; Solicitor to the Council; Head of Resources (S151 Officer); Worcestershire County Council Assistant Director Economy; Worcestershire LEP Director of Operations and Re-Wyre Public-Private Regeneration Partnership member. Regular meetings of the boards provide senior officer oversight. The programme Board monitors progress, receives financial reports and considers risk and issue logs. Grant funding agreements in place with LUF partners	Head of North Worcestershire Economic Development and Regeneration; Head of Resources; Solicitor to the Council	31-Mar-2024	Structure in place and on-going attendance and participation in LUF and FHSF board meetings. Robust arrangements maintained for budgetary control and governance. Audit plan provides resource for contract audit assurance. Report to Government on quarterly basis. Risk registers are updated at each board meeting.	100%	
Project management including delivery managers in place and project specific issues and risk registers maintained	A programme team leads the delivery of the LUF programme and a separate team leads on FHSF. The teams are chaired by the Head of North Worcestershire Economic Development and Regeneration (SRO) and led by dedicated Programme Delivery Managers who manage a multi-disciplinary team (architects; quantity surveyors; structural and highways engineers; planning consultants; contractors).	Head of North Worcestershire Economic Development and Regeneration	31-Mar-2024	Programme team report to Interim Regeneration Manager who reports to Head of NWEDR. Structure in place and reflecting needs currently. More external resource may come in to reflect the project need.	100%	
External advice including	Use of procurement frameworks to access external project support/ advice	Head of North Worcestershire Economic	31-Mar-2024	Various procurement frameworks have been used and have been chosen to meet the requirements of the project.	100%	






procurement support		Development and Regeneration; Solicitor to the Council				
Financial contingencies	Revenue contingencies established/held and proposal progressed to meet the funding shortfall for the repurposing (levelling up fund) from the capital portfolio fund. Revenue cost limitation during design and development mitigated by commissioning external experts where appropriate to progress claims with VOA.	Head of North Worcestershire Economic Development and Regeneration; Head of Resources	31-Mar-2024	Agreement given to ringfence the additional investment interest earned on the capital grant paid in advance to bolster the revenue contingencies.	100%	✓
Formal reporting of spend and forecast spend	Actual spend and forecast spend against the programme and delivery progress is subject to formal reporting and monitoring at each Kidderminster LUF and FHSF Board meetings (held every six weeks) and that actual spend and forecast spend is reported as part of regular quarterly budgetary control reporting to Cabinet. Actual spend and forecast spend is also reported at Monthly Treasury Management Review meetings, the minutes of which are circulated to the Cabinet Member with responsibility for Finance. In addition, written monitoring reports on progress are presented to regular meetings of Cabinet and the Corporate Leadership Team.	Head of North Worcestershire Economic Development and Regeneration; Head of Resources	31-Mar-2024	Reporting to Board, CLT and Cabinet in line with expectation and quarterly reporting to DLUHC submitted to timetable. Scheme spend projections captured in Treasury Management meetings to inform cashflow planning. Additional capital approvals considered for approval by Council as appropriate.	75%	▶

CORPRISK10

Risk:	Unable to sustain mental health &	Corporate Plan	Internal	Risk	Impact: Moderate		9
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wellbeing of staff having a negative impact on service delivery and achieving Corporate Plan Priorities	Priority:	corporate issues	Scores:	Likelihood: Likely
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MITIGATING ACTIONS						
Action	Description	Managed By	Due Date	Progress		
Employee assistance programme	Staff are given access to mental health support through the employee assistance programme. Supporting mental wellbeing encourages a happy and engaged workforce. The communication plan will be refreshed to promote availability of the support	Chief Executive; HR and OD Manager	31-Mar-2024	Review and change of provision with regular communication in Wyred Weekly. 30% of staff are now signed up to the new service.	100%	
Worcestershire Works Well accreditation	To actively seek to improve the health and well being of staff by meeting and maintaining the criteria of the scheme.	Chief Executive; HR and OD Manager	31-Mar-2024	In the last quarter, a new Health and Wellbeing working group has been established. The Worcestershire Works Well Scheme has been changed and there is no longer an accreditation route. Commitment remains to improve health and wellbeing of staff and ongoing review of future offering for staff.	0%	
Mental health first aiders	To maintain commitment to mental first aiders who provide a first point of contact for colleagues, providing guidance and support.	Chief Executive; HR and OD Manager	31-Mar-2024	Training is still in place and will be refreshed as and when required.	50%	
Health and safety plan	Ensures appropriate Corporate Health and Safety arrangements are in place including regular reviews of health and safety in practice, risk assessments and lone working procedure. Employee induction includes focus on health and safety and all employees provided with health and safety guidance.	Chief Executive; Head of Community and Environment	31-Mar-2024	The new Health and Safety Advisor appointment from November 2023.	75%	
OD strategy: succession planning Implement a	The OD strategy sets out what is required of staff and councillors in terms of leadership, behaviour and engagement in order to deliver the	Chief Executive; HR and OD Manager	31-Mar-2024	Ongoing	50%	

refreshed Organisational Development strategy Sept 2022	Council's vision and seek to ensure the long term viability of the District Council It also explains expectations of staff and the support the council provides to further develop skills and commitment. Succession planning is addressed in the action plan developed to deliver the strategy					
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CORPRISK11

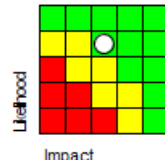

Risk:	Unable to secure effective delivery of wide range of significant projects	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Moderate
			Economic growth and regeneration		
			Securing financial sustainability for services communities value		
			A clean, safe and green place to live, work and visit		
					<div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Likelihood</div><div>Impact</div></div><div><div></div></div><div>9</div></div>
					Likelihood: Likely

MITIGATING ACTIONS				
Action	Description	Managed By	Due Date	Progress




Achieve a flexible & dedicated workforce through adoption and implementation of the refreshed OD strategy	Efficient and effective recruitment and retention with targeted HR support and advice provided to hiring managers. Deep dive reviews supported by the LGA to support succession planning and talent management. Working practices that ensures people with the right skills and behaviours are employed.	Chief Executive; HR and OD Manager	31-Mar-2024	Ongoing	<div><div>50%</div></div>	
Agile & capable managers	Supporting managers to ensure they have the skills required through the Learning and Development framework. Effective project management. Access to interim staff via framework. Guidance and support in delivering agile approaches to project management promoting iterative development and fostering internal and external collaboration.	Chief Executive; HR and OD Manager	31-Mar-2024	Learning and Development under review to establish full strategy with mandatory requirements both e-learning and support by face to face training as aligned to the MDR. Training form being made available on COLIN - to be sent to managers with deadline of mid August for completion. Training requests will then be reviewed.	<div><div>25%</div></div>	
Effective governance mechanisms	Major projects are closely monitored by CLT and Cabinet members, effective risk registers and issue logs, robust budgetary control and effective Financial Regulations and contract procedure rules.	Chief Executive; Head of Resources; Solicitor to the Council	31-Mar-2024	Regular overview of constitution to ensure extant, including delegations and decision making procedures Supervision and reminders for member interests, conduct and behaviour	<div><div>100%</div></div>	
Use of external support/advice	Use of procurement frameworks to access external resources, project support or advice	Head of Resources	31-Mar-2024	On-going review of requirements, external support accessed via frameworks, or otherwise as permitted by contract procedure rules	<div><div>75%</div></div>	
Adequate contingencies	Business and budget planning aligned to ensure adequate contingencies are held, project specific held outside programme budgets and balance of general risk reserve and minimum level of reserves kept under review.	Head of Resources	31-Mar-2024	Contingencies are reviewed and assessed for adequacy at each stage of the project and formally reported to respective board meetings or CLT as appropriate. Level of reserves have been formally reassessed by the CFO as part of the budget setting process and will	<div><div>75%</div></div>	

				be reconsidered again at the final accounts.		
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CORPRISK07

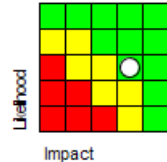

Risk:	Members lack skills and knowledge necessary for effective discharge of their Committee responsibilities	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Moderate Likelihood: Possible	 	6
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MITIGATING ACTIONS

Action	Description	Managed By	Due Date	Progress		
Member induction & training programmes	Comprehensive suite of training modules through in person and I-learn sessions provided and updated on a rolling basis Bespoke additional training provided according to circumstances Annual regulatory training Individual Member training records reviewed at annual Council	Solicitor to the Council	31-Mar-2024	The Training completed.	100%	
LGA training programme & support from LGA political groups, including events and eLearning	Leaderships Essentials is a series of programmes and workshops designed as themed learning opportunities for councillors. The member intranet signposts the training and development opportunities available. Specific training tailored to Planning Committee members.	Solicitor to the Council	31-Mar-2024	Ongoing activity. Members also encouraged to attend webinars about personal safety.	83%	
Corporate governance framework	The Council has adopted the SOLACE/CIPFA corporate governance framework and reviews its compliance with it regularly, including through the	Head of Resources; Solicitor to the Council	31-Mar-2024	The draft AGS was presented to Audit Committee in May 2023. The final 2022/23 report and 2023/24 action plan was presented alongside the Statement of Accounts to Audit Committee in September.	100%	

	annual governance statement and the annual report of internal audit.					
Cabinet system	Wyre Forest District Council has adopted the Strong Leader and Cabinet Model. This concentrates responsibility into one decision-making body on most issues while still allowing a cross cutting perspective across the Council. Cabinet members offer a clear point of contact and strategic decisions can be taken in a swifter, more co-ordinated way. There is a strong scrutiny system that provides a means of ensuring all councillors can have a role in the development of council policy and review specific areas of concern, and many items are considered in pre-decision scrutiny by the overview and scrutiny committee. The scrutiny committee receives quarterly reports on performance which, for 2022-23 onwards, will also include budget information. In addition, the Cabinet uses cross-party advisory panels on specific issues such as the green agenda. The Cabinet system enables the targeting of developmental opportunities to raise skills and knowledge swiftly if the need arises.	Chief Executive; Head of Resources; Solicitor to the Council	31-Mar-2024	Position unchanged. Q2 performance and budget report considered at November meetings of Cabinet and Scrutiny.	75%	▶

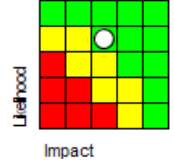

CORPRISK13




Risk:	Unable to achieve balanced housing market to meet need	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Minor Likelihood: Likely			6
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MITIGATING ACTIONS						
Action	Description	Managed By	Due Date	Progress		
Work on homelessness prevention and domestic abuse	To continue to provide support to help people stay in their current housing. Finding suitable alternative accommodation, including in the private rented sector. Increased resource to help customers with their financial situation to help them to sustain their tenancies.	Head of Strategic Growth	31-Mar-2024	The New Cost of Living action plan was approved in December 2023. 3 Safe Houses are in operation, and work to refurbish 2 more is underway.	<div><div>80%</div></div>	
Welfare support	To continue to help vulnerable people with support where they can't meet their immediate short term needs or where they need help to keep their independence or re-integrate within the community. We will work in partnership with other organisations to help people in the longer term. To include financial inclusion officers providing interventions to ultimately support customers to maintain their tenancies and improve their financial situation.	Benefits and Customer Service Head of Revenues; Head of Strategic Growth	31-Mar-2024	Financial Inclusion Officers continue attending community networking events, establishing strong links with partners and providing support to those who are struggling. We are proactively contacting households who are in receipt of UC but not Council tax reduction to assist them with m financially. The teams are delivering direct support following the launch of the Household Support Fund 4. Cost of living event held 27th September 2023. The team continue to assess claims for council tax support and discretionary housing payment applications.	<div><div>75%</div></div>	
Partnerships with registered providers in respect of affordable housing and delivery of Local Authority Housing Fund to secure units to meet demand	Work continues with registered providers to bring forward new units or sites including land transfers to increase supply.	Head of North Worcestershire Economic Development and Regeneration; Head of Strategic Growth	31-Mar-2024	Regular registered provider development meetings and partnership working to ensure opportunities for new build development are acted upon. LAHF delivery completed.	<div><div>80%</div></div>	
Direct provision of	The construction phase of the temporary accommodation units at Castle Road	Head of Strategic Growth	31-Mar-2024	Work due to start on Castle Road end of January/start of February 2024.	<div><div>80%</div></div>	

temporary accommodation	likely to commence this autumn, with units available for use in 2024-25.					
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CORPRISK14

Risk:	Lack of effective governance and oversight of local authority trading company (if operating)	Corporate Plan Priority:	Internal corporate issues	Risk Scores:	Impact: Moderate Likelihood: Possible	 	6
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MITIGATING ACTIONS						
Action	Description	Managed By	Due Date	Progress		
External advice commissioned	External advice will be commissioned and taken to ensure the Council acts within current legislation on individual proposals as appropriate.	Solicitor to the Council	31-Mar-2024	This project is not being progressed. Not financially viable. The project was led by Kate Bailey because it was for the Housing development.	0%	
Appropriate due diligence of financial transactions between Council and LATC	Any financial transactions between the Council and the LATC will be subject to individual scrutiny and due diligence including financial viability sensitivity analysis before final decisions are proposed/taken	Head of Resources	31-Mar-2024	Company registered but currently not expected to be active in 23/24. No resulting action required.	0%	
Business Plan	Through the shareholder agreement and through the establishment of the business plan within which the LATC operates, the Council will be able to	Head of Resources; Solicitor to the Council	31-Mar-2024	Company registered but no transactions taken place yet	0%	

	ensure that all governance as well as financial arrangements are appropriate/viable					
Exit strategy to collapse LATC implemented	In the event that a catastrophic event requires it the LATC will be closed down - an exit strategy will be considered as a contingency plan to protect the Council against unknown events in the future.	Solicitor to the Council	31-Mar-2024	Company registered but inactive 21/22. No resulting action required.	0%	
Directors and board	The Council ensures that only those officers and members of the Council who are able to take objective decisions are appointed to the LATC	Solicitor to the Council	31-Mar-2024	When any directors left, new appointments were made.	100%	
Monitoring of individual projects	Governance arrangements for oversight of activity established using the external advice from Mazars. Individual projects will be monitored as the LATC business progresses.	Solicitor to the Council	31-Mar-2024	Company remained dormant.	0%	
Knowledge development	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.	Corporate Leadership Team	31-Mar-2024	Company registered but currently not expected to be active in 23/24. No resulting action required.	0%	
Response to legislative change	The LATC or the Council amends or introduces new policy to reflect legislative changes.	Corporate Leadership Team	31-Mar-2024	As company registered but not yet used the company secretary scans for any relevant changes in legislation.	75%	

Risk Analysis and Scoring

Once risks have been identified they need to be assessed. This process requires risk owners to assess the level of risk by considering:-

- The probability of an event occurring - “likelihood”; and
- The potential severity of the consequences should such an event occur – “impact”.

The following tables provide Impact and Likelihood descriptors to assist with this process:

Likelihood

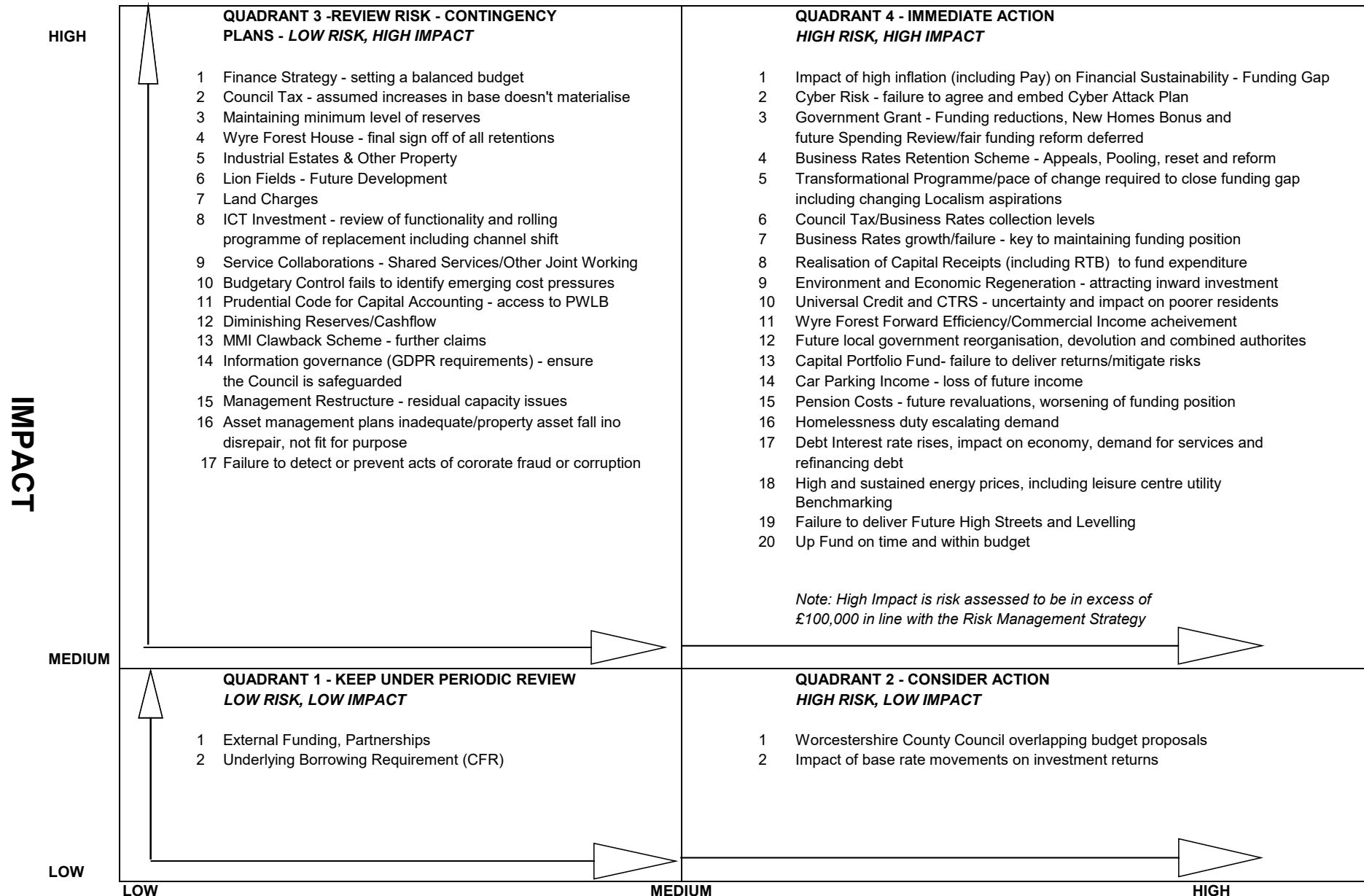
Score	Description	Draft Indicative guidelines
5	Almost certain	<ul style="list-style-type: none"> • Is expected to occur in most circumstances. • Will undoubtedly happen, possibly frequently e.g. annually or more frequently. • Imminent/near miss
4	Probable	<ul style="list-style-type: none"> • Will probably occur in many circumstances. • Will probably happen, but not a persistent issue. • Has happened in the past.
3	Likely	<ul style="list-style-type: none"> • Could occur in certain circumstances. • May happen occasionally. • Has happened elsewhere
2	Possible	<ul style="list-style-type: none"> • May occur only in exceptional circumstances. • Not expected to happen, but is possible. • Not known in this activity.
1	Rare	<ul style="list-style-type: none"> • Is never likely to occur. • Very unlikely this will ever happen

Impact

Score	Description	Draft Indicative guidelines
5	Catastrophic	<p>Risks which can have a catastrophic effect on the operation of the Council or service. This may result in critical financial loss, severe service disruption or a severe impact on the public, for example:</p> <ul style="list-style-type: none"> • Unable to function without aid of Government or other external Agency. • Inability to fulfil obligations. • Medium to long-term damage to service capability. • Severe financial loss - supplementary estimate needed which will have a catastrophic impact on the Council's financial plan and (>£200k uninsured loss). • Death. • Adverse national publicity - highly damaging, severe loss of public confidence. • Litigation certain and difficult to defend. • Breaches of law punishable by imprisonment.
4	Major	<p>Risks which can have a severe effect on the operation of the Council or service. This may result in major financial loss, major service disruption or a significant impact on the public, for example:</p>

		<ul style="list-style-type: none"> • Significant impact on service objectives. • Short to medium-term impairment to service capability. • Major financial loss - supplementary estimate needed which will have a major impact on the Council's financial plan (>£100k uninsured loss). • Extensive injuries, major permanent harm, long-term sick. • Major adverse local publicity, major loss of confidence. • Litigation likely and may be difficult to defend. • Breaches of law punishable by fines or possible imprisonment.
3	Moderate	<p>Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget, for example:</p> <ul style="list-style-type: none"> • Service objectives partially achievable. • Short-term disruption to service capability. • Significant financial loss - supplementary estimate needed which will have an impact on the Council's financial plan (>£50k uninsured loss). • Medical treatment required, semi-permanent harm up to one year. • Some adverse publicity needing careful public relations. • High potential for complaint, litigation possible. • Breaches of law punishable by fines only.
2	Minor	<p>Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences, they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect. For example:</p> <ul style="list-style-type: none"> • Minor impact on service objectives. • No significant disruption to service capability. • Moderate financial loss - can be accommodated at service level (>£10k uninsured loss). • First aid treatment, non-permanent harm up to one month. • Some public embarrassment, no damage to reputation. • May result in complaints/litigation. • Breaches of regulations/standards.
1	Insignificant	<p>Risks where the consequences will not be severe and any associated losses will be relatively small. As individual occurrences, they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect. For example:</p> <ul style="list-style-type: none"> • Minimal impact, no service disruption. • Negligible impact on service capability. • Minimal loss - can be accommodated at service level (<£5k uninsured loss). • No obvious harm/injury. • Unlikely to cause any adverse publicity, internal only • Breaches of local procedures/standards.

BUDGET RISK MATRIX 2024-27



WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****20th March 2024****Risk Management – Corporate Risk Management Policy and Strategy**

OPEN	
CABINET MEMBER:	Councillor D Ross, Cabinet Member for Finance and Capital Portfolio
RESPONSIBLE OFFICER:	Head of Resources
CONTACT OFFICER:	Helen Ogram Helen.ogram@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Risk Management Strategy (updated)

1. PURPOSE OF REPORT

- 1.1 The report presents the updated Risk Management Policy and Strategy including Risk Impact and Scoring criteria. The report also sets the context of where the Council currently stands in terms of risk maturity following external opinion on our approach to risk management. It informs members on risk management improvements proposed and describes next steps for continuous improvement.

2. RECOMMENDATIONS

The Audit Committee are asked to:

- 2.1 **CONSIDER AND NOTE** the proposed steps to improve strategic risk management, and support the ongoing schedule of continuous improvement for the Council's risk management arrangements.
- 2.2 **RECOMMEND** to Cabinet that the revised Risk Management Strategy is adopted.

3. BACKGROUND

- 3.1 This Committee is responsible for considering the effectiveness of risk management arrangements. The Risk Management strategy was last considered in March 2023.
- 3.2 Good risk management enables the Council to deliver the outcomes for residents that flow from achieving the Corporate Plan priorities. It also improves service delivery and helps to achieve better value for money.
- 3.3 Risk management enhances strategic planning and prioritisation, assists in achieving outcomes and strengthens our ability to be agile in responding to challenges. It is an essential and integral part of planning and decision-making.

- 3.4 Without good risk management practice the Council cannot manage resources effectively. It also helps us to take advantage of opportunities to improve services or to reduce costs.
- 3.5 Risk management provides early warning on key/emerging matters to enable transparent, timely decision-making and intervention at appropriate levels, it improves decision-making allowing intelligent 'informed' risk-taking, helps to prioritise, protect assets, people, and the Council's reputation, supports consistent good governance and internal control, and allows better informed financial decision-making leading to greater financial and budget control.
- 3.6 Establishing and defining the Council's risk appetite and tolerance to achieve the priorities set out in the Corporate plan is an essential step in becoming more commercial in the approach to delivering services.
- 3.7 The authority manages a Strategic risk register for the significant organisational risks. The risk register is held within the Pentana Performance system. Arrangements are in place to ensure that access is available to all officers who require it.
- 3.8 The Council's insurers, Zurich Municipal, provide specialist advice on Risk Management. The Risk Register is one of the key documents we provide to our insurers for the review of risk. We are also working with an Independent Specialist Insurance and Risk Management expert from Gallagher commissioned to work across the Insurance Consortium and this is proving beneficial to supplement the Zurich contract.
- 3.9 The Council's Risk Management Policy and Strategy is reviewed annually by Committee to ensure it remains current and fit for purpose. The Risk Strategy document is revised each year ahead of consideration by CLT of the significant risks for inclusion in the Risk Register and mitigation action plan for the next financial year (2024-25).
- 3.10 The Council's Risk Management arrangements have been reviewed by Grant Thornton as part of the Value for Money work that informs their conclusion in their Auditor's annual report. The Council's Risk Maturity has also been assessed by the Council's Audit partners, BDO, as part of the approved Audit Plan for 2023-24.
- 3.11 The updated Risk Management Policy and Strategy is attached at Appendix 1.

4. KEY ISSUES

- 4.1 In February 2024, our audit partners, BDO undertook a review of our risk management arrangements. They identified some good practice in our risk management framework, the draft report is due to be issued and is expected to include several recommendations to improve.
- 4.2 In December 2023 the Councils received initial feedback on our approach to risk management in the Auditors Annual Report and Value for Money conclusion. One of the proposed recommendations was to revisit the risk management strategy to ensure a more effective corporate approach to risk management.

- 4.3 BDO welcomed the review of the risk management strategy and the inclusion of a Risk Appetite Statement approved by Council. There was also support for clearer links to how the strategic risk register supports the Council's Objectives. BDO also found that we could improve our process by including KPIs for measuring the success of the mitigating actions and inclusion of sources of assurance for each mitigating action in the strategic risk register action plan (recognising that it was included in some operational risk registers). They are also likely to recommend that we include the moderation, and approval processes (including escalation) for risks for both the strategic and operational risk registers within the strategy and embed our work on risk appetite.
- 4.4 The risk management strategy and policy has been revised, and is presented at Appendix 1 for approval and recommendation to Cabinet for adoption. The main changes to the March 2023 update are:
- Introduces a Risk Appetite and Tolerance Statement
 - Risk types/categories (and assigning all risks to a category and a risk tolerance level to each category)
 - Risk escalation process between the strategic, service (operational) and other risk registers
 - Use of assurance measures and use of KPIs
 - Inclusion of risk scores before and after mitigation and a target risk score (informed by risk appetite)
 - Roles and responsibilities have been updated
- 4.5 The updated strategy considers the latest guidance for risk appetite and to set out more specific tolerance levels within each type of risk. The strategy sets out the principle of establishing a Risk Appetite Statement for adoption by Council for the life of each council. The Risk Appetite Statement will establish specific tolerances for each of the risk types identified in the Orange Book, Management of Risk - Principles and Concepts (HM Government, 2020). The Corporate Leadership team will work with Cabinet members and Committee Chairs to establish their risk appetites.
- 4.6 BDO and Grant Thornton both recommend that further training and development opportunities are introduced, with ongoing accessibility, for staff and members to enable risk management progress and improvement.
- 4.7 The new Risk Management Strategy will help us to improve the risk management culture across the Council and will better integrate risk with our corporate priorities.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 Regulation 3 of the Accounts and Audit Regulations 2015, state that:
"A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the

authority is effective and includes effective arrangements for the management of risk.”

- 6.2 In addition, Regulation 4 of the Accounts and Audit Regulations 2015 also state that:
“The financial control systems determined must include measures to ensure that risk is appropriately managed”.

- 6.3 The Council’s corporate Governance Framework considered by the Audit Committee on 17th March 2008, includes Core Principle 4 - Taking informed transparent decisions which are subject to effective scrutiny and management of risk.

7. RISK MANAGEMENT

- 7.1 The consideration and management of risk is good practice. Risk Management processes are required to effectively manage and evidence the management of key risks as an aid to achieving the Council’s corporate objectives and demonstrating good Corporate Governance allowing Managers to manage their risks and bring to a corporately acceptable level.
- 7.2 Financial risk continues to be a significant risk facing this Council and many others and this is increased significantly due to high and unpredictable inflation and the impact this has on demand led services and income streams. Sections 25-27 of the Local Government Act 2003 require the Section 151 Officer to report on the robustness of the estimates and the adequacy of its proposed financial reserves and this is included as Appendix 4 to the MTFS Council report approved by Council on 22nd February 2023.
- 7.5 Ongoing good governance is key to managing new and emerging risks. Our constitution underpins good governance, it is kept under review and updated as required.

8. IMPACT ASSESSMENTS

- 8.1 There are no proposals in this report that require an Equality, Climate Change or Health and Wellbeing Impact Assessment.

9. CONCLUSION

- 9.1 The Strategy attached at Appendix 1 will ensure that the requirements set out in Regulations 3 and 4 of the Accounts and Audit Regulations 2015 can be satisfied.

10. CONSULTEES

- 10.1 Corporate Leadership Team.
10.2 Cabinet Member for Finance and Capital Portfolio

11. **BACKGROUND PAPERS**

- Medium Term Financial Strategy Report 2024-27 – Cabinet 22nd December 2023
- [The Orange Book – Management of Risk – Principles and Concepts \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)
- [Risk Appetite Guidance Note \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

DRAFT Risk Management Strategy (Update March 2024)**1. Introduction**

- 1.1 The purpose of this Risk Management Strategy is to establish a framework for the effective and systematic management of risk, that supports decision making and development of a positive risk culture and makes a real contribution to the achievement of the Council's objectives. This document outlines the Council's commitment to managing risk in an effective and appropriate manner and provides guidance to ensure management of risk is a routine process for all services.

2. What is Risk Management

- 2.1 Risk Management is an essential part of good governance and leadership and fundamental to how the Council is directed, managed and controlled.
- 2.2 Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of objectives and outcomes and ensuring that opportunities are fully maximised. Risk should be considered and addressed as part of all decision-making activities.
- 2.3 Risk Management is not about eliminating risk, as this would limit the ability of the organisation to develop and deliver its ambitions. Its purpose is to recognise the issues that could affect the achievement of objectives and develop treatment actions to control, or reduce, those risks to an acceptable level. Acknowledgement of potential problems and preparing for them is an essential element to successfully delivering any service or project. Good management of risk will enable the Council to rapidly respond to change and develop innovative responses to challenges and opportunities.
- 2.4 Risk management includes:
- Risk identification and assessment to determine and prioritise how the risks should be managed;
 - The selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level;
 - The design and operation of integrated, insightful, and informative risk monitoring; and
 - Timely, accurate and useful risk reporting to enhance the quality of decision making and to support management and oversight bodies in meeting their responsibilities.

3. Risk Management Aims and Objectives

- 3.1 The aim is to adopt best practices in the identification, evaluation, cost effective control and monitoring of risks across all processes to ensure that risks are properly considered and reduced as far as practicable.
- 3.2 By operating a robust risk management process, the Council can:

Risk Management Strategy

- Improve governance, stakeholder confidence and trust
- Set strategy and plans through informed decision making
- Prioritise and manage resources
- Support efficient and effective operations
- Deliver goals and improved outcomes
- Raise awareness of the need for risk management by all those connected with the Council's delivery of services.

3.3 Embedding and integrating risk management into the culture of the Council will prevent injury, damage and losses and reduce the cost of risk.

4. Risk Register System

4.1 As part of good governance, the Council manages and maintains a Strategic Risk register, Service (Operational) risk registers and Programme/project Risk Registers, assigning named individuals as responsible officers for ensuring risks and assurance measure are monitored and effectively managed. If the Council's companies become active then separate Company Risk registers will also be maintained.

5. Risk Management levels

5.1 Wyre Forest District Council's approach to risk management is founded upon ensuring that risks at each level are effectively and consistently managed across the organisation.

- **Strategic (Corporate) risks** – this is the highest level of risk, those where there is a probability that if they were to occur, they would have a significant impact on the Council's business model. The Strategic risk register detailing critical risks and a risk report and action plan detailing progress in managing risks, are reviewed quarterly by the Corporate Leadership Team. The approach to managing these risks is mirrored by each head of service and their management teams for managing service level (operational) risks.
- **Service (operational) risks** – Day to day management activities ensure that operational risks are identified, treated, monitored and reported through service risk registers.
- **Programme/Project Risks** – Risks are initially identified in the outline and detailed business cases for each project. The project risk register is further developed by the programme and project Managers in consultation with the design team, the contractors and other professionals as appropriate throughout the lifecycle of the project/programme. Risks are reported and monitored by the project board and or Corporate Leadership team.
- **Company Risks** – The Council has ultimate oversight of risk management for Council Companies. However, governance processes ensure that companies are responsible for the management of operational risk. Company risks are reflected on the Strategic Risk Register where appropriate.

Risk Management Strategy

6. Escalation and De-escalation of Risks

- 6.1 Where a risk or group of risks meet the escalation criteria below, then the risk/s should be escalated by the risk owner to their Head of Service for consideration by the Corporate Leadership Team (CLT) for inclusion on the Strategic Risk Register.
- The risk rating cannot be controlled or managed within its current level and moves outside the appetite boundaries
 - The risk remains high even after mitigations are implemented
 - The risk will impact on more than one service/project if the risk event materialises
 - The cost of mitigation increases significantly (>20% or £5k), and (or) an application for funding from the General Risk Reserve needs to be made.
- 6.2 Similarly, risk owners should consider de-escalation where a risk or set of risks become operation and related to process or transactions. All decisions to de-escalate need to be agreed by CLT.
- The risk can be controlled/managed at the Service/Programme or Company level
 - The risk scoring meets its target or decreases significantly.
- 6.3 If a risk is multi service or organisation wide the risk owner should consult with all other relevant parties before recommending a change of level.

Escalation from Service/Project/Programme/Company Risk level to Strategic Risk Register



7. Risk Appetite and Tolerance

- 7.1 Risk is inherent in delivering and commissioning services. The aim of the strategy is to provide a framework to support consideration of how to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery of services and achievement of Corporate priorities whilst securing value for money. The Council does not seek to avoid all risk, but the acceptance of risk is subject to ensuring that potential benefits and risks are fully explored and that appropriate measures to mitigate risk are established before decisions are made. It is often not possible to manage all risks to the most desirable level, but the setting of risk appetites means that risks can be managed to a tolerable level.
- 7.2 Risks that would be seen to be unacceptable would be those that would breach law and regulatory compliance, would adversely impact the safety of our service users, residents, or employees, would critically damage the reputation of the Council, risk future operations of the Council or negatively impact financial resilience.
- 7.3 Risk appetite and tolerance is considered with reference to strategic outcomes and service delivery in each area. The appetite for risk will vary according to the activity

Risk Management Strategy

undertaken and the ability to exercise controls and hence different appetites and tolerances to risk will apply.

7.4 Our work on risk appetite is informed by the Orange Book's Risk Appetite Guidance Note and uses the following five levels:

- **Averse** - Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
- **Minimalist** - Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
- **Cautious** - Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
- **Open** - willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
- **Eager** - Eager to innovate and choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

7.5 The Council's appetite for risk also reflects the diverse types of risk that could impact on the Council's ability to meet its statutory requirements and strategic outcomes and are described in detail in Appendix 2.

7.6 The Council's Risk Appetite Statement is an important part of the risk management framework as it defines the risk the Council is willing to tolerate to achieve the priorities set out in its Corporate Plan. The Council's Risk Appetite Statement will be approved by Council for the life of the council and reviewed annually by Audit Committee.

[Risk Appetite Guidance Note \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

8. Ownership/Roles and Responsibilities

Risk Management Strategy

Members	Elected members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces. All members will have the responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that are submitted to them. They should not seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities
Council	Responsible for receiving exceptional reports from Audit Committee. Responsible for approving the Risk Appetite Statement to cover the life of the council.
Lead Cabinet members	Receive regular updates on the key strategic risks facing the Council and provide their input as to how these should be managed. Receive regular reports, as received by the Audit Committee, covering implementation of the Council's risk management policy and strategy to determine whether strategic risks are being actively managed.
Cabinet	To receive reports from Audit Committee on an exceptional basis and report to Council on the risk management framework, as appropriate. To approve the Risk Management Strategy on an annual basis, or if significant changes require a revision of it.
Audit Committee	To provide an independent assurance of the adequacy of the risk management framework and the associated control environment. Monitor and evaluate the development and operation of risk management by the Council. Receive reports and make recommendations to Cabinet where appropriate on Risk Management Policy, Strategy and its associated action plans. Receive Internal audit and External audit reports on Risk Management matters as appropriate. Annual review of the Risk Appetite Statement with delegated powers to amend as required.
Corporate Leadership Team (CLT)	CLT, led by the Chief Executive, is pivotal in the promotion, demonstration and embedding of risk management within the Council. The successful outcome of this will be risk management practised throughout the organisation as part of usual activities and the sharing of best practice and experience between services. Ensure that effective systems of Risk Management and internal control are in place to support the Corporate Governance of the Council. Review the strategic Risk register annually, identify, analyse and profile high-level strategic and cross-cutting key risks on a regular basis as outlined in the monitoring process. Responsible for ensuring arrangements are maintained for Service Managers to report "red" risks to CLT (including escalation and de-escalation requests). Allocate resources from General Risk reserves

Risk Management Strategy

<p>Head of Resources and s151 Officer</p>	<p>Take a leading role in identifying and managing the strategic key risks and opportunities to the Council and to set the example and standards for all employees.</p> <p>Advise the Audit Committee, Cabinet and Council on the Risk management framework, Policy, Strategy and processes, as appropriate.</p> <p>Ensure that the Risk Management Strategy is communicated, understood and implemented by all Members and employees and that it is fully embedded in the Council's business planning and monitoring processes.</p> <p>Report to Members on the management of strategic and other significant risks and the overall effectiveness of risk management controls.</p> <p>Ensure that risk management skills training and awareness is provided to all Members and employees.</p> <p>Reporting to Audit Committee and Cabinet on a six monthly basis of current risk position.</p> <p>Ensuring that mitigation measures are captured and monitored using the existing performance management arrangements (Pentana).</p> <p>To ensure compliance with statutory requirements of current financial regulations, as appropriate.</p>
<p>Internal Audit</p>	<p>Internal Audit will give an independent objective opinion on arrangements. They will advise and report to management and Audit Committee on the maturity and appropriateness of risk management arrangements, processes, control systems and operational procedures and whether they are operating properly.</p> <p>Produce an annual Audit Plan that is based on an evaluation of risk and provide an annual 'Statement of Assurance' to the Council on the Authority's internal control environment on the work undertaken in the year.</p>
<p>Extended Leadership Team (CLT and Service Managers)</p>	<p>To support effective implementation of risk management through effective service and programme/project risk registers. Promote a positive risk culture.</p> <p>Individually responsible for proper monitoring of the relevant service risk register, local action plans and the embedding of risk management into the business and service planning of the service.</p> <p>Actively involved in the identification and assessment of service level risks resulting in an up to date service risk register.</p> <p>Ensuring that the risk management process is part of all major projects, partnerships and change management initiatives.</p> <p>Ensuring that all reports of a strategic nature written for Members include a risk assessment of the options presented for a decision.</p> <p>Reporting quarterly to the CLT on the progress being undertaken to manage the risks and an update on the nature of the high priority red risks. Escalate or de-escalate risks as appropriate.</p>

Risk Management Strategy

	Provide assurance on the adequacy of the service's operational risk and control procedures.
Risk owner	Accountable for the management and control of all risks assigned to them. Determine, implement, and monitor the selected controls and actions to address the threats and maximise the opportunities
Mitigation and Action owner	Responsible for managing the mitigation and (or) action assigned to them on the Risk Owner's behalf and to keep them apprised of progress
All Staff	Proactively identify risks surrounding their everyday work processes and environment and contribute to their management where required. Report inefficiencies, irrelevant or unworkable controls. Ensure loss events or near misses are escalated promptly to management. Demonstrate an awareness of risk and risk management relevant to role.

9. Arrangements for Managing Risk

- 9.1 Risk Management is a continual process of identifying risks, evaluating their potential consequences and determining the most effective methods of treating, controlling or responding to them. The risks faced by the Council are constantly changing and the continual process of monitoring risks should ensure that we can respond to the new challenges. This process is referred to as the risk management cycle. The risk management process is outlined in detail in Appendix 1.

10. Monitoring Arrangements and Review

- 10.1 Risk management is a continuous process that the Council is committed to, it helps the Council to remain agile in addressing internal and external change. The Council will continually seek to improve the suitability, adequacy and effectiveness of the risk management framework supported by lessons learnt and an annual review of the risk management strategy.
- 10.2 The annual review will examine the success of the following: **<Review when receive BDO report on our risk maturity profile>**
- The inclusion of risk management principles within Service Planning and budgets.
 - Members ensuring managing risk is considered as part of the decision making processes within the Council.
 - Service managers making recommendations that regard risk as an opportunity as well as a threat.
 - Risk management principles being considered in service reviews, for example in areas such as options for change and service improvements.
 - Changes in risk being independently identified and assessed by Service Managers.
 - Suitable opportunities to benchmark risk management against other organisations should also be explored, to ensure that it is effective, and the work carried out by the Council conforms to best practise.

Risk Management Strategy

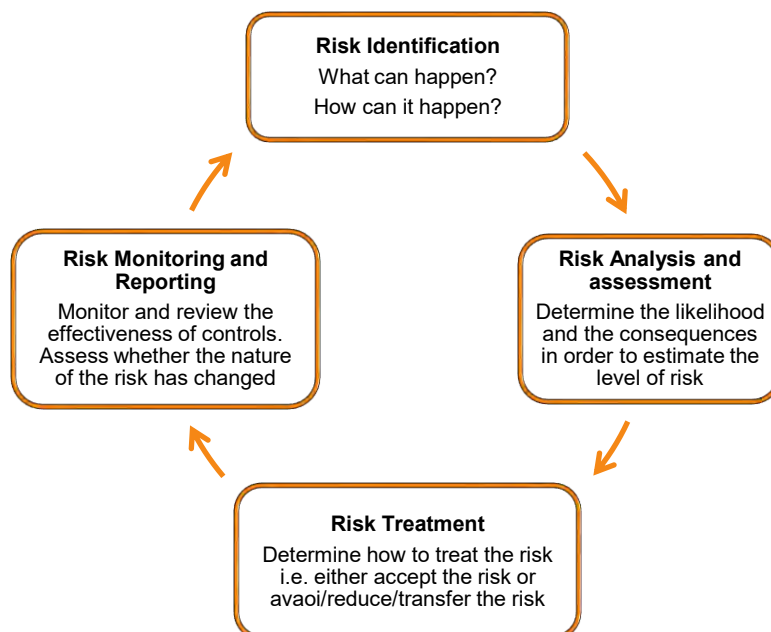
Appendix 1 – The Risk Management Process/Methodology

Appendix 2 – Categories of risk

DRAFT

1. Risk Management Methodology

There are 4 key stages in the risk management cycle, as illustrated in the chart below:



1.1 Risk Identification

Identifying and understanding the hazards and risks facing the council is crucial if informed decisions are to be made about policies or service delivery methods. There is detailed guidance available on how to identify risks and Appendix 2 provides a summary of categories of risk.

New and emerging risks should be reported to the relevant CLT member who will consider its inclusion on the Service operational risk register. If the risk meets the criteria for escalation detailed in section 6 of the strategy, it should be reported with proposed risk treatment actions to CLT by the relevant Head of Service. CLT will determine whether the risk should be escalated to the Strategic Risk register.

New operational risks will be embedded within the Service risk registers by Service Managers and reported monthly through risk discussions with their Head of Service.

All Risks will link to the delivery of Corporate priorities and will be assigned to a risk category (see Appendix 2). The Council's Risk Appetite Statement provides a risk appetite position for each risk category.

1.2 Risk Matrix Analysis and Scoring Criteria

Once risks have been identified they need to be assessed to evaluate and understand the level of risk exposure. This will influence the risk treatment applied to manage/reduce or prevent the risk from occurring.

Ensuring that all business risks are assessed and managed through the adopted risk management methodology drives consistency and enables risks to be compared and reported on against a like for like basis. It also provides the Council with the ability to

map their collective risk exposure of a particular activity, objective, outcome, function(s), or indeed throughout the whole Council.

This process requires risk owners to assess the level of risk by considering:-

- The probability of an event occurring - “likelihood”; and
- The potential severity of the consequences should such an event occur – “impact”.

The following tables provide Impact and Likelihood descriptors to assist with this process:

Likelihood

Score	Description	Draft Indicative guidelines
5	Almost certain	<ul style="list-style-type: none"> • Is expected to occur in most circumstances. • Will undoubtedly happen, possibly frequently e.g. annually or more frequently. • Imminent/near miss
4	Probable	<ul style="list-style-type: none"> • Will probably occur in many circumstances. • Will probably happen, but not a persistent issue. • Has happened in the past.
3	Likely	<ul style="list-style-type: none"> • Could occur in certain circumstances. • May happen occasionally. • Has happened elsewhere
2	Possible	<ul style="list-style-type: none"> • May occur only in exceptional circumstances. • Not expected to happen, but is possible. • Not known in this activity.
1	Rare	<ul style="list-style-type: none"> • Is never likely to occur. • Very unlikely this will ever happen

Impact

Score	Description	Draft Indicative guidelines
5	Catastrophic	<p>Risks which can have a catastrophic effect on the operation of the Council or service. This may result in critical financial loss, severe service disruption or a severe impact on the public, for example:</p> <ul style="list-style-type: none"> • Unable to function without aid of Government or other external Agency. • Inability to fulfil obligations. • Medium to long-term damage to service capability. • Severe financial loss - supplementary estimate needed which will have a catastrophic impact on the Council's financial plan and (>£200k uninsured loss). • Death. • Adverse national publicity - highly damaging, severe loss of public confidence. • Litigation certain and difficult to defend. • Breaches of law punishable by imprisonment.

4	Major	<p>Risks which can have a severe effect on the operation of the Council or service. This may result in major financial loss, major service disruption or a significant impact on the public, for example:</p> <ul style="list-style-type: none"> • Significant impact on service objectives. • Short to medium-term impairment to service capability. • Major financial loss - supplementary estimate needed which will have a major impact on the Council's financial plan (>£100k uninsured loss). • Extensive injuries, major permanent harm, long-term sick. • Major adverse local publicity, major loss of confidence. • Litigation likely and may be difficult to defend. • Breaches of law punishable by fines or possible imprisonment.
3	Moderate	<p>Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget, for example:</p> <ul style="list-style-type: none"> • Service objectives partially achievable. • Short-term disruption to service capability. • Significant financial loss - supplementary estimate needed which will have an impact on the Council's financial plan (>£50k uninsured loss). • Medical treatment required, semi-permanent harm up to one year. • Some adverse publicity needing careful public relations. • High potential for complaint, litigation possible. • Breaches of law punishable by fines only.
2	Minor	<p>Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences, they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect. For example:</p> <ul style="list-style-type: none"> • Minor impact on service objectives. • No significant disruption to service capability. • Moderate financial loss - can be accommodated at service level (>£10k uninsured loss). • First aid treatment, non-permanent harm up to one month. • Some public embarrassment, no damage to reputation. • May result in complaints/litigation. • Breaches of regulations/standards.

1	Insignificant	<p>Risks where the consequences will not be severe and any associated losses will be relatively small. As individual occurrences, they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect. For example:</p> <ul style="list-style-type: none"> • Minimal impact, no service disruption. • Negligible impact on service capability. • Minimal loss - can be accommodated at service level (<£5k uninsured loss). • No obvious harm/injury. • Unlikely to cause any adverse publicity, internal only • Breaches of local procedures/standards.
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Gross (before internal controls/mitigation), residual (after internal controls/mitigation and progress on action plan measures) and target risk scores that take account of the Council's risk appetite should be identified to review and monitor the effectiveness of Risk Management activity. It is expected that gross and target scores are reviewed annually and residual scores at least quarterly.

The residual scores are then plotted onto the risk matrix, see below, which will determine the risk priority.

Likelihood		Impact				
		Catastrophic	Major	Moderate	Minor	Insignificant
		5	4	3	2	1
Rare	1	Low 5	Low 4	Low 3	Low 2	Low 1
Possible	2	Medium 10	Medium 8	Medium 6	Low 4	Low 2
Likely	3	High 15	High 12	Medium 9	Medium 6	Low 3
Probable	4	Very High 20	High 16	High 12	8	Low 2
Almost certain	5	Extreme 25	Very High 20	High 15	10	Low 1

(pre mitigation and target scores)

1.3 Risk Treatment

Each risk has a considered risk treatment known as a mitigation plan applied to reduce or minimise the likelihood of risk events occurring and reducing the severity of the consequences should it occur. This planning considers risk appetite, in addition to expected benefits, proposed actions, nomination of those responsible for owning and implementing the mitigation activity, resource requirements, sources of assurance, key

performance indicators and control indicators, constraints, and a planned date for when the action is expected to be resolved.

Risks that score the highest are managed via a risk management action plan. The action plan will detail the risk, identify the required management action/control and who is responsible for delivering the improvement and provide a timescale. All red risks require action plans.

Medium (Amber) risks will require actions plans or to be closely monitored as appropriate.

Low-scoring (Green) risks can be “accepted” and will not require actions plans. However, these risks will need to be monitored to ensure that controls remain operational to manage them and that such risks do not become Medium (Amber) or High (Red) risks.

There are 3 main options for controlling risk;

- avoidance,
- reduction and
- risk transfer.

Risk avoidance involves the Council opting not to undertake a current or proposed activity because it is outside the Council’s risk appetite.

Risk reduction is dependent on implementing treatment actions which will reduce the likelihood of an event occurring or limit the severity of the consequences should it occur.

Risk transfer involves transferring liability for the consequences of an event to another body. This may be done in two ways:

- (i) Cost, delivery or legal liability may be transferred to an alternative provider under contractual/partnership arrangements for service delivery; some responsibility may be retained for ensuring that the risk is managed e.g. Health & Safety.
- (ii) The costs associated with a damaging event may be reduced by transferring some or all of the financial risk to external insurance companies; but many risks are uninsurable.

Most risks are managed by either minimising the likelihood of the risk occurring or reducing the severity of the consequences should the risk occur. Relatively few risks are avoided or transferred.

The cost/benefit of each control action must be assessed. Managers will apply professional knowledge and experience to judge whether the financial cost of risk control is justified in terms of non-financial benefit to the Council. On occasions, managers may conclude that the cost of the control action may outweigh the benefits which will accrue to the Council as a result of the action being taken. In such instances, where no statute is likely to be breached all, or an element of the risk is retained.

Responsibility for drawing up treatment action plans lies with the Leadership Team (for strategic risks) and with Service Managers for service / operational risks.

1.4 Risk Monitoring and Reporting

Monitoring risks during and following implementation of the risk treatment actions is important so the Council understands how the risk profile is changing and demonstrates the effectiveness of the arrangements introduced. It is also important to assess whether the nature of the risk has changed over time. Monitoring progress in achieving treatment actions provides assurance on the adequacy of the risk management framework and ensures interaction with all stakeholders including those responsible and accountable for risk management activities. No matter how good the process to identify and control risks is, it will not be effective unless the information gained from it is reported and used to influence other management issues / processes. Therefore, it is essential that there is a defined process and timetable for reporting the results of the risk management process to both members and officers.

The Corporate **strategic risks** are reviewed quarterly by the Corporate Leadership Team (CLT). The ownership of strategic risks will be the ultimate responsibility of members of CLT who will have the lead role for these issues. The corporate strategic risks and associated action plans are recorded and monitored using an appropriate risk management software package (Pentana).

Service (Operational) risks – are discussed monthly by the extended leadership team (each Head of Service/CLT member's management team). Heads of Service are then able to escalate/de-escalate risks to the Strategic Risk register at the next CLT meeting.

Any specialist operational/health & safety risks that arise will be collated by the responsible Service Managers in conjunction with the Health and Safety Officer for review and introduction into the process.

Programme or project risks are reported through the project management process, managed by the programme or project manager and reported to the programme or project board.

On a quarterly basis, the strategic and operational risk registers are reviewed and where necessary risks re-prioritised. Risks are amended to reflect the current situation, obsolete risks deleted and new risks identified. This ensures that risk registers and mitigation actions are appropriate for the current service and corporate objectives.

A six-monthly report is presented to Audit Committee detailing the current strategic risks and high-level operational risks and the progress made in controlling them. It will be the role of the Audit Committee to review and make recommendations on the key risks to Cabinet.

The top strategic risks will be reported to Cabinet on a 6 monthly basis in the Budget and Performance report.

Action plans developed to manage both strategic and operational risks will be monitored as part of the performance management process. This will ensure the integration of risk management with other processes and ultimately ensure its profile and success is maintained.

Risk assessments are included as a section in all policies and reports, so that risk is considered in everything the Council does.

It is expected that Council controlled companies will review their risks on a quarterly basis at the Companies Risk Panel.

Risk Category Definitions

(Taken from the Government's Orange Book: Management of Risk – Principles and Concepts)

Risk Category	Definition
Strategy	Risks arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment (e.g. political, economic, social, technological, environment and legislative change).
Governance	Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.
Operations	Risks arising from inadequate, poorly designed or ineffective/ inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money
Legal	Risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property)
Property	Risks arising from property deficiencies or poorly designed or ineffective/ inefficient safety management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public
Financial	Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting
Commercial	Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and/or failure to meet business requirements/objectives.
People	Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance
Technology	Risks arising from technology not delivering the expected services due to inadequate or deficient system/ process development and performance or inadequate resilience
Information	Risks arising from a failure to produce robust, suitable and appropriate data/ information and to exploit data/information to its full potential.

Security	Risks arising from a failure to prevent unauthorised and/or inappropriate access to the estate and information, including cyber security and non-compliance with General Data Protection Regulation requirements
Project/Programme	Risks that change programmes and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time, cost and quality
Reputational	Risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE****20th March 2024****Audit Committee – Annual Review of Effectiveness**

OPEN	
CABINET MEMBER:	Councillor D Ross, Cabinet Member for Finance and Capital Portfolio
RESPONSIBLE OFFICER:	Head of Resources
CONTACT OFFICER:	Helen Ogram Helen.ogram@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - CIPFA's position Statement: Audit Committees in Local Authorities and Police (2022) Appendix 2 - Additional guidance on the position Statement. Appendix 3 - Effectiveness of Audit Committee self assessment questionnaire Appendix 4 - Skills matrix and 2024-25 Training Programme

1. PURPOSE OF REPORT

- 1.1 The report is presented to undertake the annual self-assessment of Audit Committee.

2. RECOMMENDATIONS

The Audit Committee are asked to:

- 2.1 **NOTE the CIPFA position statement and the practical guide for audit committee members.**
- 2.2 **Complete the self-assessment of effectiveness questionnaire.**
- 2.2 **NOTE the 2024-25 training programme as set out in Appendix 4.**

3. BACKGROUND

- 3.1 CIPFA published guidance on the function and operation of Audit Committees in local authorities and police bodies and this represents good practice for audit committees. The guidance incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2022). The Position Statement is attached as Appendix1.
- 3.2 Alongside the position statement CIPFA have produced a practical guide for members of audit committees in local authorities (attached as Appendix 2 to this report).

- 3.3 The aim of the practical guide is to support both elected members and co-opted independent members to understand the purpose of the committee and its functions and their responsibilities as members of the committee.
- 3.4 The Position Statement emphasises the importance of Audit Committees being in place in all principal local authorities and it also recognises that Audit Committees are a key component of governance. Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 3.5 Recommended practice is for audit committees to review and assess themselves annually or to seek an external review. The results of the assessment should be available in an annual report to Council from the committee.
- 3.6 CIPFA recommends that the following steps should be taken to maintain or improve effectiveness.
- Ensuring that the authority's committee is constituted in accordance with recommended practice, the CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022
 - Enabling the audit committee to have the required members with knowledge and expertise. These are essential for the committee members, whether they are drawn from elected representatives or recruited as co-opted independent (or lay) members. **Selecting members with appropriate knowledge and experience can be supplemented by a planned programme of regular training.** Particular attention is needed for the selection of the chair to enable effective working.
 - Encouraging audit committee members to participate in networks and forums established for the purpose of sharing good practice.
 - Providing access to support and briefings for the audit committee members to help them understand some of the more complex items on the committee agenda and keep up to date with new developments.
 - Ensuring the committee's terms of reference are up to date, reflect recommended practice and that the committee is operating in accordance with them.
 - Maintaining regular dialogue with the chair of the committee to review how well the committee is operating, provide feedback to the committee and understand any outstanding concerns the committee may have.
 - Supporting the impact of the committee by helping all authority members and officers to recognise the importance of its role.
- 3.7 A training programme was considered by the Committee at its November meeting, following which a skills matrix was circulated to all members for completion. The results are presented in Appendix 4 together with the proposed training programme for Committee members for the 2024-25 municipal year.
- 3.8 The Internal Audit Plan 2023-24 included a review of Governance and Ethics. The review found that the Council does not complete performance evaluations on the effectiveness of the Council and its Committees through the use of internal self-assessments or external feedback. The review made an improvement recommendation of medium significance to enable the Council to identify key

areas of improvement and provide opportunities for learning. The recommendation requires each Committee to complete an internal self-assessment exercise at the end of each financial year. This will enable Committees to reflect on their performance over the year, comparing what they have achieved to targets set at the beginning of the year to identify any learning to take forward.

4. **KEY ISSUES**

- 4.1 To support the assessment of the effectiveness of Audit Committees, CIPFA has developed a “Self-assessment of good practise questionnaire” which provides a high level review that incorporates the key principles set out in CIPFA’s Position Statement. This is included in Appendix E of CIPFA Audit Committees practical guidance for local authorities and police 2022 Edition: The audit committee member in a local authority and reproduced as Appendix 3.
- 4.2 The self-assessment includes a total of forty “good practice questions” for each question there is a sliding scale of responses, as follows:

Scoring	Meaning
Major improvement	Does not comply with the good practice question
Significant improvement	Partially complies, but significant improvement required to fully comply.
Moderate improvement	Partially complies, but moderate improvement required to fully comply.
Minor improvement	Partially complies, with minor improvement required to fully comply
No further improvement	Fully complies with the good practice question

- 4.3 It is proposed that all committee members complete the self-assessment individually by the end of March 2024. Analysis of the results will support the planning of the audit committee work programme for 2024-25 and future training plans for the committee.
- 4.4 To aid completion of the self-assessment a survey monkey form has been created to collect responses from members, this will be emailed to Committee members. Alternatively, a PDF version can be shared.
- 4.5 Where an Audit Committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are essential factors in developing an effective Audit Committee.

6. **LEGAL AND POLICY IMPLICATIONS**

- 6.1 Regulation 3 of the Accounts and Audit Regulations 2015, state that:
“A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the

authority is effective and includes effective arrangements for the management of risk.”

- 6.2 In addition, Regulation 4 of the Accounts and Audit Regulations 2015 also state that:
“The financial control systems determined must include measures to ensure that risk is appropriately managed”.

- 6.3 The Council’s corporate Governance Framework considered by the Audit Committee on 17th March 2008, includes Core Principle 4 - Taking informed transparent decisions which are subject to effective scrutiny and management of risk.

7. RISK MANAGEMENT

- 7.1 The actions outlined in this report support good governance and feed into corporate risk CR007 – Members lack skills and knowledge necessary for effective discharge of their Committee responsibilities. This severity of this risk is currently rated Green.
- 7.2 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.
- 7.3 Financial risk continues to be a significant risk facing this Council and many others and this is increased significantly due to high and unpredictable inflation and the impact this has on demand led services and income streams. Sections 25-27 of the Local Government Act 2003 require the Section 151 Officer to report on the robustness of the estimates and the adequacy of its proposed financial reserves and this is included as Appendix 4 to the MTFS Council report approved by Council each year.

8. IMPACT ASSESSMENTS

- 8.1 There are no proposals in this report that require an Equality, Climate Change or Health and Wellbeing Impact Assessment.

9. CONCLUSION

- 9.1 Audit Committees are a key component of a council’s governance framework providing an independent, high level focus on the adequacy of governance, risk and control arrangements. Carrying out the self assessment aligns with best practice and by identifying and responding to areas for improvement the overall impact of the committee will be enhanced.

10. CONSULTEES

- 10.1 Corporate Leadership Team.
10.2 Cabinet Member for Finance and Capital Portfolio
10.3 Chair of Audit Committee

11. BACKGROUND PAPERS

CIPFA Position Statement on audit committees

<https://www.cipfa.org/-/media/Files/Services/Support-for-audit-committees/CIPFA-Audit-Committee-Position-Statement-2022.pdf>



CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

Audit committees:

practical guidance for
local authorities and police

2022 edition

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The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.



Guiding the audit committee

Supplement to the audit
committee member guidance

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Introduction

This section is aimed at officers responsible for guiding the audit committee. It will also be a useful reference guide for an audit committee member wanting to develop greater understanding of the committee's role or access additional resources.

It identifies the underpinning legislation, regulations, guidance or resources that the committee should be referencing in its operations.

It is a supplement to the guides *Audit committee member in a local authority* and the *Police audit committee member* and should be read in conjunction with the appropriate guide. It includes information for both authorities and police bodies.

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Core functions of the audit committee

MAINTENANCE OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

Good governance

Delivering Good Governance in Local Government: Framework (CIPFA/Solace 2016) is principles based and informs the approach to good governance adopted by police, local authorities and fire and rescue authorities. CIPFA recommends that each authority develops a local code of governance setting out how it applies the principles in practice.

CIPFA's **Financial Management Code** (FM Code) also attributes responsibility for the Framework to the authority's leadership team. This supports the principle of assurance in the FM Code.

Other useful resources for evaluating governance and identifying governance risks include the research resource co-ordinated by the Centre for Governance and Scrutiny, **The governance risk and resilience framework**. This sets out the risks to good governance and can be used as part of the evaluation process for the annual governance statement (AGS) or as part of other governance development work. Further information on the AGS is included in **Accountability and the annual report**.

Where an authority is found to have failed in its statutory obligations to provide best value, the government has the power to intervene. The audit committee is one of the mechanisms an authority should have in place to identify, escalate and oversee the improvement of any governance weaknesses.

In Wales, the **Local Government and Elections (Wales) Act 2021** provides for intervention by Welsh ministers to increase the extent to which a council is meeting the performance requirements.

Key references

Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) ('the Framework') sets the standard for governance in UK local government bodies. The Framework is supported by guidance notes for each sector (CIPFA/Solace, 2016) as follows.

- **Delivering Good Governance in Local Government: Guidance Notes for English Authorities**
- **Delivering Good Governance in Local Government: Guidance Notes for Scottish Authorities**
- **Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities**
- **Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales**

Accounts and audit regulations (various according to location in the UK)

The governance risk and resilience framework (Centre for Governance and Scrutiny, 2021)

Ethical values

As part of the annual governance review, the audit committee should consider how effectively the **Seven Principles of Public Life** are supported and whether the arrangements in place to achieve Principle A of the governance framework are fit for purpose:

Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.

Authorities have a standards committee to oversee member conduct and review complaints. This is not a function of the audit committee and combining the two committees should be avoided.

The standards framework for elected members in England was established by the **Localism Act 2011**. English local authorities have a statutory duty to promote and maintain high standards of conduct, and the audit committee should consider assurances on the discharge of this responsibility and be satisfied that there are arrangements in place. The Committee on Standards in Public Life last reviewed standards in local government in 2019. The report recommended some amendments to the Act, but in its 2022 response, the Department for Levelling Up, Housing and Communities (DLUHC) did not commit to these. This remains an active topic that the audit committee should be aware of, and it should understand the steps its authority is taking to promote and ensure good ethical arrangements are in place.

The **Public Sector Internal Audit Standards** (PSIAS) include the ethical framework as a specific area of governance for internal audit work.

Whistleblowing arrangements support the development of ethical conduct and greater transparency and help authorities ensure compliance with the **Public Interest Disclosure Act 1998**. As part of the audit committee's oversight of the governance framework and assurances underpinning the AGS, the committee may wish to review the effectiveness of the whistleblowing arrangements.

Useful resources

Upholding Standards in Public Life (Committee on Standards in Public Life, 2021)

Risk management

In determining the audit committee's responsibilities towards risk management, authorities should have regard to the responsibilities of other committees such as scrutiny committees and the specific responsibilities of those charged with governance in relation to risk management. Where a local authority establishes a separate risk committee, then its roles and responsibilities need to be considered in determining the role of the audit committee.

Police audit committees are directed in the **Financial Management Code of Practice for the Police Forces of England and Wales** (FMCP) (Home Office, 2018) to advise the PCC and the chief constable on the adoption of appropriate risk management arrangements.

Welsh local authority and English combined authority audit committees are required to review and assess risk management arrangements.

Internal controls

Internal control arrangements will be informed by service requirements and guidance specific to individual areas.

Financial management

Regarding financial management arrangements, CIPFA's FM Code is a helpful resource to guide and evaluate the adequacy of financial management. The results of the assessment should be shared with the audit committee.

Audit committees in local authorities in Wales and in combined authorities are required to review and scrutinise the authority's financial affairs. Robust arrangements for financial control, understanding financial risks and longer-term financial planning will provide assurance to the committee. The review of financial statements also supports this objective. Care should be taken to not overlap with financial scrutiny. Tasks such as budget monitoring should not be undertaken by the committee.

Value for money and best value arrangements

Making best use of resources is a key objective for all local authorities and is part of the Framework. One of the behaviours and actions that underpin Principle C of the Framework is "delivering defined outcomes on a sustainable basis within the resources that will be available." When the AGS is prepared, the adequacy and effectiveness of arrangements to secure value for money (VfM) should be included, as per CIPFA guidance.

One specific area of activity for the committee will be consideration of the external auditor's wider work, as set out in the codes of audit practice and other guidance adopted by national audit bodies as follows.

- **England:** statutory value for money commentary as defined by the National Audit Office.
- **Scotland:** periodic reviews of best value from Audit Scotland.
- **Wales:** annual improvement reports from Audit Wales.
- **Northern Ireland:** a review of arrangements for the use of resources from Northern Ireland Audit Office.

When the external auditor raises concerns about VfM, the audit committee should ensure there is a robust action plan to address the issues raised. A significant VfM failing is likely to lead to a formal recommendation or report in the public interest. In addition to the work of the auditor, the audit committee should consider what other assurances are available in relation to identified VfM risks and highlight areas for improvement.

The Cities and Local Government Devolution Act 2016 requires the audit committee of a combined authority to review and assess the economy, efficiency and effectiveness of resource use in discharging the authority's functions. By reviewing the adequacy of the authority's arrangements, including aspects such as performance management, financial planning and procurement, the audit committee will be able to report and make recommendations to fulfil this responsibility. Where risks to value for money are identified to the audit committee – for example, through the work of internal audit – those concerns need to be escalated for management action.

Countering fraud and corruption

The audit committee should include counter fraud and corruption within its agenda. This should not be limited to an update to the committee on a significant case of fraud or corruption. The audit committee's responsibility to have oversight of arrangements means that they should be able to judge whether the authority's arrangements are fit for purpose

CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption (2014) sets out the counter fraud standards for public sector organisations. Sector-specific strategies such as fighting fraud and corruption locally should also be considered, along with Integrity matters

(HMICFRS, 2015). The committee should understand the level of fraud risk the authority is exposed to and the implications for the wider control environment.

The audit committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the **Bribery Act 2010**.

The CIPFA guidance on the AGS recommends that the adequacy of counter fraud arrangements is evaluated and reported on in the AGS with reference to the *Code of Practice on Managing the Risk of Fraud and Corruption*. The audit committee should have sight of the assurances underpinning this assessment and can play an important role in supporting the development of effective counter fraud and corruption practice. The audit committee may also refer to the Internal Audit Standards Advisory Board's (IASAB) guidance on **internal audit's role in counter fraud** (2017), which sets out internal audit's responsibility to provide assurance to the organisation on how it manages fraud risk.

Partnership governance, collaborations and subsidiaries

Ensuring that the audit committee has oversight of significant collaboration arrangements or the governance arrangements for the authority's partnerships is important. This is an area of assurance that should be planned as new arrangements are established as well as considered regularly.

Guidance is available in CIPFA publications, including **Successful Collaborations in the Public Services: The Role of Internal Audit** (2021). This highlights some of the governance risks that should be considered in collaborative arrangements, together with the role of internal audit. It highlights the need for the audit committee's oversight of internal audit to extend to their work on collaborations.

CIPFA's **Effective Governance of Collaboration in Policing** (2021) provides an overview of the nature of collaborations in policing and guidance on governance for those arrangements, and other relevant guidance is included in **Principles for section 151 officers working with LEPs** (2018).

Recently, authorities that have the general power of competence have established trading companies to operate more commercial activities, including delivery of services and commercial investments. Some authorities have experienced difficulties with these activities, so the governance, oversight and risk management arrangements in them are likely to be of considerable interest to the audit committee. CIPFA has issued new guidance in 2022 in **Local Authority Owned Companies: A Good Practice Guide**.

In addition to reviewing assurances over partnerships, the committee may choose to develop its own partnership arrangements with the audit committees of partner organisations. This could involve planning and co-ordinating agendas or developing forums to share ideas or briefings. More established partnerships could lead to the development of a shared audit committee between partner authorities or a joint committee.

FINANCIAL AND GOVERNANCE REPORTING

Financial reporting

Local authority financial statements should follow the professional practices set down in the **Code of Practice on Local Authority Accounting in the United Kingdom** (CIPFA/LASAAC). The responsible financial officer is required by statutory provision to sign the statements to confirm that they have been properly prepared and are ready for audit prior to the commencement of the period for the exercise of public rights. These are the unaudited accounts. Currently, deadlines are subject to change because of the COVID-19 pandemic (and because of difficulties resourcing local audit in England). Therefore, it will be important to check the current regulations applicable.

At the time of publication, the latest regulations were as follows.

- In England, **The Accounts and Audit (Amendment) Regulations 2021**. This amends the Accounts and Audit Regulations 2015.
- In Wales, **The Accounts and Audit (Wales) (Amendment) Regulations 2018**. This amends the Accounts and Audit (Wales) Regulations 2014.
- In Scotland, **The Local Authority Accounts (Scotland) Regulations 2014**.
- In Northern Ireland, **The Local Government (Accounts and Audit) (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020**. This amends the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

Further details about the requirements of the regulations are in Appendix A.

Prior to the current period of disruption, there had been a trend to reduce the elapsed time from the end of the financial year to the publication of audited statements. For example, under the 2015 regulations for English authorities and policing bodies, in practice, the latest date by which the statements would need to be confirmed (by the responsible finance officer) is 31 May, as the 30 working day period for the exercise of public rights must include the first ten days of June. In CIPFA's view, the timely availability of the statements is important for transparency and accountability.

Under the regulations, Scottish and Northern Irish authorities must all ensure that the financial statements are signed off by the chief financial officer (CFO) by 30 June. The Accounts and Audit (Wales) (Amendment) Regulations 2018 require preparation and publication to be completed by 15 June. Authorities have had flexibility to delay due to COVID-19, but deadlines will revert to those specified in regulations at an appropriate point.

CIPFA recommends that it is good practice for the accounts and the AGS to be reviewed by the audit committee prior to the commencement of the external audit. The committee will also review them at the completion of the audit prior to publication. Authorities will formally approve the financial statements after the completion of the external audit.

The date the statements must be published by is set down in government regulations. Prior to COVID-related amendments, the latest date for publication was 31 July for English authorities. Scottish and Welsh authorities must publish by 30 September, and Northern Irish authorities must publish by 31 October. These dates are intended to reflect the target for the completion of the audit. However, meeting the deadline is not a statutory requirement for the auditor; auditors will aim to meet this date, but their primary concern is to complete the audit to the required auditing standard.

The financial statements are the most technical aspect of the audit committee's remit and one that can be daunting for those elected members with no prior experience of financial reporting or

external audit. The differences in financial reporting practice in the accounts can also be daunting for those used to the presentation of company accounts. Additional attention should therefore be paid to this area when evaluating training needs.

Annual governance statements

Legislation requires local authorities, fire and rescue authorities and police bodies to prepare an AGS and to report publicly on the effectiveness of governance and control (see Appendix A for details of the legislative requirements). The AGS should be reviewed and then approved by an authority body prior to being signed by the leading member and the authority's chief executive. Typically, audit committees undertake the role of reviewing the AGS prior to approval.

Statutory and professional guidelines will determine when the AGS goes before the audit committee for review. These are set out in **Financial reporting** and in more detail in Appendix A. CIPFA recommends that the AGS is first reviewed by members of the audit committee at an earlier stage to allow comments and contributions to be made. The AGS must be current at the time it is published, so the audit committee should review it before final approval.

When the AGS is taken to the audit committee for review, it provides an opportunity to sense check the content, ensuring it is consistent with other information and is understandable to a lay reader.

The audit committee should be made aware of any updates to guidance on the AGS issued by CIPFA.

In March 2022, CIPFA's Practice Oversight Panel published an **advisory note on governance**. The note emphasises the importance of ensuring that annual reviews of governance and the AGS are robust. An effective audit committee is one important aspect of ensuring adequate internal challenge.

Other accountability reports

The audit committee may be asked to comment on or review other accountability reports. If this is consistent with the purpose of the committee, then it may be appropriate – for example, if the report included extracts from the financial statements or AGS. It should always be clear whether the committee is being asked to formally endorse any report and consider whether this involves duplication with the work of other committees.

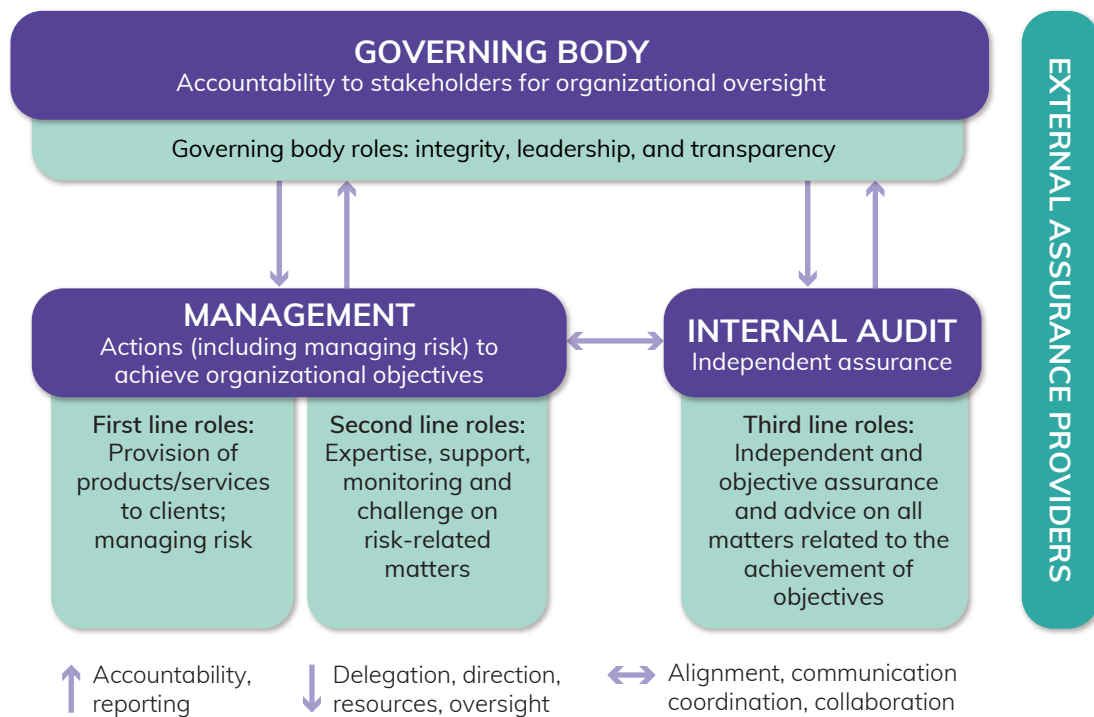
SUPPORTING ARRANGEMENTS FOR AUDIT AND ASSURANCE

Assurance frameworks and assurance planning

The organisation's leadership team should establish arrangements to provide them with assurance. The purpose of assurance is to provide greater certainty over the operation of internal control arrangements and the implementation of policies and decisions. In practice, an organisation will have a range of different means of obtaining assurance, some of which will already be embedded in management arrangements. Taken together, the suite of assurances forms the framework of assurance for the organisation. Some organisations have taken steps to map or summarise their arrangements in diagrammatic or tabular form.

CIPFA is in the process of establishing more detailed guidance for leadership teams on assurance frameworks, including high-level principles to define assurance frameworks. The purpose of this will be to raise awareness of assurance and the different forms it can take. Developing CIPFA guidance will include the **Three Lines Model** developed by the Institute of Internal Auditors (IIA).

Figure 1: The IIA's Three Lines Model



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Having a good understanding of different sources of assurance is important:

- for managers and the leadership team, to have confidence in how things work in practice
- for the audit committee, to help them fulfil their responsibilities
- for internal auditors, to inform risk assessments, supplement the direct independent audit work the team undertakes, and to inform the head of internal audit's annual opinion.

As well as understanding the organisation's arrangements for obtaining assurance, the audit committee should ensure that it receives the assurances necessary to support its annual report and to play its part in reviewing the AGS. While internal audit and external audit will be significant contributors to the overall assurance, the committee will need to be proactive in specifying additional areas where assurance is needed.

External audit

Audit committees have a role to play in relation to the appointment of external auditors. This role varies between England, Scotland, Wales and Northern Ireland, primarily due to the change in appointment procedures for English authorities with the closure of the Audit Commission and the introduction of new local audit arrangements under the **Local Audit and Accountability Act 2014**.

In Scotland, Wales and Northern Ireland, national audit agencies are responsible for the audits of local bodies. In England, authorities have the option to appoint auditors themselves via means of an auditor panel (individually or jointly with other bodies) or through Public Sector Audit Appointments (PSAA), which has been established by the Local Government Association (LGA) and specified as an 'appointing person' under the 2014 Act. For further information on auditor panels and the role of the audit committee, see CIPFA's **Guide to Auditor Panels** (2015).

The audit committee's role in appointment is generally to express an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.

In England, for all opted-in bodies, PSAA appoints the auditor following consultation with the body. Otherwise, the audit committee will work alongside the auditor panel, which will oversee the local appointment process. Where the audit committee members meet the requirements of an auditor panel as defined in regulations supporting the 2014 Act, then the committee can operate as an auditor panel itself and make recommendations on the appointment of the local auditor. Regard must be had for the 2014 Act and regulations if the committee is nominated as an auditor panel.

Supporting independence

The independence of auditors is critical for confidence in the audit opinion and audit process. For this reason, there is extensive guidance from the Financial Reporting Council (FRC) for external auditors on the need to safeguard independence and objectivity. These rules apply to all auditors across all sectors. In addition, the national audit bodies issue guidance to auditors on safeguarding integrity, objectivity and independence. It is an important role for an audit committee to help guard against threats to independence and to satisfy itself that the external auditor's independence is safeguarded. The critical issue of independence will be considered when the external auditor is appointed, but the audit committee's role will be to monitor on an annual basis, or more often when required.

Each year, the external auditor will disclose to the committee an assessment of whether it is independent. This disclosure should include any significant facts that could impact, or be seen to impact on, independence and objectivity, together with any safeguards put in place. The audit committee should use this opportunity to discuss with the external auditor their assessment of threats to independence and any safeguards. The table below summarises the potential threats that external auditors need to consider and manage.

Understanding the potential threats to external independence

Self-interest threat

This is where there are, or are perceived to be, financial or other interests that could impact on the actions of the external auditor. The potential fees from provision of non-audit or additional services to the audited body could fall within this category.

Self-review threat

This is where the audit could include a review of work performed or services or advice provided by the same firm or team.

Management threat

This is where the auditor has become involved in or associated with decision making at the audited body.

Advocacy threat

This is where the auditor has taken on an advocacy role for the audited body or supports the management in an adversarial or promotional context.

Familiarity (or trust) threat

This is where familiarity or close personal relationships mean that the external auditor is insufficiently questioning or accepting in forming audit judgements.

Intimidation threat

This is where the conduct of the external auditor is influenced by fear or threats from individuals in the audited body.

Full details of the threats are set out in the [**Revised Ethical Standard 2019**](#) (FRC).

Receiving and considering the work of external audit

The timetable of external audit work will be shaped by the appropriate Code of Audit Practice under which the audit is being undertaken and the appropriate regulations of the nation.

From time to time, there may be disruption to the routine timetable of audit. For example, the impact of the pandemic and recent difficulties experienced in England by local audit firms have contributed to delays. Where this is the case, the audit committee should actively monitor changes to timetables and audit plans, supporting good communication between the auditor and the authority to manage difficulties in the best possible way. Those officers responsible for liaising with the external auditor should ensure the audit committee is kept informed and any difficulties drawn to their attention at an appropriate stage.

One of the recommendations of the Redmond Review (**Independent review into the oversight of local audit and the transparency of local authority financial reporting**) was that the external audit annual report should be submitted to full council by the external auditor. The rationale behind the recommendation was that there were examples where serious issues raised with the audit committee by the external auditor were not then escalated to full council. As all councillors are “charged with governance”, they should be aware of serious issues and the overall results of the audit.

In addition, full council is more visible to the public than the audit committee, so it supports greater transparency. When this recommendation was considered by the stakeholder group advising DLUHC, it was considered important for the audit committee to receive the external auditor’s reports, allowing more in-depth discussion and formulation of recommendations for action in response to issues raised. It suggested that the annual report should be presented to full council in the way suggested by Sir Tony to improve transparency and strengthen the governance response, but it should also be accompanied by a report from the audit committee setting out its suggested response to the report. This was discussed in the technical consultation issued in July 2021 and CIPFA would support this approach.

Although the specific recommendation related to English local authorities, CIPFA would recommend that authorities in the rest of the UK also consider adopting a similar approach, if they do not do so already.

Supporting the quality and effectiveness of the external audit process

The audit committee should support the quality and effectiveness of the external audit process:

- at the planning stage, understanding and commenting on external audit plans, assessment of risks and proposed areas of focus, and deployment of audit effort in response to identified risks
- during the external audit process, including:
 - assessing whether the external auditor has a good understanding of the authority
 - how the external auditor has responded to areas of audit risk
 - actions taken to safeguard independence and objectivity
- at the reporting and finalisation stages:
 - ensuring there is feedback from key people such as the CFO and the head of internal audit on the conduct of the audit
 - supporting the auditor’s annual report to the full council, PCC, chief constable or other body as appropriate on the results of its considerations with the audit committee report.

In monitoring the quality of the external audit provision, the audit committee should be briefed on any relevant issues around quality that emerge from the regulation of external audit – for example, the quality reports from the FRC and contract monitoring reports from PSAA. Links to useful resources are provided at the end of the section.

There should be an opportunity for the audit committee to meet privately and separately with the external auditor, independent of the presence of those officers with whom the auditor must retain a working relationship.

Supporting audit quality

The audit committee should be an advocate for high audit quality. Ensuring that quality is maintained provides confidence in the audit opinion and recommendations. In its interactions with the auditors, the committee should be alert to the culture of the auditor and its regard for quality, its customer focus and how the firm creates a positive audit culture. The FRC's recent report [What Makes a Good Audit?](#) (2021) highlights the importance of governance and leadership in the audit firm.

Senior leadership must live and drive the right values, ethics and behaviours that support high audit quality throughout the firm. There must be a clear link between remuneration/ promotion and audit quality. Learning from audit inspections (internal and external) must be shared across the audit practice and understood, including the sharing of good practice identified within the firm or from external reviews. There must also be an emphasis on the public interest role of audit. At the larger firms, Independent Non-Executives (INEs) already have an important role to play in holding leadership to account for improving audit quality and for driving an appropriate culture and mindset within audit.

What Makes a Good Audit? (FRC, 2021)

The committee should ask about the auditor's approach to audit quality, including the support and training provided to the team on specialist areas within the scope of the audit. This is a particular consideration in England where audits are undertaken by a firm, as the team may not consist of auditors with extensive local audit experience. It should be noted that the key audit partner must have that experience and knowledge. This was an issue raised by the Redmond Review, and work to improve and support auditors is ongoing. For the firms, achieving improvements in this area is challenging, given wider issues around shortages of appropriate skilled auditors.

The audit committee needs to work with auditors and key officers to ensure that there is a shared understanding of objectives, expectations and outcomes from the audit. It is likely that the committee members will need support and training to improve their knowledge and understanding in this area unless they have had prior experience.

Where there are difficulties in the relationship between auditor and client, the audit committee should seek to support and resolve in an objective way that helps the delivery of a quality and timely audit.

Assessing audit quality

In determining the committee's role in reporting on external audit, CIPFA has taken account of requirements in other sectors. The [UK Corporate Governance Code](#) (FRC, 2018) expects the audit committee to report annually on its assessment of the independence and effectiveness of external audit. The audit committee annual report should also include a section on external audit. This is addressed in [Independence and accountability](#).

The FRC published [Audit Quality: Practice Aid for Audit Committees](#) in 2019 to help support audit committees. It should be noted that this is not tailored to audit committees in local

government, but some general principles remain relevant for an authority committee. Suggested good practice would be to consider the following areas:

- How the auditor interacts with the audit committee. Examples could include how auditors respond to questions or challenge from the committee and whether communications are open, constructive, informative and regular.
- Evidence from management. For example, the audit committee could ask management for evidence where auditors have challenged judgements and estimates.
- Asking auditors how they have demonstrated professional scepticism.
- Considering how well the auditor has met the agreed audit plan and addressed the risks it has identified.
- The quality of the audit report. For example, is it helpful and does it avoid generic 'boiler plate' content?

The audit committee should also review reports and assessments on their contracted auditor. The national audit bodies publish external reviews of their quality arrangements, and the FRC publishes an annual report of the local audit quality reviews undertaken for each firm. The committee should consider the conclusions on audit quality and areas for improvement and discuss with the auditor if appropriate. In England, PSAA may also publish reviews of interest to the committee on their monitoring of the audit contracts and satisfaction surveys, etc.

References and useful resources

Financial audit quality arrangements (Audit Wales)

Major Local Audits: Audit Quality Inspection (FRC, 2021)

Managing audit quality (PSAA)

Quality of public audit in Scotland annual report 2021/22 (Audit Scotland)

Quality assurance review 2021 executive summary (Northern Ireland Audit Office)

Internal audit

The audit committee has a clear role in relation to oversight of the authority's internal audit function. From 1 April 2013, internal auditors throughout local and central government and health have had to follow the PSIAS, and for local government bodies, the **Local Government Application Note (LGAN) for the UK PSIAS** (CIPFA, 2019). All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015, the Accounts and Audit (Wales) Regulations 2014, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 must make provision for internal audit in accordance with the PSIAS and LGAN.

The PSIAS include the mission of internal audit, code of ethics, definition of internal auditing and the core principles for the professional practice of internal auditing, and together these highlight the importance of effective internal audit to those in the organisation who are responsible for governance.

In its adoption of the PSIAS and LGAN, each authority should consider which committee or individual is the most appropriate to fulfil the role of the board in relation to internal audit. In determining the functional reporting arrangements of internal audit, the authority will need to bear in mind the need to preserve the independence and objectivity of internal audit as required by the PSIAS. It is for these reasons that in the LGAN, CIPFA expressed an expectation that the audit committee would fulfil the role of the board usually.

The role of the audit committee in relation to internal audit is to:

- oversee its independence, objectivity, performance and professionalism
- support the effectiveness of the internal audit process
- promote the effective use of internal audit within the assurance framework.

Those audit committees that operate under the Local Authority Accounts (Scotland) Regulations 2014 and the Accounts and Audit (Wales) Regulations 2014 must conduct a review of the effectiveness of their internal audit annually (Appendix A includes details of the relevant regulations). The audit committee should consider internal audit's quality assurance and improvement programme (QAIP) when conducting such a review.

The **CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations** (2019) states that engagement between the head of internal audit and the audit committee is a crucial component of delivering an effective internal audit service. For the head of internal audit to operate an effective internal audit arrangement, the authority has a responsibility to ensure that they can operate effectively and perform their core duties. This responsibility exists regardless of the method of delivery of internal audit, whether in-house, outsourced or through some form of shared arrangement. The audit committee plays an important role in supporting the effectiveness of those arrangements in accordance with the CIPFA statement.

The committee should develop sufficient understanding of the effectiveness of internal audit and its adherence to professional standards. While helping to ensure that the right organisational arrangements are in place to support the internal audit service, the committee should also hold internal audit to account for the following:

- Conformance with professional standards.
- Effective management of resources.
- Focus on risks and assurance needs.
- Delivery of required outputs.
- Impact.

In 2022, CIPFA published **Internal audit: untapped potential** – a research report examining how internal audit supports public sector organisations and opportunities for the future. It features the results of an extensive survey that included management clients and audit committee members, as well as internal auditors. Included within are recommended topics that audit committee members should consider and discuss with their head of internal audit to help ensure that their organisation is getting the best out of internal audit.

Guiding the audit committee – wider functions

WIDENING THE WORK OF THE COMMITTEE

This chapter sets out relevant guidance where additional responsibilities are brought within the scope of the committee. The scope should not be extended so broadly that the committee effectively becomes a joint committee with other priorities. The areas covered in the guidance are relevant as a result of legislation or other standards.

WALES

Governance and audit committees in Wales will need to have regard to the Local Government and Elections Wales Act 2021 in agreeing their terms of reference and conducting business.

The significant difference is the requirement to review the draft self-assessment or panel assessment report and make recommendations. The performance assessments are a new requirement introduced by the 2021 Act. Statutory guidance has been produced in **Performance and governance of principal councils** (2021).

In undertaking this role, CIPFA recommends distinguishing between the committee and the performance monitoring that scrutiny committees will have undertaken, which will be a contributory part of the self-assessment.

To enable the committee to perform its role effectively, members will need to be briefed on the requirements of the Act and supporting statutory guidance.

TREASURY MANAGEMENT

CIPFA's **Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes** (2021) requires all local authorities to adopt four clauses defining responsibilities for treasury management.

It is possible for the audit committee to be nominated to undertake the scrutiny role.

This organisation nominates (name of responsible body/committee) to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Where the audit committee has been nominated, it should be aware that it needs to undertake a scrutiny role in accordance with the Treasury Management Code, in addition to any oversight of governance, risks and assurance matters relating to treasury management that it would consider as an audit committee. It is not appropriate for the audit committee to undertake any of the other roles outlined in the Treasury Management Code clauses, as these are executive and decision-making roles rather than a scrutiny role.

Treasury management is a specialist area, so it is likely that committee members will require training, guidance and support when undertaking scrutiny. Specific areas of knowledge and skills are identified in Appendix C, and these can be used to support a training needs assessment and to plan development.

SUPPORTING CORPORATE IMPROVEMENT PROGRAMMES

Where an authority has undergone an external inspection, peer review or other intervention, an improvement programme will be developed. It will be important for the audit committee to play its part in supporting the effective implementation of agreed actions.

The primary role of the committee is to receive assurances that implementation of the programme is on track. The programme will have links to external audit reports, future audit risk assessments and the AGS, so it is important that the committee is aware of the overall progress. A significant programme may have a dedicated board that can provide an update to the committee to fulfil its assurance needs.

There may be aspects of the programme that directly link to the work of the committee – for example, the adequacy of financial management arrangements or internal audit. In such cases, the committee may be more actively involved in monitoring progress.

Independence and accountability

INTRODUCTION

CIPFA is keen that each local authority or police body adopts an audit committee model that achieves its purpose and functions successfully. CIPFA's recommended best practice is intended to support the development of effective arrangements and should not be regarded merely as a compliance checklist.

For a local authority, in CIPFA's view, it is best practice for the audit committee to report directly to council rather than to another committee, as the council itself most closely matches the body of 'those charged with governance.' In the police sector, both the PCC and chief constable are separate corporations sole, so each will fulfil the role of 'those charged with governance.'

In establishing the audit committee within the governance structure of the authority, three key elements should be considered:

- Any statutory guidance applicable to the sector.
- Independence from the executive and political allegiances.
- How the structure of the committee can support its effective operation.

Each of these elements is considered in more detail in the following sections.

SECTOR AND DEVOLVED GOVERNMENT GUIDANCE

The local authority and police sectors are subject to differing laws and regulations according to both sector and devolved national governments. Those affecting audit committees are set out in Appendix A. While there is broad similarity in the guidance across the UK, there are differences because of specific statutory guidance and regulations, including:

- statutory requirements for audit committees in Wales
- statutory requirements for combined authorities to establish an audit committee
- statutory guidance underpinning the operation of police audit committees in England and Wales.

Audit committees in Wales have a clear statutory role established by the **Local Government (Wales) Measure 2011** and updated in the **Local Government and Elections (Wales) Act 2021**. The Welsh Government has provided statutory guidance on the implementation of the measure's requirements, and local authorities in Wales must have regard to this guidance.

The Cities and Local Government Devolution Act 2016 requires combined authorities to establish an audit committee where at least one member must be appointed as an independent member.

The Home Office's **Financial Management Code of Practice for the Police Forces of England and Wales** (the FMCP) (2018) requires PCCs and chief constables to establish an independent audit committee. This is an advisory committee to both the PCC and the chief constable, both of whom are established as a corporation sole.

The **Policing and Crime Act 2017** enables a PCC in England (following local consultation and approval from the secretary of state) to take on the governance of their local fire and rescue service(s) to become a PCC fire and rescue authority (PCC FRA). The 2018 edition of the FMCP includes guidance concerning audit committees in this event.

Those supporting audit committees should be aware of other regulations, including the appropriate accounts and audit regulations for England, Scotland, Wales and Northern Ireland. These regulate functions such as internal audit and the timing of the AGS review and the accounts. These functions should be undertaken by the audit committee, and the committee should have regard to the regulations.

STRUCTURE AND INDEPENDENCE

Ensuring a dedicated audit committee

In some local authorities, the audit committee has been combined with other committees. CIPFA recommends that the audit committee should have no other functions, and explicitly no decision-making role. The most common combinations adopted by authorities have been an audit and scrutiny committee or audit and standards committee. CIPFA recommends these are separated.

Sometimes the audit committee is given a different title, such as 'governance and audit' or 'audit and risk' committee. This would not be a problem if the terms of reference are consistent with the **CIPFA Position Statement**. Care should be taken to not delegate additional responsibilities that conflict with or dilute the audit committee focus.

The Centre for Governance and Scrutiny published **Audit committees and scrutiny committees: working together** (2021) to help understand the difference between scrutiny and audit committees. CIPFA contributed to the resource to help ensure it was consistent with its 2018 guidance on audit committees. It helps scrutiny members understand how the audit committee role is different but complementary and identifies opportunities for the committees to work constructively together.

Committee size

Police audit committees should follow the FMCP guidance on a committee size of three to five members. In determining size, consider the quorum for meetings, as three allows little flexibility for meeting quorum at every scheduled meeting.

The sections on **Membership** and **Accountability** cover the composition of the committee between elected members and co-opted independents in an authority.

Committee size and composition are subject to legislation in some local authorities but not all.

Appendix A sets out the legislation for Wales and combined authorities in England.

In sectors outside local government, it is typical for audit committees to have fewer than six members. Among local authorities, there is a range of practice, including some committees that exceed ten members. In the sector, it can be harder to achieve the depth of knowledge and experience that is desirable with a small number, but equally it can be difficult to provide training and development for a large group.

CIPFA's recommendation is that a committee size of no more than eight members should be established. This allows sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

CIPFA also recommends that the use of substitutes on the committee is avoided. Substitute members are less likely to have received relevant training. It also disrupts the continuity of the committee, where committee members can build on information received in previous meetings. We have found that where committee members are regularly substituted, it is an indication of lack of engagement with the committee's purpose and agenda.

Audit committees for collaborations

Where an authority has a significant level of joint or collaborative working, there may be some value in considering the constitution of a shared audit committee. This will be particularly appropriate if there is a shared management team and single functions for finance, audit and risk management. There will need to be a formal agreement that sets out how the balance of representation between the partners will be decided, reporting lines and how the chair will be selected.

Delegated decision making and voting rights

Currently, some authorities have delegated decisions such as the approval of the financial statements to the audit committee. This takes the audit committee beyond its advisory role. It also means that authorities will need to have regard to Section 13 of the **Local Government and Housing Act 1989**, which relates to the voting rights of non-elected committee members. Independent members cannot vote on matters for decision, whereas making recommendations to another decision-making body would not be impacted.

CIPFA recommends that the audit committee remains an advisory committee and does not have delegated powers.

ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

In planning the number and timing of meetings and the committee agendas, key dates in the reporting and audit cycle will be important. In addition, the need for the committee to meet the expectations of auditing standards (both internal and external audit) in providing appropriate oversight will mean space on agendas should be found for these topics.

The CIPFA *Statement on the Role of the Head of Internal Audit in Public Service Organisations* (2019) emphasises the importance of organisational support for the role, including direct reporting lines to the audit committee and good engagement between the committee and head of internal audit. Providing the facility for private meetings between the head of internal audit and the audit committee will signal the importance of maintaining the independence of internal audit.

While private meetings between the committee and internal and external audit help to build a trusted relationship, those concerned should always make sure that the meeting is not used as a substitute for escalating governance concerns with responsible officers. The private meeting should always be in accordance with other principles of good practice – non-political and supporting transparent and accountable good governance.

Ensuring there is good support for the committee in agenda planning, minute taking, guidance and communications will help to build member confidence in the committee.

Providing a protocol about access to information that includes provision for co-opted independents will help to ensure clarity for both the committee members and officers. Members need to be confident that they have sight of relevant information in a timely way. There may be operational reasons why information is not immediately available or has to be treated in confidence, but it is important to explain this adequately.

ACCOUNTABILITY AND THE ANNUAL REPORT

CIPFA has recommended that the audit committee should produce an annual report since the 2013 edition of this guidance. In this latest edition, the annual report is given greater prominence and has been included in the Position Statement. The report should be used to provide accountability to those charged with governance on compliance with the Position Statement and performance and provide assurance over the areas within its terms of reference.

The timing of the report will need to take account of whether there will be changes in committee membership – for example, because of elections or rotation of committee members at annual meetings. The conclusions of the report can support the AGS.

It is for the committee chair to prepare the annual report in consultation with the members, although some support may be required to check accuracy or provide supporting information. Developing the report will ensure the committee is better placed for any future policy developments that might expect more from accountability disclosures.

Membership and effectiveness

COMPOSITION AND OPERATION OF THE COMMITTEE

The composition of the committee will be one of the key factors in achieving a good audit committee. Some local government bodies will need to follow specific rules on composition. These are referenced below.

The composition of the audit committee for Welsh local authorities is determined by the Local Government and Elections (Wales) Act 2021, which requires local authority audit committees to have one-third lay members and a lay member as chair. The 2021 Act amended the Local Government Measure 2011, which established that only one of the committee's members may be from the council's executive, and this must not be the leader or the elected mayor.

Combined authorities in England are required to establish an audit committee by the Cities and Local Government Devolution Act 2016. The Act and the subsequent **Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017** require combined authority audit committees to include at least one independent member. The definition of independent is set out in Part 4 of the Order.

The FMCP determined that audit committees in policing must be composed solely of independent members.

POLITICAL BALANCE

One factor that is important for the success of the committee is ensuring a non-political approach to meetings and discussions. Any audit committee that is a properly constituted committee of a local authority will need to abide by the rules concerning political balance, as outlined in Section 15 of the Local Government and Housing Act 1989. When establishing a joint audit committee, the political balance of both authorities will need to be considered.

The **Local Government (Democracy) (Wales) Act 2013** inserted a requirement into the 2011 Measure for the audit committee to be politically balanced. This has not changed as a result of the 2021 Act.

The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 requires the audit committee to be politically balanced, taking into account the constituent councils.

Where the committee is strictly advisory and not subject to other requirements, full council can vote to waive the political balance requirement and specify other criteria to decide who should serve on the committee. For example, the selection of members with relevant knowledge and expertise could be prioritised.

The length of tenure of an elected representative on the committee will be influenced by the need to maintain political balance (if applicable) as well as other factors. In principle, establishing continuity on the committee is helpful to make the best of knowledge and experience. Some

rotation is also helpful to bring in a new perspective. CIPFA would suggest that two full terms on the committee would be a reasonable maximum.

APPOINTING THE CHAIR OF THE COMMITTEE

Unless there is specific legislation or guidance in place on the selection of the committee chair, authorities can determine their own approach. To try and emphasise the independence and apolitical nature of the committee, some authorities specify that the position should be occupied by an 'opposition' member. This approach may be appropriate for some but will not be possible for all authorities – for example, where there are few opposition members.

CO-OPTED INDEPENDENTS

Definition of a co-opted independent or lay member

There are some definitions set out in legislation for some audit committees but not all.

The Local Government and Elections (Wales) Act 2021 defines a lay member as a person who:

- is not a member or an officer of any local authority
- has not been a member or an officer of any local authority in the last 12 months
- is not the spouse or civil partner of a member or officer.

Co-opted independent members of audit committees for combined authorities should be in accordance with the 2017 Order as follows.

- Not a member, co-opted member or officer of the authority.
- Not a member, co-opted member or officer of a parish council in the area of the principal authority.
- Not a relative or close friend of one of the above.
- Not a member, co-opted member or officer of the authority or parish council in the last five years.

There are no statutory definitions of 'independent' for audit committee members in local authorities in England, Scotland or Northern Ireland.

The independent members of the police audit committees in England and Wales must all be independent of the PCC and the force. The FMCP does not define this any further.

Where there is no established definition, authorities are recommended to establish their own policy before commencing recruitment. This will provide clarity to potential candidates and support the independence of the committee. CIPFA would suggest alignment to the combined authority requirements as the basis for a suitable policy.

As long as any requirements are met, it is possible for an individual to be a co-opted member of more than one local government body.

MAKING BEST USE OF INDEPENDENT MEMBERS

There are some potential pitfalls to the use of independent members that should also be borne in mind.

- Over-reliance on the independent members by other committee members in local authorities can lead to a lack of engagement across the full committee.
- A lack of organisational knowledge or 'context' among the independent members when considering risk registers or audit reports.
- Both independent members and officers/staff must try to establish an effective working relationship and appropriate protocols for briefings and access to information.

These factors should be considered when developing the committee structure and plans put in place to provide an appropriate level of support to the audit committee member.

Role descriptions for co-opted independent members

Where the authority is recruiting members to co-opt onto the audit committee, a clear role description should be established. The following areas should be addressed:

- The role of the co-opted independent, including expected time commitment and location of meetings.
- The suggested appointment period and options for renewal (two terms would be a suggested maximum appointment period).
- The definition of 'independent' applicable to the role.
- Any restrictions or conflicts of interest that would make a candidate unsuitable. As the role is non-political and requires working with elected representatives in a local authority, it is recommended that candidates should not be political party members.
- Vetting requirements (particularly for police committee members).
- Desired knowledge, experience and skills.
- Remuneration and expenses.
- The expected conditions of engagement, including adherence to the authority's code of conduct, disclosure of interests, etc.

Consideration should also be given to attracting suitable candidates. While it is up to each authority to decide, authorities may want to consider the following:

- Selecting candidates beyond the local area. If candidates are able and willing to travel to attend the required meetings and supporting activities, then living outside the authority area should not be a barrier to suitability.
- Working with other authorities in the region to promote and support opportunities to be an independent member.
- Advertising nationally or using specialist agencies if professional knowledge and skills are required.
- Promoting the role through means in addition to advertising. For example, a change to the constitution of the audit committee could be part of a wider governance improvement programme that could be publicised locally or through council channels of communication.
- Council orientation and support that will be provided in the role.

- The opportunity for an informal discussion on the role with a senior officer or committee chair.
- Ensuring an easy application process (see below).

Under the combined authorities order, the vacancy must be publicly advertised.

Selection process

The authority's HR team will be able to advise on the process for recruitment. Normal practice in recruitment for non-executive roles such as this will be a CV and supporting letter, and adopting this approach may assist in attracting candidates. This may be a deviation from the process of recruiting a member of staff, however, so early discussion with HR is advised.

The format of selection is for the authority to decide, but inclusion of the current committee chair in some way would be helpful for the candidate.

As well as a formal interview, candidates could be invited to meet the PCC, chief constable or deputy chief constable, senior councillors or officers to emphasise the value of the committee.

Supporting members of the committee

Establishing a training programme and ongoing support for committee members is essential to ensure that they can confidently and effectively discharge their responsibilities. Establishing a budget will ensure that training can be ongoing rather than ad hoc.

Exact needs will depend on the composition of the committee and members' existing knowledge and experience. The following table sets out the core elements.

Development area	Core content	Target audience
Induction – the authority	<p>Introduction to the authority, including:</p> <ul style="list-style-type: none"> • governance structures • plans, strategies and priorities of the authority • local government context. 	Primarily for co-opted independent members who are new to local government/police.
Induction – the audit committee	<ul style="list-style-type: none"> • Terms of reference. • CIPFA Position Statement and guidance. • Key relationships – CFO, head of internal audit, external auditor, committee support. 	All members new to the committee.
Core knowledge areas	<p>Basic knowledge for all areas outlined in the knowledge framework.</p> <ul style="list-style-type: none"> • Good governance and ethical framework • Risk management • Internal controls • Financial management • Value for money • Counter fraud and corruption • Partnerships and collaborations • Assurance framework • Financial reporting • Annual governance statement • Internal audit • External audit • Treasury management (where applicable) • Performance assessment (Wales) (where applicable) 	All members of the committee, tailored appropriately to existing knowledge.
Briefings and guidance	<p>Targeted support for members on:</p> <ul style="list-style-type: none"> • aspects where members need additional support, eg guidance on understanding the financial statements • the development of more in-depth knowledge and understanding • ad hoc briefings on new developments in the sector (for example CIPFA's audit committee update resource, horizon scanning updates from external auditors, etc) • updates on new developments or changes at the authority. 	<p>All members.</p> <p>Co-opted independent members.</p>
Webinars, training and networking events	<ul style="list-style-type: none"> • Attending relevant webinars or events to develop more in-depth knowledge or updates. • Networking and sharing with audit committee members in other authorities to learn from others and build a network of support. • A range of formal events and webinars are available from a range of providers, eg regional forums. 	Chairs and all members

Training needs analysis

It is helpful to undertake an analysis of training needs to identify which areas should be prioritised for training and support. Some of the core areas involve technical standards and are complex – for example, financial reporting, audit quality and treasury management. These will need regular attention to maintain committee effectiveness.

The knowledge framework can help with a training needs analysis. It can be done at any point, but the annual assessment should reflect on whether the analysis is up to date and the planned programme of support sufficient to address the priority areas.

Impact and effectiveness

To develop the committee and provide assurance via the annual report, it is recommended that the committee is supported in a self-assessment. Alternatively, an independent review can be undertaken.

The appendices provide resources to support self-assessment and to encourage reflection on the impact that the committee has.

CIPFA has identified key indicators to inform the performance review of the audit committee. These indicators are all aspects of governance, risk, control and audit that are within the audit committee's scope of influence. While they are not solely within the control of the audit committee, weakness in these areas could indicate that the audit committee is failing to have sufficient impact.

Problem solving

Where self-assessment indicates problems, or where those interacting with the committee report it to be under-performing, swift diagnosis and action should be planned. Appendix D highlights some areas of difficulty the committee might experience. Usually, problems arise because of misapprehension of the committee's role or inadequate training or support. Occasionally, behaviours from individual members can also contribute. These issues may be more difficult to resolve, especially if they are symptomatic of wider governance problems in the authority.

Significant weakness in the audit committee is likely to be highlighted by the external auditor as part of their governance review or as part of a peer review.

APPENDIX A

Sector and devolved government guidance

PART 1: COMPARISON OF SECTOR AND DEVOLVED GOVERNMENT REGULATIONS AND GUIDANCE ON KEY AREAS RELATING TO AUDIT COMMITTEES

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specific legislation or statutory guidance	<u>Cities and Local Government Devolution Act 2016.</u> <u>Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.</u>	<u>Local Government (Wales) Measure 2011</u> as amended by the <u>Local Government (Democracy) (Wales) Act 2013.</u> <u>Local Government and Elections (Wales) Act 2021.</u>	<u>Financial Management Code of Practice for the Police Forces of England and Wales (FMCP)</u> (Home Office, 2018).	Not applicable
Establishment of an audit committee	Required	Required	Required It is recommended that this should be a combined body for both PCC and chief constable.	No guidance
Composition of the audit committee	Committees must have at least one independent person as defined by guidance. The committee should reflect the political balance of the constituent authorities as far as is reasonably practical. The committee may not include an officer of the combined authority or a constituent council.	The committee must have lay persons comprise one-third of its members. The member appointed as the committee chair must be a lay person. The deputy chair must not be a member of the executive or an assistant to its executive. The committee must be politically balanced.	Police audit committees should comprise between three and five members who are independent of the PCC and the force.	No guidance

Guidance area	England (combined authorities)	Wales (local authorities and corporate joint committees)	England and Wales Police	England, Northern Ireland and Scotland (local authorities)
Specified functions of the audit committee	<p>Review and scrutinise the authority's financial affairs.</p> <p>Review and assess the authority's risk management, internal control and corporate governance arrangements.</p> <p>Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions.</p> <p>Make reports and recommendations to the combined authority.</p>	<p>Review and scrutinise the authority's financial affairs.</p> <p>Make reports and recommendations in relation to the authority's financial affairs.</p> <p>Review and assess the risk management, internal control, performance assessment and corporate governance arrangements of the authority.</p> <p>Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements.</p> <p>Review and assess the authority's ability to handle complaints effectively.</p> <p>Make reports and recommendations on the authority's ability to handle complaints effectively.</p> <p>Oversee the authority's internal and external audit arrangements.</p> <p>Review the financial statements prepared by the authority.</p>	<p>Consider the internal and external audit reports of both the PCC and the chief constable.</p> <p>Advise the PCC and the chief constable according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices.</p>	No guidance
Responsibilities of the audit committee in relation to external audit	No guidance	Oversee external audit arrangements.	Review external audit reports.	No guidance

PART 2: GOVERNMENT GUIDANCE BY SECTOR AND DEVOLVED GOVERNMENT ON MATTERS THAT MAY BE INCLUDED IN AUDIT COMMITTEE TERMS OF REFERENCE

Accounts and audit regulations are statutory instruments issued by the UK or devolved governments. The various regulations impose requirements on 'relevant bodies' – eg a local authority, fire and rescue authority or police body – in relation to governance, internal control, financial reporting and internal audit.

The accounts and audit regulations do not specify that these requirements must be met by an audit committee. However, where it is the audit committee of a relevant body that undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

The following is a link for each sector and/or region and the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic updates by the appropriate government body, and audit committee members should be made aware of any changes by their organisation.

Local authorities in England (including combined authorities and fire and rescue authorities)	
Relevant government guidance	<u>Accounts and Audit (England) Regulations 2015</u>
Local authorities in Wales	
Relevant government guidance	<u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u>
Local authorities in Scotland	
Relevant government guidance	<u>Local Authority Accounts (Scotland) Regulations 2014</u>
Local authorities in Northern Ireland	
Relevant government guidance	<u>Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015</u>
Police in England	
Relevant government guidance	<u>Accounts and Audit (England) Regulations 2015</u> (see also the statutory guidance <u>Financial Management Code of Practice for the Police Forces of England and Wales</u> (FMCP) (Home Office, 2018))
Police in Wales	
Relevant government guidance	<u>Accounts and Audit Regulations (Wales) 2014</u> and the <u>Accounts and Audit (Wales) (Amendment) Regulations 2018</u> (see also the <u>FMCP</u>)

Financial reporting deadlines

Amendments affecting the timetables for financial and governance reporting have been introduced to allow for difficulties caused by the COVID-19 pandemic, and in England, difficulties with local audit. Committee members are advised to check the latest positions.

APPENDIX B1

Suggested terms of reference – local authority

INTRODUCTION

This appendix contains suggested terms of reference for local authorities.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance [or *insert appropriate governing body*] that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider additional commissions of work from external audit.

- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).

- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the **CIPFA Position Statement**.

APPENDIX B2

Suggested terms of reference – police

INTRODUCTION

This appendix contains suggested terms of reference for the audit committee of the PCC and chief constable. The police audit committee must ensure that its terms of reference are in accordance with the FMCP (Home Office, 2018) and remain an advisory body.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account. Appendix A sets out these requirements. Additional functions should be included where required.

Where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. The audit committee's terms of reference and the audit charter should align.

SUGGESTED TERMS OF REFERENCE – AUDIT COMMITTEE OF THE PCC AND CHIEF CONSTABLE

Governance

The terms of reference should set out the committee's position as an advisory committee to support the PCC and chief constable.

Statement of purpose

The committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over governance risk and control gives greater confidence to the PCC and chief constable that those arrangements are effective.

The committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the OPCC and force.

- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's **Financial Management Code**.
- To consider the OPCC's and force's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the OPCC and force from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the AGS prior to approval by the PCC and chief constable and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statements of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's reports to the PCC and the chief constable on issues arising from the audit of the accounts.

Arrangements for audit and assurance

To consider the OPCC's and force's framework of assurance and ensure that it adequately addresses their risks and priorities.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the auditor panel as appropriate.
- To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.

- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To advise on commissions of additional work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To recommend for approval the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To consider significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to recommend and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the QAIP
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the OPCC or force, or where there are concerns about progress with the implementation of agreed actions.

- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations (see Appendix A).
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to the PCC and chief constable on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to the PCC and chief constable on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

APPENDIX C

Audit committee members – knowledge and skills framework

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<ul style="list-style-type: none"> An overview of the authority's governance structures and decision-making processes. Knowledge of the organisational objectives and major functions of the authority. 	<ul style="list-style-type: none"> This knowledge will be core to most of the audit committee's activities, including the AGS review, internal and external audit reports and risk registers.
Audit committee role and functions	<ul style="list-style-type: none"> An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee. 	<ul style="list-style-type: none"> This knowledge will enable the audit committee to prioritise its work to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others. It will help the committee undertake a self-assessment and prepare its annual report.
Governance	<ul style="list-style-type: none"> Knowledge of the seven principles as outlined in <u>Delivering Good Governance in Local Government: Framework</u> (CIPFA/Solace, 2016). The requirements of the AGS. How the principles of governance are implemented locally as set out in the local code of governance. 	<ul style="list-style-type: none"> The committee will review the local code of governance and consider how governance arrangements align to the principles in the Framework. The committee will plan the assurances it is to receive to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance. The committee will receive audit reports and information on risks relating to governance.

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit	<ul style="list-style-type: none"> An awareness of the key principles of the PSIAS and the LGAN. Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter. How the role of the head of internal audit is fulfilled. Details of the most recent external assessment and level of conformance with the standards. Internal audit's strategy, plan and most recent annual opinion. 	<ul style="list-style-type: none"> The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards. The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards. In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed. The audit committee chair is likely to be interviewed as part of the external quality assessment, and the committee will receive the outcome of the assessment and action plan.
Financial management and financial reporting	<ul style="list-style-type: none"> Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. An understanding of good financial management practice as set out in the CIPFA <u>Financial Management Code</u> (FM Code) and the level of compliance with it. Knowledge of how the organisation meets the requirements of the role of the CFO as required by <u>The Role of the Chief Financial Officer in Local Government</u> (CIPFA, 2016) and <u>The Role of CFOs in Policing</u> (2021). An overview of the principal financial risks the authority faces. 	<ul style="list-style-type: none"> Reviewing the financial statements prior to publication, asking questions. Receiving the external audit report and opinion on the financial audit. Reviewing both external and internal audit recommendations relating to financial management and controls. The audit committee should consider compliance with the FM Code and the role of the CFO and how this is met when reviewing the AGS.
External audit	<ul style="list-style-type: none"> Knowledge of the role and functions of the external auditor and who currently undertakes this role. Knowledge of the key reports and assurances that external audit will provide. Familiarity with the auditor's most recent plan and the opinion reports. Knowledge about arrangements for the appointment of auditors and quality management undertaken. 	<ul style="list-style-type: none"> The audit committee will meet with the external auditor regularly and receive their reports and opinions. Monitoring external audit recommendations and maximising the benefit from the audit process. The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management	<ul style="list-style-type: none"> Understanding of the principles of risk management, including how it supports good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee. Knowledge of the current risk maturity of the organisation and any key areas of improvement. 	<ul style="list-style-type: none"> In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements. Awareness of the major risks the authority faces is necessary to support the review of several audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee. The committee should also review reports and action plans to develop the application of risk management practice.
Counter fraud	<ul style="list-style-type: none"> An understanding of the main areas of fraud and corruption risk that the organisation is exposed to. Knowledge of the principles of good fraud risk management practice in accordance with the <u>Code of Practice on Managing the Risk of Fraud and Corruption</u> (CIPFA, 2014). Knowledge of the organisation's arrangements for tackling fraud. 	<ul style="list-style-type: none"> Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. An assessment of arrangements should support the AGS, and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.
Values of good governance	<ul style="list-style-type: none"> Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct). Knowledge of the whistleblowing arrangements in the authority. 	<ul style="list-style-type: none"> The audit committee member will draw on this knowledge when reviewing governance issues and the AGS. Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<ul style="list-style-type: none"> <u>Effective Scrutiny of Treasury Management</u> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> regulatory requirements treasury risks the organisation's treasury management strategy the organisation's policies and procedures in relation to treasury management. <p>See also <u>Treasure your assets</u> (Centre for Governance and Scrutiny, 2017).</p>	<ul style="list-style-type: none"> Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

More specialist knowledge will add value to the committee, helping to ensure the committee is able to achieve a greater depth of understanding. Including members with specialist knowledge means there is an additional resource to support other members. Specialist knowledge may be demonstrated by professional qualification and prior work experience.

When reviewing the overall knowledge of audit committee members or when planning the appointment of co-opted independent members, it is helpful to look for opportunities to include the following specialisms:

- Accountancy, with experience of financial reporting
- Internal auditing
- Risk management
- Governance and legal
- Expert service knowledge relevant for the organisation
- IT systems and security

CORE SKILLS

As well as technical knowledge, the following skills will enhance an audit committee member's aptitude to be on the committee.

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	Able to focus on material issues and the overall position rather than being side tracked by detail.	When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail.
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding.	The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found.
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility.	The audit committee's outcome will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, the audit committee should seek assurances that appropriate action has been taken.
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The audit committee should seek assurances that planned actions are practical and realistic.
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc.	The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience.
Objectivity	Evaluate information based on evidence presented, avoiding bias or subjectivity.	The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses, and the committee member will need to weigh up differing views.
Meeting management skills	Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting.	These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.

APPENDIX D

Problem-solving difficulties with the audit committee

It is not uncommon for audit committees to face difficulties or barriers in fulfilling their potential effectiveness. Some of these may be common issues that audit committees in any sector may face; others may be unique to the local authority or police setting. The following assessment may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges.

Areas of difficulty	Possible causes	Possible improvement options
Lack of experience and continuity of knowledge among audit committee members.	<ul style="list-style-type: none"> Where turnover of membership is very frequent, it will be difficult for the committee to build up experience. 	<ul style="list-style-type: none"> Enhanced level of support and training to members will be required. To enhance continuity, the authority should consider recruitment of independent members.
Audit committee members do not feel confident in their knowledge of particular areas.	<ul style="list-style-type: none"> Lack of training and support. 	<ul style="list-style-type: none"> Enhanced level of support and training to members.
Independent members lack knowledge of the organisation and lack connections with key managers.	<ul style="list-style-type: none"> Poor induction. Limited opportunities to engage with the organisation outside of formal meetings. 	<ul style="list-style-type: none"> Improve induction. Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding.
Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion.	<ul style="list-style-type: none"> Lack of experience or skill in managing meetings by the chair. Committee members are unsure about their role. Poor support from the committee secretary. 	<ul style="list-style-type: none"> Training and support. Develop a mentoring/coaching programme. Chair seeks feedback from meeting participants. Consider skills and experience in the selection of the chair. Provide training and guidance to committee members on their role. Improve committee support.
The audit committee spends too much time on minor details rather than underlying arrangements of governance, risk and control.	<ul style="list-style-type: none"> Agenda management fails to prioritise key areas. The chair does not intervene to keep the focus at an appropriate level. 	<ul style="list-style-type: none"> Review the process of agenda development. Review the terms of reference and provide training. The chair seeks feedback from meeting participants. Provide the chair with committee management training.

Areas of difficulty	Possible causes	Possible improvement options
The committee lacks focus, and members struggle to gain an overall understanding of their remit.	<ul style="list-style-type: none"> Committee members have a range of objectives rather than focusing on governance, risk, control and audit matters. The committee is too large or lacks continuity because of regular attendance by substitutes. Infrequent attendance by senior officers. 	<ul style="list-style-type: none"> Training and emphasis on the non-political and strategic focus of the committee. Reform of the committee structure to reduce membership and remove use of substitutes.
Senior officers do not understand the work of the committee and are not sighted on its output.	<ul style="list-style-type: none"> The audit committee fails to engage with other committees in the authority. Attendance is often limited to the CFO and the head of internal audit. 	<ul style="list-style-type: none"> Expand attendance at audit committee meetings – for example, invite heads of service when major risks or control issues are being discussed – and share the CIPFA guidance (FAQs) more widely.
Elected representatives not directly involved with the committee have little understanding of its work and do not see its output.	<ul style="list-style-type: none"> Committee recommendations are not directed to appropriate member bodies. Reporting arrangements are not effective. Wider induction arrangements do not cover the audit committee. 	<ul style="list-style-type: none"> Invite newly elected members to attend audit committee meetings. Review reporting and accountability arrangements. Prepare an annual report that sets out how the committee has fulfilled its responsibilities. Share the CIPFA guidance (FAQs).
Recommendations made by the audit committee are not actioned.	<ul style="list-style-type: none"> A poor relationship between the committee and the executive or senior officers. The audit committee's recommendations are not adequately aligned to organisational objectives. 	<ul style="list-style-type: none"> A senior officer provides internal facilitation to support improved relationships. Improve knowledge and skills among audit committee members. Ensure better engagement with appropriate managers or the executive at an earlier stage.
The audit committee fails to make recommendations or follow up on issues of concern.	<ul style="list-style-type: none"> A weak or inexperienced chair. Members are inexperienced or do not fully understand their role. Poor briefing arrangements prior to meetings. Committee reports fail to adequately identify the action required by the committee. 	<ul style="list-style-type: none"> Provide guidance and support. Improve briefing to the chair prior to the meeting. Ensure reports contain clear recommendations.
The audit committee strays beyond its terms of reference – for example, undertaking a scrutiny role.	<ul style="list-style-type: none"> The terms of reference do not adequately scope the work of the committee. Misunderstanding about the role of the committee. Inadequate guidance from the committee secretary to the chair on its role. 	<ul style="list-style-type: none"> Review the terms of reference and provide training and guidance.

Areas of difficulty	Possible causes	Possible improvement options
Political points of view interfere with the work of the audit committee.	<ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Difficulty separating the work of the committee from the wider politics of authority. 	<ul style="list-style-type: none"> • Seek feedback from those interacting with the committee or external assessment. • Provide support or training for the chair. • Consider the role of independent members.
A breakdown in the relationship between committee members and the executive, PCC or chief constable/deputy chief constable, or with senior management.	<ul style="list-style-type: none"> • A lack of understanding about the role of the committee. • Differing perceptions on the value of the committee • Personality clashes. 	<ul style="list-style-type: none"> • Review the terms of reference and provide training and guidance. • A senior officer provides internal facilitation to support improved relationships. • Seek an external assessment or facilitation. • Change the chair or membership if the constitution or opportunity arises.

APPENDIX E

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 					
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• A size that is not unwieldy and avoids use of substitutes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22 Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23 Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subtotal score	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Total score					
Maximum possible score					200**

** 40 questions/sub-questions multiplied by five.

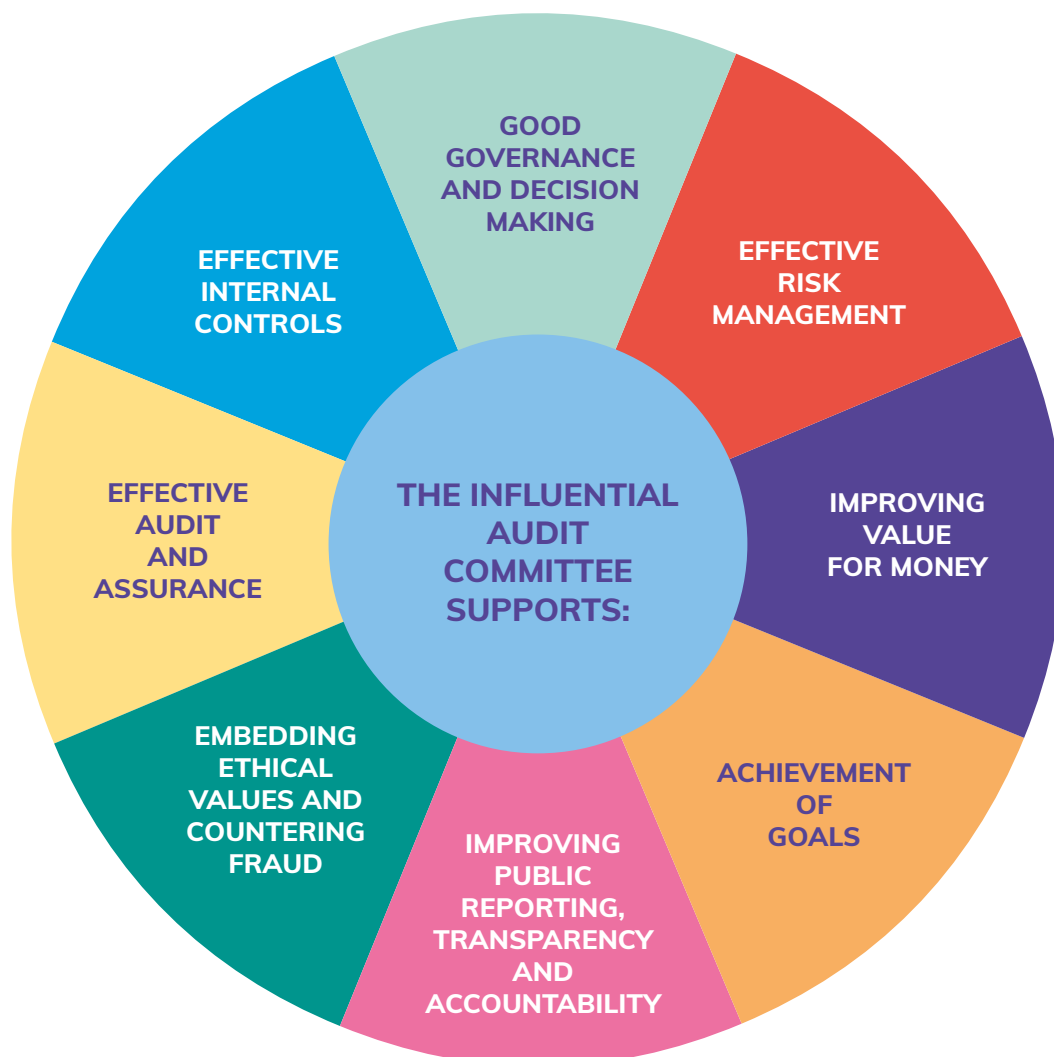
APPENDIX F

Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

Figure 1: The influential audit committee



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting the principles of good governance and their application to decision making.	<ul style="list-style-type: none"> Supporting the development of a local code of governance. Providing a robust review of the AGS and the assurances underpinning it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. Local arrangements for governance have been clearly set out in an up-to-date local code. The authority's scrutiny arrangements are forward looking and constructive. Appropriate governance arrangements established for all collaborations and arm's-length arrangements. The head of internal audit's annual opinion on governance is satisfactory (or similar wording). 	
Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> Encouraging ownership of the internal control framework by appropriate managers. Actively monitoring the implementation of recommendations from auditors. Raising significant concerns over controls with appropriate senior managers. 	<ul style="list-style-type: none"> The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement. 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking. Monitoring improvements to risk management. Reviewing accountability of risk owners for major/ strategic risks. 	<ul style="list-style-type: none"> A robust process for managing risk is evidenced by independent assurance from internal audit or external review. 	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> Reviewing the adequacy of the leadership team's assurance framework. Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit. 	<ul style="list-style-type: none"> The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies. 	
Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> Reviewing and supporting external audit arrangements with focus on independence and quality. Providing good engagement on external audit plans and reports. Supporting the implementation of audit recommendations. 	<ul style="list-style-type: none"> The quality of liaison between external audit and the authority is satisfactory. The auditors deliver in accordance with their audit plan and any amendments are well explained. An audit of high quality is delivered. 	
Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<ul style="list-style-type: none"> Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. Actively supporting the quality assurance and improvement programme of internal audit. 	<ul style="list-style-type: none"> Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <u>Statement on the Role of the Head of Internal Audit</u> (2019). 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory. 	
Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> • Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. 	<ul style="list-style-type: none"> • External audit's assessments of arrangements to support best value are satisfactory. 	
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements. 	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<ul style="list-style-type: none"> Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it. Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. Publishing an annual report from the committee. 	<ul style="list-style-type: none"> The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion. The authority has published its financial statements and AGS in accordance with statutory guidelines. The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements. 	

OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.

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10/2022

AUDIT COMMITTEE SELF-ASSESSMENT QUESTIONNAIRE

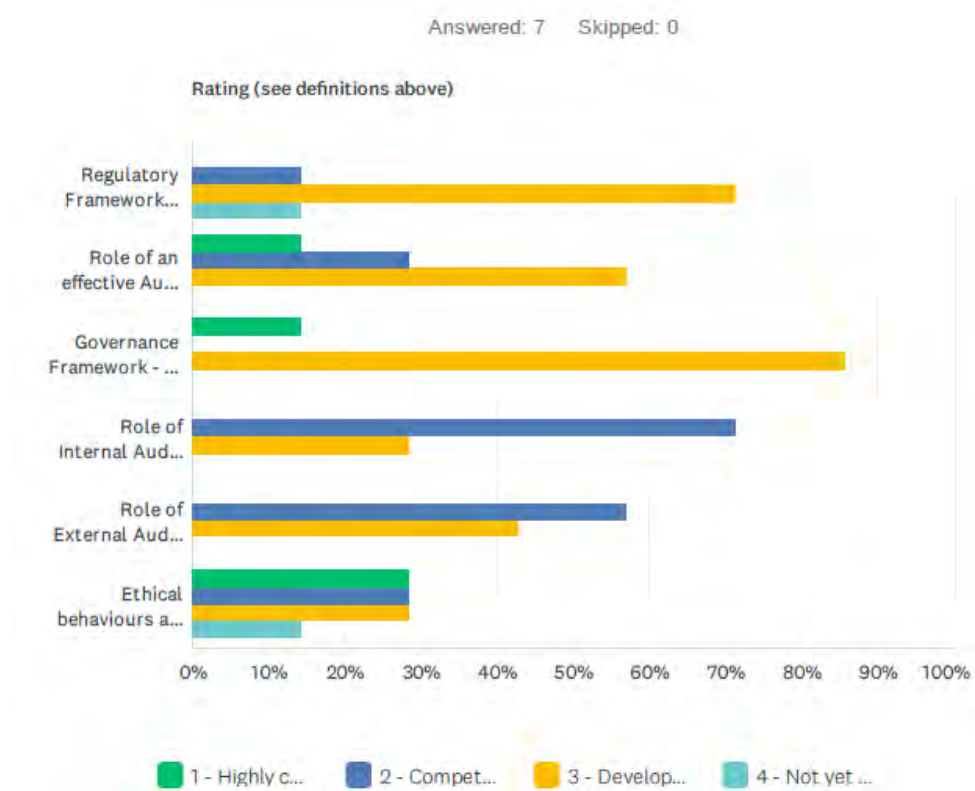
Ref.	Statement	1 – Strongly Disagree	2	3	4	5 – Strongly Agree
1	Goals or Purpose of Committee					
A	All committee members understand the goals and purpose of our committee.					
B	The committee members agree on the goals and purpose of the committee.					
C	There is alignment between our goals and purpose and the actions taken and/or the decisions made by the committee.					
2	Support for the Committee					
A	Our committee has adequate resources (for example, budget, people) to support its function					
B	Our committee has the respect and support of key stakeholders within our organization.					
3	Time and Location of Meetings					
A	Our meetings are held regularly and with appropriate frequency.					
B	Our meetings begin and end as scheduled.					
C	The length of our meetings is appropriate and respectful of the agenda.					
D	We receive the meeting agenda and materials in advance of the meeting to allow for appropriate review and preparation.					
E	We consistently use our meeting time well. Issues get the time and attention proportionate to their importance.					
F	The location where our meetings are held is conducive to positive group interaction and discussion.					
4	Attendance					
A	Attendance at our meetings is consistent and members arrive on time.					
B	Attendance at our meetings is evaluated as a criterion for continued membership on the committee.					
5	Recording / Minutes					

AUDIT COMMITTEE SELF-ASSESSMENT QUESTIONNAIRE

A	The minutes of our meetings are accurate and reflect the discussion, next steps and/or action items articulated by the members.					
6	Membership					
A	Our membership represents the talent and skill set required to fulfil the goals and purpose of the committee					
B	Our members treat each other with respect and courtesy.					
C	Our members come to meetings prepared and ready to contribute.					
D	As a general rule, when I speak I feel listened to and that my comments are valued.					
7	General Comments					
A	What works well in the meetings					
B	What I would like to see improve at our meetings					
C	What areas should the committee focus on in the future?					

Audit Committee Skills Survey

Governance



Rating (see definitions above)					
	1 - HIGHLY COMPETENT	2 - COMPETENT	3 - DEVELOPING	4 - NOT YET DEVELOPED	TOTAL
Regulatory Framework (Statutory background and constitution) - Outline of regulatory guidance tailored to the arrangements at the Council	0.00% 0	14.29% 1	71.43% 5	14.29% 1	7
Role of an effective Audit Committee -An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements	14.29% 1	28.57% 2	57.14% 4	0.00% 0	7
Governance Framework - An overview of the governance structures of the authority and decision-making processes. Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the Annual Governance Statement	14.29% 1	0.00% 0	85.71% 6	0.00% 0	7
Role of Internal Audit - The guidance that directs the work of internal audit (PSIAS and IIA) and practical experience of understanding the role and purpose of Internal Audit	0.00% 0	71.43% 5	28.57% 2	0.00% 0	7
Role of External Audit - The guidance that directs the work of external audit (International Accounting Standards) and practical experience of understanding the role and purpose of External Audit	0.00% 0	57.14% 4	42.86% 3	0.00% 0	7
Ethical behaviours and Nolan principles - Ethical framework guidance that applies to all in public life and how to apply these behaviours	28.57% 2	28.57% 2	28.57% 2	14.29% 1	7

Audit Committee Skills Survey cont'd

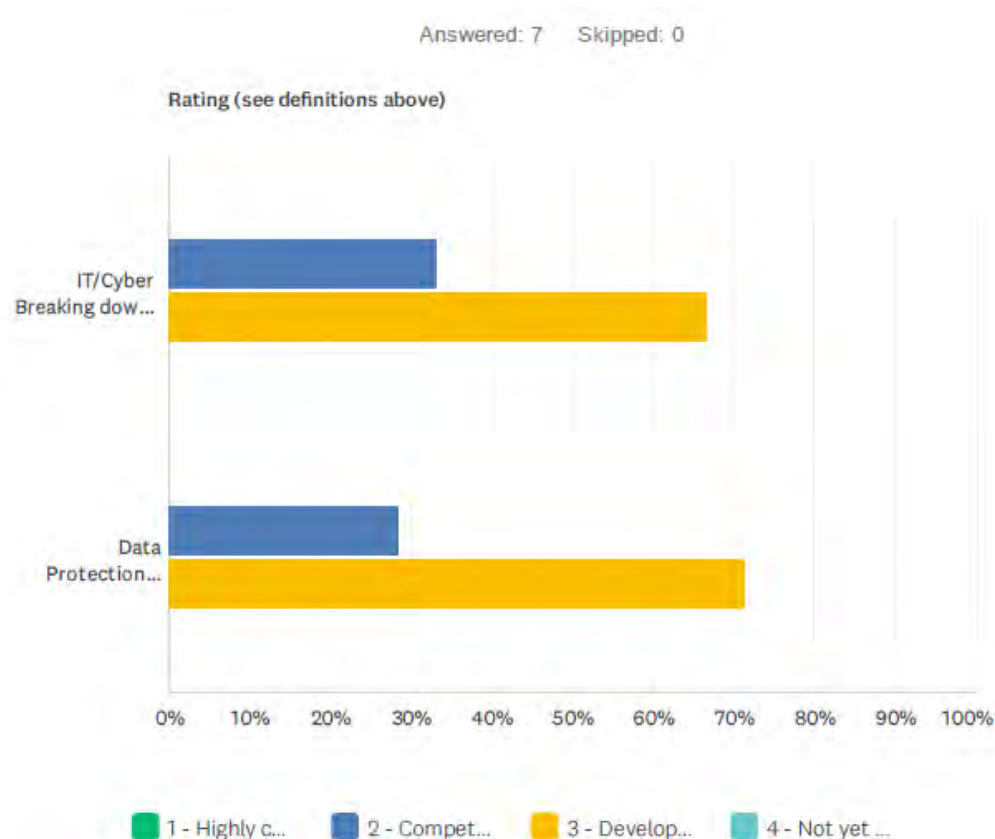
Finance



Rating (see definitions above)					
	1 - HIGHLY COMPETENT	2 - COMPETENT	3 - DEVELOPING	4 - NOT YET DEVELOPED	TOTAL
Risk Management Outlining the purpose of risk management, how it should be applied, how it is applied at the Council and how to interpret the information you receive	0.00% 0	57.14% 4	42.86% 3	0.00% 0	7
Procurement and Contract Procedure Rules Outlining legislative requirements of procurement and contract rules and how these are expected to be applied at the Council	0.00% 0	28.57% 2	57.14% 4	14.29% 1	7
Finance and Budgetary Control Outlining the financial procedure rules of the Council and how arrangements operate at the Council	14.29% 1	42.86% 3	42.86% 3	0.00% 0	7
Fraud Awareness An overview of the indicators and types of fraud that exist within the sector and how to create a counter fraud culture	0.00% 0	57.14% 4	42.86% 3	0.00% 0	7
Treasury Management Legal and guidance rules around treasury management and the arrangements at the Council	14.29% 1	42.86% 3	42.86% 3	0.00% 0	7

Audit Committee Skills Survey cont'd

Other



Rating (see definitions above)					
	1 - HIGHLY COMPETENT	2 - COMPETENT	3 - DEVELOPING	4 - NOT YET DEVELOPED	TOTAL
IT/Cyber Breaking down a complex technical area to support the scrutiny of Members and to understand the current landscape of IT/cyber considerations	0.00% 0	33.33% 2	66.67% 4	0.00% 0	6
Data Protection Breaking down a complex technical area to support the scrutiny of Members and to understand the current landscape of data considerations	0.00% 0	28.57% 2	71.43% 5	0.00% 0	7

Q5 Please list any other relevant skills you think you have for this committee and give yourself a rating against that area. Please use the same rating scale of 'highly competent', 'competent', 'developing' or 'not yet developed'

Answered: 5 Skipped: 2

#	RESPONSES	DATE
1	Long career in HMRC so fully familiar with Risk, Internal and External Audit , financial management etc processes, but I am still coming to grips with how these processes are applied in the WFDC setting. So using your definition I would assess at ' developing'.	2/9/2024 11:06 AM
2	I have audited whole hospitals in the past both educationally and clinically. Looking at their governance framework I was regular auditor for the University where I worked of the public and private sector student placements. I have had to audit ward drugs and legislation and compliance. I also passed my auditing component of my Masters course. I had to develop audit tools for measuring all aspects of the working environment. I also taught the principles of auditing including educational audits .	2/8/2024 8:39 PM
3	I spent my working life as an accountant so, although out of date, have some idea of the relevance of the committee.	1/31/2024 6:58 PM
4	I have chaired the audit committee at WCC for the last seven years and have developed a good round understanding of all areas	1/30/2024 7:16 PM
5	I am now retired but during my working life. I was closely involved with Internal Audit so I would rate myself as competent.	1/29/2024 6:27 PM

Proposed Audit Committee Training Programme 2024-25

Meeting Date	Subject	Presenter
20 th May 2024 – Pre Committee meeting in Council Chamber at 5pm	How to be an Effective Audit Committee - External Auditors perspective on role of Audit Committee Members	External Audit
24 th July 2024 Pre Committee meeting in Council Chamber at 5pm	Governance Framework Including The Regulatory Framework (Statutory background and the Constitution including terms of reference)	Monitoring Officer
26 th September 2024 Pre Committee meeting in Council Chamber at 5pm	Procurement and Contract Procedure Rules	West Mercia Police – Procurement lead
October 2024 date TBC Remote on Zoom at 4pm	Introduction to Treasury Management part 1 and latest market update	Link Group Dragan Karajic
27 th November 2024 Pre Committee meeting in Council Chamber at 5pm	Finance and Budgetary Control	Deputy s151 Officer
January 2025 date TBC Remote on Zoom at 4pm	Introduction to Treasury Management part 1 and latest market update	Link Group Dragan Karajic
26 th March 2025 Pre Committee meeting in Council Chamber at 5pm	Fraud Awareness	Internal Audit
iLearn	ICT/Cyber security	
iLearn	Data Protection	