

Open

# Audit Committee

## Agenda

6.00 pm  
Monday, 12th December 2011  
The Earl Baldwin Suite  
Duke House  
Clensmore Street  
Kidderminster



## Audit Committee

### Members of Committee:

	<b>Chairman: Councillor J Holden</b>
	<b>Vice-Chairman: Councillor M A Salter</b>
<b>Councillor G W Ballinger</b>	<b>Councillor P Dyke</b>
<b>Councillor J A Hart</b>	<b>Councillor M B Kelly</b>
<b>Councillor K H Prosser</b>	<b>Councillor C Rogers</b>

### Information for Members of the Public:

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

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

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

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

Information which is subject to any obligation of confidentiality.

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

### Declarations of Interest - Guidance Note

#### Code of Conduct

Members are reminded that under the Code of Conduct it is the responsibility of individual Members to declare any personal or personal and prejudicial interest in any item on this agenda. A Member who declares a personal interest may take part in the meeting and vote, unless the interest is also prejudicial. If the interest is prejudicial, as defined in the Code, the Member must leave the room. However, Members with a prejudicial interest can still participate if a prescribed exception applies or a dispensation has been granted.

#### Section 106 of the Local Government Finance Act 1992

If any Member is two months or more in arrears with a Council Tax payment, they may not vote on any matter which might affect the calculation of the Council Tax, any limitation of it, its administration or related penalties or enforcement.

### For further information:

If you have any queries about this Agenda or require any details of background papers, further documents or information you should contact Sue Saunders, Committee/Scrutiny Officer, Civic Centre, Stourport-on-Severn. Telephone: 01562 732733 or email [susan.saunders@wyreforestdc.gov.uk](mailto:susan.saunders@wyreforestdc.gov.uk)

Wyre Forest District Council

Audit Committee

Monday, 12th December 2011

The Earl Baldwin Suite, Duke House, Clensmore Street, Kidderminster

Part 1

Open to the press and public

<b>Agenda item</b>	<b>Subject</b>	<b>Page Number</b>
<b>1.</b>	<b>Apologies for Absence</b>	
<b>2.</b>	<b>Appointment of Substitute Members</b>  To receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Director of Legal & Corporate Services, together with the name of the Councillor for whom he/she is acting.	
<b>3.</b>	<b>Declarations of Interest</b>  In accordance with the Code of Conduct, to invite Members to declare the existence and nature of any personal or personal and prejudicial interests in the following agenda items. Members should indicate the action they will be taking when the item is considered.  Members are also invited to make any declaration in relation to Section 106 of the Local Government Finance Act 1992.  (See guidance note on cover.)	
<b>4.</b>	<b>Minutes</b>  To confirm as a correct record the Minutes of the meeting held on the 29th September 2011.	5
<b>5.</b>	<b>Annual Audit Letter Wyre Forest District Council 2010/11</b>  To receive a report from the Audit Commission that summarises the findings from the 2010/11 audit.	9
<b>6.</b>	<b>Internal Audit Monitoring Report Quarter Ended 30<sup>th</sup> September 2011</b>  To receive a report from the S151 Officer that informs members of the Internal Audit Monitoring Report for the Quarter ended 30 <sup>th</sup> September 2011, attached as Appendix 1.	25

7.	<p><b>External Funding Position Statement – Quarters 1 and 2 : 2011/12</b></p> <p>To receive a report from the Director of Planning and Regulatory Services that provides an update on the amount of external funding being attracted into the District during Quarters 1 and 2 of the 2011/12 financial year; and the variety of projects for which the funding is contributing towards for the benefit of the District and its residents.</p>	39
8.	<p><b>To consider any other business, details of which have been communicated to the Director of Legal and Corporate Services before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</b></p>	
9.	<p><b>Exclusion of the Press and Public</b></p> <p>To consider passing the following resolution:</p> <p>“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”.</p>	

Part 2

Not open to the Press and Public

10.	<p><b>To consider any other business, details of which have been communicated to the Director of Legal and Corporate Services before the commencement of the meeting, which the Chairman by reason of special circumstances considers to be of so urgent a nature that it cannot wait until the next meeting.</b></p>	
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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

THE EARL BALDWIN SUITE, DUKE HOUSE, CLENSMORE STREET,  
KIDDERMINSTER

29TH SEPTEMBER 2011 (6.00 PM)

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**Present:**

Councillors: J Holden (Chairman), M A Salter (Vice-Chairman), M Ahmed, G W Ballinger, P Dyke, J A Hart, C Rogers and S J Williams.

**Observers:**

Councillor J A Shaw.

**AUD.12 Apologies for Absence**

Apologies for absence were received from Councillors M B Kelly and K H Prosser.

**AUD.13 Appointment of Substitutes**

Councillor M Ahmed was appointed as a substitute for Councillor M B Kelly. Councillor S J Williams was appointed as a substitute for Councillor K H Prosser.

**AUD.14 Declaration of Interests**

No declarations of interest were made.

**AUD.15 Minutes**

**Agreed: The minutes of the meeting held on 29th June 2011 be confirmed as a correct record of the meeting and signed by the Chairman, subject to a word change in point 1 of the decision relating to minute number AUD.10. The word should read certified and not approved.**

**AUD.16 Annual Governance Report External Audit**

The Committee received a report from the Audit Commission which detailed the findings of the audit of accounts for 2010/11.

The District Auditor presented her report and congratulated the Finance team on their efforts. The report gave an unqualified opinion on statements and arrangements for securing Value for Money. Moreover, it had been a difficult 12 months especially in view of the International Financial Reporting Standards (IFRS) being fully implemented.

Members were advised that although not an error, it had been identified that the accounts had been amended to reflect a change in how public sector pensions were to be recorded. It was noted that this would have no impact on the gross or net expenditure.

## Agenda Item No. 4

The District Auditor advised that if and when the Council received money back from the Kaupthing, Singer & Friedlander investment, this would go into capital.

In response to a Members' question, it was confirmed that the potential impairment of around £1.85m on the Landsbanki investment if preferential status is not maintained, had not been reflected in the accounts other than as a note. The Council had won their legal case in May 2011 and an appeal had been lodged on 14/15<sup>th</sup> September 2011 and the result had not yet been declared by the courts. These results were expected to be received week commencing 10<sup>th</sup> October 2011. If the Council retained its preferred status, it could expect to receive 95% of the money back but if the status was lost then it was believed that approximately 35% of the investment would be received.

In relation to the Value for Money criteria there were now only two criteria and taking into account the challenging times the Council faced in the future, there appeared to be sound arrangements for budgeting reporting.

The District Auditor concluded that the disclosures on the financial statements were appropriate and the accounts were fair.

In response to a Members' question, the District Auditor advised that the Council were the second highest spending authority in Worcestershire.

The Committee congratulated the Finance team on their performance.

**Decision: The information be noted.**

### **AUD.17 Statement of Accounts 2010/11**

The Committee considered a report from the Director of Resources and the Financial Services Manager on the Statement of Accounts 2010/11 following changes required by the Audit Commission as a result of their audit and considered and approved the letter of representation in respect of the audit for 2010/11 audit year. All Audit Committee members had been emailed the full Statement of Accounts and all attendees at the meeting were provided with a paper copy.

Members were informed that some adjustments had been made to the balance sheet and these had been identified in appendix 1 of the report. In addition, the Director of Resources asked Members to note an additional item that should have been included in the table in Appendix 1 - Agreed Audit Adjustments. This was a correction in relation to an adjustment for unfunded pensions benefits of £1,684k made very early in the audit process. The correction changed both the income and expenditure of the Corporate and Democratic Core and had no overall impact on the accounts but should be noted due to its materiality.

In response to a question, the Director of Resources confirmed that the Council had two representatives on the Worcestershire Shared Service Joint Committee and if questions were to be asked then it should follow the scrutiny process. It was also perceived that the minutes of the joint committee could be circulated via the Members' Information Bulletin.

## **Agenda Item No. 4**

Recommendations from the Worcestershire Shared Service Joint Committee would report back to their individual authorities via the decision making process. If there was any item that fell outside of the policy and budget framework, this would be reported to Audit Committee.

The Director of Resources advised that a deletion was required to be made on the third paragraph of Appendix 2 - Letter of Representation, Uncorrected Misstatements as there were no such items for 2010/11.

### **Decision:**

- 1. The Revised Statement of Accounts for 2010/11 be approved.**
- 2. The Letter of Representation for 2010/11 attached at Appendix 2 to the report to Audit including the deletion of the paragraph in relation to uncorrected misstatements be approved.**

### **AUD.18 Internal Audit – Revised Annual Audit Plan 2011/12**

The Committee received a report from the Director of Resources which advised of recent changes to the Annual Audit Plan 2011/12.

Members were advised that the Audit Plan had been approved in March 2011 and at that time it had been requested, the Audit Committee should be informed if there were to any future changes. Since the approval of the document there had been a request from the Audit team to reduce working hours and this would mean a reduction in audit days being available. It was confirmed that the reduction in hours would not affect the service.

### **Decision:**

- 1. The Revised Internal Audit –Annual Audit Plan 2011 – 2012, attached at Appendix 1 of the report to the Audit Committee be considered and approved.**
- 2. Approval be granted for the Section 151 Officer to amend the plan in light of developments arising during the year as described in paragraph 3.8 of this report to the Audit Committee and in accordance with paragraph 3.3 (b) of the approved Terms of Reference for Internal Audit.**

### **AUD.19 Internal Audit Monitoring Report Quarter Ending 30<sup>th</sup> June 2011**

The Committee received a report from the Principal Auditor which informed Members of the Internal Monitoring Report for the quarter ended 30<sup>th</sup> June 2011.

The Principal Auditor highlighted reports which had been finalised in the quarter, all of which had achieved “full” or “some” assurance.

In relation to the travel and subsistence item, Members were informed that this review had arisen to provide corporate guidance to Officers, and would form part of the annual payroll audit

#### **Agenda Item No. 4**

Members were pleased that the internal audit target of 95% had been exceeded and thanks were given to the staff in the Finance team.

In response to a Members' question, the Council had previously reduced the number of audit days by 50 for support previously bought in from Worcester City Council that had been cancelled, allowing for savings to be made. It was also noted that at the present time a shared service for Audit would not be beneficial to the Council.

A Member raised a query regarding the advertisement of the garage function. The solicitor advised that the Council had the power to charge for discretionary services but that the legislation required that income should cover costs rather than make a profit.

**Decision: The Internal Audit Monitoring Report for the quarter ended 30<sup>th</sup> June 2011 as detailed in the Appendix of the report to the Audit Committee be considered.**

The meeting ended at 6.56 pm.



# Annual Audit Letter

Wyre Forest District Council

Audit 2010/11



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**Traffic light explanation**



Red ■ Amber ◆ Green ●

# Key messages

**This report summarises the findings from my 2010/11 audit. My audit comprises two elements:**

- **the audit of your financial statements; and**
- **my assessment of your arrangements to achieve value for money in your use of resources.**

**I have included only significant recommendations in this report. The Council has accepted these recommendations.**

Key audit risk	Our findings
Unqualified audit opinion	
Proper arrangements to secure value for money	

## Audit opinion and financial statements

I issued an unqualified opinion on your accounts on 29 September 2011.

No matters of concern arose from the audit of the accounts. While amendments were made to the certified accounts, the majority were to improve the presentation of the accounts. No significant change to the out-turn position or to the main balance sheet entries resulted from our work. This was the first year of adoption of International Reporting Standards and I found the Council has implemented the new requirements well.

## Value for money

On 29 September 2011 I also issued an unqualified conclusion on the Council's value for money arrangements to secure economy efficiency and effectiveness in the use of resources. The conclusion is against two specified criteria:

- financial resilience; and
- securing economy efficiency and effectiveness.

The Council's medium term financial plans are sound with appropriate assumptions made and there are enough reserves to support spending so the Council is financially resilient for the next financial year. However these reserves are finite. Increasing costs, falls in investment income and cuts in central government grants mean the Council needs to make more reductions in expenditure if it is to have a fully balanced budget when reserves are exhausted. The Council is developing plans to make fundamental changes to some services and to how the organisation is run, which will be necessary if it is to achieve a secure financial future.

# Current and future challenges

The central issue facing the Council is how to respond to the reduction in public expenditure to produce a sustainable financial position whilst continuing to deliver core services.

Economic downturn and pressure on the public sector

Large savings on the base budget have been made over the last two to three years, due to financial pressures from substantially reduced investment income and rising costs. The government spending review has meant that central government grants have reduced, adding to the future financial challenges faced by the Council. Savings have been made through reviewing non-statutory and low priority services and other initiatives including joint working with other councils.

The Medium Term Financial Plan (MTFP) reflects the fact the Council is relying on revenue balances (reserves) to support its spending. The Council has recognised that fundamental changes are required to the way it is run and the services provided if the Council is to be financially secure in the future. The Wyre Forest Forward programme has been initiated to review services and spending to bring them into balance by 2014.

Significant changes are being planned to the Council's asset base. A new head quarters will be in place from 2012 and it is possible the Civic Centre and two of the leisure centres are to transfer to the community in the near future.

There are now limited capital reserves and so any new capital schemes will be financed from sale of existing assets or borrowing.

Joint arrangements/shared services

The Council has recognised that it must work collaboratively to deliver savings. It has already entered into shared services for regulatory services; other joint arrangements include the transfer of payroll and personnel to neighbouring councils. Management are exploring other possibilities such as sharing of refuse collection rounds.

The Council has been careful to consider the cost-benefit of entering such schemes, and have kept work in house where it judges it to be better for the Council. This meant that it did not join the Internal audit consortium and also took the decision to keep the revenues and housing benefits services in-house, because of uncertainty around introducing universal credits. Further and possibly more extensive collaborative working will be necessary if the council is to reduce costs and maintain frontline services.

## Income streams

The Government is proposing changes to business rates so there will be more of a relationship between the rates collected locally and those kept by councils. This will provide an incentive for councils to encourage local business growth but it is not yet clear what the short-term impact will be on income. The Government has announced a second year freeze on council tax rises and has provided a one off grant to help fund it; however this will not cover the full financial impact in the longer term, due to the impact on the budget base.

As part of budget setting, management has identified a need to raise increasing levels of income from fees and charges.

## Treasury management

As I have reported before, and the Council itself has reported regularly, the Council had £9m of investments in Icelandic banks frozen in 2008, which has had a significant impact on its accounts and financial position. Financial plans show the Council is planning to borrow externally in the near future to fund its capital programme.

# Financial statements and annual governance statement

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**The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds.**

## **Overall conclusion from the audit**

The accounts were prepared well, underpinned by strong financial systems and accounting records. The Council's staff are supportive of the audit and deal with any issues or questions appropriately. I reported my findings to the Audit Committee on 29 September 2011 and gave an unqualified opinion.

The Council did well to comply with the requirements of International Financial Reporting Standards (IFRS) adopted for the first time in the 2010 CIPFA Code of Accounting Practice (the Code). The Code introduced numerous new requirements, the most significant of which related to accounting for leases, property, plant and equipment. The project to implement IFRS was very well managed and included regular progress reports to the Audit & Committee.

During the audit, management agreed to make a number of adjustments to the statement of accounts. The majority were changes to disclosures that improved the presentation or the clarity of the financial statements for the users of the accounts.

As a result of the national change in the basis of valuing councils' pension liabilities, a past service gain of £5.5 million was included in the comprehensive income and expenditure statement. It represents the reduction in the council's future liability to pay pensions. In my opinion, and this was agreed by officers, this was an 'exceptional item'. This is now disclosed on a separate line in the net costs of services. This means that the other items in cost of services are now more comparable with the prior year, although there is no impact on the overall position. The overall impact on the net cost of services of all adjustments was relatively small.

## **Significant weaknesses in internal control**

I did not identify any significant weaknesses in your internal control arrangements.

# Value for money

**I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.**

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

## Value for money criteria and key messages

Criterion	Key messages
<p><b>1. Financial resilience</b></p> <p><b>The organisation has proper arrangements in place to secure financial resilience.</b></p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p><b>Financial governance</b></p> <p>Over the last two years the Council has showed stronger leadership and ability to make decisions, implement changes and move forward on major projects. The new head-quarters and cemetery development are both schemes that are now on track, after previous delays. The Council is now working with other councils in several areas and is developing more proposals, which will provide efficiency savings without compromising the quality of services delivered.</p> <p>Financial pressures and the need to make large savings has been a key driver to the Council in making these changes. Savings have been made through efficiency improvements and redundancies, with the aim of protecting most front line services.</p>

## Criterion

## Key messages

The Council does not have a fully balanced budget because revenue reserves are used in a planned way to support spending and Members understand this. Financial plans highlight that revenue reserves will run out by 2014. This combined with cuts in central government grants and the council tax freeze means the Council needs to make substantial and recurring reductions in costs to achieve a balanced budget. In both the budget setting papers for 2011/12 and the more recent Chief Executive annual report, there is a clear recognition the Council will not achieve this through incremental efficiency savings but Members must make more fundamental decisions about what services are provided and how the Council operates. 'Wyre Forest Forward' is the programme that will provide that fundamental review, supported by other ongoing reviews.

I am satisfied the Council has made good progress in driving out efficiencies, and has financial resilience in the short-term. The terms of reference of Wyre Forest Forward suggest that the need for more radical decisions about the council is recognised. The leadership of the Council will have to ensure that Members agree the need for this in order to implement radical changes quickly and effectively. How the cabinet engages members and the local population in the plans will be key to success.

#### **Financial planning**

The key assumptions within the agreed budget for 2011/12 are reasonable overall and reflect reduced government funding and the freeze in council tax.

The approach to charging and fee setting is being developed, to raise more income. This is consistent with VFM profiles that suggest the Council raises proportionately less income, than comparable bodies, from charging. There is however a risk that raising fees and charges could deter users, as was experienced recently in commercial waste. Or, for example, it could discourage people from parking, thus potentially having an impact on the local economy. Income from fees and charges can be unpredictable to forecast and thus more sophisticated budget profiling and monitoring is required. The Council does need to ensure that it develops its approach to sensitivity analysis and profiling of income in conjunction with implementing any changes.



## Criterion

## Key messages

A continuing risk to the Council's financial position is recovery of its investments in Iceland. The Council has three separate Icelandic investments and the accounts reflect receipts of dividends and increased expectation of recovery for the KSF investment. Of the £9 million invested, the Council has recovered almost £4 million. Assumptions around the likely recovery of these investments are based on national guidance. The 2010/11 accounts include a contingent liability to reflect the risk which surrounded the court case challenging the 'preferred status' of local authorities. This represented a £1.8 million risk to the financial position. Since the accounts were approved, the Icelandic Supreme Court has judged that local authorities do indeed have 'preferred status' and thus the assumptions in the accounts remain valid. Members should continue to be kept up to date on the position on the Icelandic investments.

#### Financial Control

The Council has historically made a small underspend against budget, and this was again the case in 2010/11. The Council made a small, planned contribution to reserves this year. Financial reporting to members is quarterly and detailed enough for them to gain an overall understanding of the financial position and the risks to the planned out-turn. Reporting to cabinet will increase to monthly, on a more informal basis, and this is a positive step because of the financial challenges the Council is facing. There are specific identified savings that are necessary to remain within this year's budget and reports to members provide narrative on the position on these. Members should be satisfied that they have sufficient information to fully understand and to be able to challenge that savings are on track.

This year, the Council's financial systems were upgraded to automate the purchase order system. This is making it more efficient and means the Council is able to more effectively account for its commitments, helping improvements in budget monitoring and financial control.

In my opinion, the Council has appropriate arrangements in place for setting its budget and monitoring progress during the year.

Criterion	Key messages
<p><b>2. Securing economy efficiency and effectiveness</b></p> <p><b>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</b></p> <p>Focus for 2010/11:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p><b>Prioritising resources</b></p> <p>The Council sets its budget, and identifies areas where it needs to make savings through its 'budget prioritisation model'. This gives a weighting to areas that are important to the local population identified through consultation and the importance of the area in relation to corporate priorities. The Council has used this method for several years and it is a sound approach. This method has meant the Council has continued to invest in economic development while making savings in services judged to be lower priority. Review of the budget and savings plan does suggest the Council has made savings and redundancies across all services.</p> <p>The Council has an active and continuing consultation process, both for the budget and to inform specific corporate priorities, such as the recent leisure services exercise.</p> <p><b>Improving efficiency and productivity</b></p> <p>VFM profiles highlight the Council is a relatively high spender although back office costs are not out of line with other similar bodies. High superannuation costs, due to the impact of past decisions (on redundancies and early retirements) means the Council has high underlying costs some of which it is unable to influence. I have seen that the Council makes decisions based on financial appraisals. The use of benchmarking information is limited and there is scope for the Council to develop the use of comparative information and data on costs and performance to help to evaluate options and plans for efficiency savings.</p> <p>The Council has shown that the new corporate head quarters will provide efficiency savings, both financial and operational. As reported last year, there is still some risk to funding as not all the properties that will fund the scheme have been sold, although over 80 per cent of the funding has been secured. Part of this is because there has been a change in plan around the sale of Stourport Civic Centre as the possibility of transferring it to the voluntary sector is being explored. The Council has put in place appropriate management arrangements around this project and internal audit will have a review role as the project progresses. Large capital schemes are inherently at risk of overrunning financially and thus the position must be monitored carefully. When I reviewed the risk register for the HQ project in the early summer there were gaps, however the register is now up to date and subject to regular review. High level risks from this project and any other significant risks to corporate priorities should be reflected in the corporate risk register, which should be reviewed frequently by key members.</p>

**Criterion****Key messages**

The Council is reviewing its asset base currently, exploring where assets can be transferred to other bodies, such as town councils, and in particular the future of its leisure assets, which need significant investment if they are to be retained as operational assets. Clearly the depressed state of the property market will influence the sale value of assets, and thus whether the current book value will be achieved. Some properties already earmarked for disposal have not been sold despite being marketed and this will result in unplanned revenue costs while these assets continue to be maintained.

The Council's capital reserves are now diminished, with little available for capital investment in any developments. Capital reserves are anticipated to have reduced to a level where the Council will need to borrow to fund any future capital projects in 2012/13 onwards.

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# Recommendations

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**I have included only significant recommendations in this report. Detailed recommendations are included in the reports issued to the Council during the year.**

There are five recommendations I wish to make in this report. The Council has accepted these recommendations. I will produce an action plan which will include the Council's response.

## Recommendations

- R1** Over the next two years the Council must reduce costs to a level where there is a fully balanced budget, if the Council is to have financial resilience in the medium term.
  - R2** The Cabinet needs a clear strategy on how it will communicate and implement any changes arising from Wyre Forest Forward if it is going to deliver the necessary savings in the required timeframe.
  - R3** As the Council makes changes to fees and charges, it should develop its forecasting and profiling to support the increased risks around income.
  - R4** Members should be satisfied that they have sufficient information on savings plans to be able to effectively monitor and challenge these.
  - R5** The corporate risk register should be developed into a more of a working tool, to support the leadership to focus on key risks and how they are being managed.
- 

## Report by exception

The Audit Commission requires me to report by exception where significant matters come to my attention, which I consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in your use of resources. There were no such matters.

# Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Director of Resources. I will present this letter at the Audit Committee on 12 December 2011 and will provide copies to all board members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
Audit strategy	March 2011
Annual Governance report	September 2011

The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Elizabeth Cave  
 District Auditor  
 November 2011

# Appendix 1 - Fees

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	Actual	Proposed	Variance
Fee	112,890	112,890	
Non-audit work	0	0	
<b>Total</b>	<b>112,890</b>	<b>112,890</b>	

# Appendix 2 - Glossary

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## Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

## Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

## Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

## Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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- any director/member or officer in their individual capacity; or
- any third party.





**WYRE FOREST DISTRICT COUNCIL****AUDIT COMMITTEE**  
**12<sup>TH</sup> DECEMBER 2011****Internal Audit Monitoring Report**  
**Quarter Ended 30<sup>th</sup> September 2011**

<b>OPEN</b>	
<b>SUSTAINABLE COMMUNITY STRATEGY THEME</b>	Stronger Communities
<b>CORPORATE PLAN PRIORITY</b>	Delivering Together with Less
<b>CABINET MEMBER</b>	Councillor N J Desmond
<b>DIRECTOR</b>	S151 Officer/Resources
<b>CONTACT OFFICER:</b>	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
<b>APPENDICES:</b>	Appendix 1 - Internal Audit Monitoring Report for the Quarter ended 30 <sup>th</sup> September 2011

**1. PURPOSE OF REPORT**

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 30<sup>th</sup> September 2011, attached as Appendix 1.

**2. RECOMMENDATIONS**

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

- 2.1 **The Internal Audit Monitoring Report for the Quarter ended 30<sup>th</sup> September 2011 as detailed in the Appendix to the report.**

**3. BACKGROUND**

- 3.1 The management of the authority are obliged to safeguard public funds and use them in a way which provides value for money and thereby best value. An effective internal audit service is vital in helping management to meet these important duties as it is an independent appraisal function for the review of the entire internal control system.
- 3.2 The Audit Committee approved the operational Annual Audit plan 2011 – 2012 in March 2011 with a revised Annual Plan approved by the Committee in September 2011. This plan takes into account changes in priorities or risk in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 3.3 The Internal Audit Strategic Plan 2009 – 2012 approved in March 2009 provides the overall direction for the Internal Audit service working in partnership with the External Auditors to minimise the overall audit cost to the authority.

## Agenda Item No. 6

- 3.4 Actual performance of the Internal Audit service is monitored against the Audit Plan each quarter during the year by way of this quarterly monitoring report to the Audit Committee, Corporate Management Team and to the External Auditors.
- 3.5 The Report attached as an Appendix contains 4 sections which are:
- Section 1 **Final** internal audit reports issued in the quarter
  - Section 2 **Follow up** reviews undertaken in the quarter
  - Section 3 **Draft** internal audit reports issued in the quarter
  - Section 4 **Performance Statistics**

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

- 3.6 The audit reports referred to in the Appendix are those where testing has been undertaken on an element of the internal control environment. It should be noted that the findings are on an **exception basis** i.e. reported if an internal control was found not to be operating satisfactorily, so giving rise to a control weakness and therefore an area for improvement. The findings of audit reviews in the report do not list those internal controls which were found to be operating satisfactorily. This approach has been adopted to enable the output of the review to focus on those areas considered by Internal Audit to require management's attention.
- 3.7 The Internal Audit review process is published on the Council's Intranet. This details the process whereby **Draft** internal audit reports arising from audits are forwarded to Chief Officers and nominated lead managers for agreement to recommendations and timescales for implementation prior to the preparation of **Final** internal audit reports.
- 3.8 The approved Terms of Reference for Internal Audit require that the Section 151 Officer prepares an annual opinion on the Council's internal control environment. This is a personal opinion, which takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment, which is reported to the June meeting of the Audit Committee.
- 3.9 The terminology within the reports presented to members is in line with that used by many other Internal Audit Teams of public authorities, private and public companies and external auditors.
- 3.10 Every organisation operates in the real world and errors/omissions/system weaknesses (manual or computerised) are inevitable. Management have to manage these known risks through the use of internal controls.
- 3.11 It may be that an operational decision has been taken by management to accept the risk of the non operation of an internal control. Where the area is being reviewed by Internal Audit in such an instance the weakness and any associated recommendation would be reported. Management would record within the service's risk register the processes in place to mitigate the risk.

- 3.12 The Corporate Management Team have confirmed that action would be taken immediately should an internal audit review report a significant weakness which could lead to a potential serious issue.

**4. KEY ISSUES**

- 4.1 Internal Audit make recommendations to management on potential improvements to the internal control environment of the system under review. It is management's responsibility to take the necessary action to implement recommendations as agreed in the final internal audit report.
- 4.2 The Quarterly monitoring report contains details of internal audit reports issued in the quarter together with follow up reviews. The format of internal audit reports has been adopted to enable management and members to focus on those areas that Internal Audit wishes to draw to its attention. The success or otherwise of a service is reported via other dimensions of the Council's Performance Management Framework including for example the monitoring of the Performance Indicators, Performance Review Clinics and the progress of the Council against its agreed implementation plan arising from its Comprehensive Performance Assessment review.
- 4.3 The Internal Audit Team operate in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Procedures are monitored to ensure that the Internal Audit Team procedures remain compliant.
- 4.4 The approved Terms of Reference for Internal Audit require that the Section 151 Officer prepares an annual opinion on the Council's internal control environment. This is a personal opinion, which takes into account the findings of the audit reviews that have been undertaken relating to the financial year in question. These findings are taken together and considered in order to give an overall view of the Council's Internal Control environment.

**5. FINANCIAL IMPLICATIONS**

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

**6. LEGAL AND POLICY IMPLICATIONS**

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

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

**7. RISK MANAGEMENT**

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

**8. EQUALITY IMPACT NEEDS ASSESSMENT**

- 8.1 An Equality Impact Assessment screening has been undertaken and it is considered that there are no discernable impacts on the six equality strands.

**9. CONCLUSION**

- 9.1 The work undertaken by the Internal Audit Team in the quarter ended 30<sup>th</sup> September 2011 is reported within Appendix 1. This information is presented to members in accordance with the Terms of Reference for the Internal Audit Team.
- 9.2 The work undertaken by the Internal Audit Team has complied with the requirements of the CIPFA Code of Practice for Internal Audit in Local government.

**10. CONSULTEES**

- 10.1 Corporate Management Team

**11. BACKGROUND PAPERS**

- 11.1 29<sup>th</sup> September 2011 ~ Audit Committee ~ Revised Annual Audit Plan 2011~2012.  
29<sup>th</sup> June 2011 ~ Audit Committee ~ Internal Audit Terms of Reference ~ Update.  
14<sup>th</sup> March 2011 ~ Audit Committee ~ Annual Audit Plan 2011~2012.  
16<sup>th</sup> March 2009 ~ Audit Committee ~ Strategic Audit Plan 2009~2012.  
Accounts and Audit (England) Regulations 2011 (SI 817).



# **INTERNAL AUDIT**

## **INTERNAL AUDIT MONITORING REPORT**

**QUARTER ENDED  
30<sup>th</sup> September 2011**

**INTERNAL AUDIT**  
**QUARTERLY AUDIT REPORT**  
**QUARTER ENDED 30<sup>TH</sup> SEPTEMBER 2011**

<b>INDEX</b>	<b>PAGE</b>
<b>SECTION 1</b> Final Audit Reports issued in the Quarter	<b>31</b>
<b>SECTION 2</b> Follow up Reviews undertaken in the Quarter	<b>35</b>
<b>SECTION 3</b> Draft Audit Reports issued in the Quarter	<b>35</b>
<b>SECTION 4</b> Performance against Annual Plan for the Financial Year 2011/12	<b>36</b>

DAVID BUCKLAND  
SECTION 151 OFFICER

12<sup>th</sup> OCTOBER 2011

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

<b>FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 30<sup>TH</sup> SEPTEMBER 2011</b>		
	<b>ASSURANCE</b>	<b>PAGE</b>
<b>COMMUNITY &amp; PARTNERSHIPS</b>		
<b>Key Systems:</b>		
Performance Management & Data Quality 2010~11	<b>S</b>	<b>32</b>
<b>RESOURCES DIRECTORATE</b>		
<b>Key Systems</b>		
Payroll ~ Establishment Verification (Human Resources) 2010~11	<b>F</b>	-
Payroll ~ Reconciliations 2010~11	<b>S</b>	<b>33</b>
Payroll ~ Transfer Review (Establishment/Payroll Records) 2011	<b>F</b>	-
VAT 2010/11 ~ 2011/12	<b>F</b>	-

## Agenda Item No. 6

<b>AUDIT REPORT TITLE: Performance Management &amp; Data Quality</b> 2010/2011 <b>BUDGET: N/A</b>  <b>REF: VARIOUS</b>	<b>DRAFT REPORT DATE ISSUED:</b> 6 <sup>th</sup> September 2011  <b>FINAL REPORT ISSUED:</b> 20 <sup>th</sup> September 2011	<b>SERVICE: Community &amp; Partnership Services</b>  <b>RESPONSE RECEIVED: 8<sup>th</sup> September 2011</b>
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
<b>Some</b>	<b>Sufficient framework of controls but some weakness identified – provides adequate assurance.</b>	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	<b>High risk – urgent action needed</b>
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

### Overview

The review forms part of the Annual Audit Plan for 2010-11 and concentrated on ensuring that the procedures in place in respect of the preparation and publication of Wyre Forest District Council's performance are operating as intended and in accordance with current legislation and Council policies.

The review also comprised of selecting a sample of 10 Performance Indicators, including both National and Local Indicators, and undertaking a detailed examination of the results for Quarter 3 or January 2011, as appropriate, to ensure that the supporting documentation is retained, the data is valid, accurate, complete and timely and in accordance with the Data Quality Policy (March 2011). The examination also included verifying that the indicators comply with the correct definition, are accurately calculated from the collected data and are independently reviewed prior to publication.

In addition the review included ensuring that performance indicators are regularly reported to Members, publication is in accordance with the Council's obligations and there is monitoring and feedback of results to the relevant Directors and Managers, with Managers reporting to Performance Clinics where indicators were not meeting targets.

As discussed during the audit review that Managers should certify the information submitted and subsequently published, for the year 2010-11 a Year End Certificate was obtained by the Policy & Performance Officer for all Performance Indicators with only one exception, which was due to the Manager not being in post at that time.

### Conclusion

The review concluded that the arrangements in place in respect of the areas assessed during the Performance Management & Data Quality audit are well managed. There are some areas within the procedures where an opportunity for improvement has been identified. These areas cover ensuring that all supporting documentation is retained, discussing with Managers the most appropriate method for capturing, collating and calculating their data.

The overall conclusion therefore, is that **SOME** assurance can be given that the internal controls in place in respect of the preparation and publication of the Council's performance are operating as intended. However the implementation of the following recommendations will further strengthen the system in place and raise the level of assurance.

As part of this review, the Corporate Development & Improvement Manager has advised that the level of officer resource to co-ordinate the policy and performance arrangements will be cut significantly from 1 April 2012 so a further review may be needed towards Autumn 2012 to determine the effect of this and in particular any increased risk for the council.



## Agenda Item No. 6

<b>AUDIT REPORT TITLE: Payroll Audit 2010/2011</b>	<b>ACTION PLAN: September 2010</b>	<b>SERVICE: Resources Directorate ~ Accountancy</b>
<b>BUDGET: £6,790,101 Net Payroll 2010/11</b>	<b>DRAFT REPORT DATE ISSUED: 30<sup>th</sup> June 2011</b>	<b>RESPONSE RECEIVED: 8<sup>th</sup> &amp; 19<sup>th</sup> August 2011</b>
<b>REF: VARIOUS</b>	<b>FINAL REPORT ISSUED: 5<sup>th</sup> September 2011</b>	

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

**Overview:**

This audit forms part of the annual reviews undertaken to assist the Council's external auditors in their annual audits. The review sought to ensure that there is a system in place for the reconciliation of the CHRIS payroll system to the general ledger and the Council's bank account. The review comprised examination and the records maintained by the Accountancy and Payroll Sections within the Resources Directorate.

It should be noted, that during 2010~11, all employees paid weekly were transferred to the corporate monthly pay day. As a result, detailed testing was undertaken on the weekly payrolls to ensure that all employees were transferred correctly. Payroll control reports for four weekly (Weeks 10-13 2010) and two monthly (June and December 2010) payrolls were obtained from the CHRIS payroll system and checked against information in the Financial Management System (Agresso). Detailed compliance testing was undertaken to ensure all inputs and outputs were appropriately authorised and that reconciliations were undertaken in a timely manner. It was noted during the audit review, that as reported in the previous year, owing to workloads, reconciliations were not always carried out in a timely manner with balancing differences being investigated promptly and appropriate action taken. During the course of the audit, Internal Audit worked with the Accountancy Team to resolve the issues in respect of balancing differences, however, as at March 2011, the reconciliations for January and February 2011 were still awaiting completion. All reconciliations were complete for the financial year 2010~11 by June 2011. With the transfer of Payroll Services to Redditch Borough Council from April 2011, it is imperative that the monthly reconciliations between the CHRIS payroll system and AGRESSO financial management system are completed promptly. For the current year, the Redditch Payroll Team have yet to forward the monthly reports generated from the payroll system (CHRIS) to the Accountancy Team in order that the first quarter reconciliations for the financial year 2011~12 can be completed.

**Conclusion:**

On the basis of the work undertaken, the review has concluded that the system in operation for the reconciliation of the CHRIS payroll system to the Agresso Financial Management System and the Council's bank account are working effectively as intended, however the CHRIS payroll system to the (AGRESSO) general ledger reconciliations were not accurate, not being reviewed and not always carried out in a timely manner.

At the time of the audit review, a LIMITED assurance was given regarding the internal controls in place for the reconciliation of the CHRIS payroll system to the Agresso Financial Management System (general ledger) and the Council's bank account. However, following the changes to procedures and processes to cover the reconciliations with the move of the Payroll Team to Redditch BC with detailed evidence being provided to Internal Audit and in recognition of the prompt remedial actions taken by the Financial Services Manager and Principal Accountant, the overall conclusion can be raised to **SOME**. It should be noted, that the Principal Accountant and Principal Accountancy Assistant responsible for the monthly payroll reconciliations to the general ledger will continue to work closely with the Internal Audit Team to ensure any further risks are identified, evaluated, monitored and minimised.

Ref	OBSERVATIONS	CONTROL RISK	RECOMMENDATIONS	MANAGEMENT COMMENTS
<b>SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS</b>				
1	<p><b><u>JUNE RECONCILIATION</u></b>                      The Accountancy reconciliations for both the June 2010 monthly and weekly payrolls were undertaken in October 2010 and November 2010 respectively.</p> <p>There is no evidence of the reconciliations being reviewed by a senior employee.</p> <p><b><u>DECEMBER RECONCILIATION</u></b>                      The December 2010 payroll reconciliation from the CHRIS payroll system to the AGRESSO Financial Management system had been completed on 3<sup>rd</sup> February 2010. The reconciliation had been signed as evidence of completion, but it not been signed as evidence of review.</p> <p>As at March 2011 there was no evidence on file that either the January or February 2011 reconciliations had been started.</p> <p>All reconciliations for 2010~11 had been completed as at June 2011.</p>	<p>Unauthorised transactions may occur, where errors would go undetected</p>	<p>As previously recommended in 2009/2010 To ensure the accuracy of the information included within the Payroll system, Accountancy reconciliations are completed by the end of the month following and reviewed by another senior employee.</p> <p><b><u>Management Comments:-</u></b>                      Files will be printed by the end of the following month (i.e. April reconciliation will be printed by the end of May) and signed by a senior employee. As per Bank Reconciliation, notes will be made for any allowances.</p> <p><b><u>Additional Audit Comments:</u></b>                      All reconciliations for 2011 were up to date as at 24<sup>th</sup> August 2011.</p>	<p><b>Responsible Manager:</b>                      Principal Accountant</p> <p><b>Recommendation to be actioned and completed by (Date):</b> August 2011</p>
2	<p>As at June 2011, in accordance with the collaboration agreement (17.6), the monthly payroll detail control reports for the months of April, May and June have not been made available by Redditch Borough Council to the Wyre Forest District Council Accountancy Team in order that the monthly reconciliations can be completed.</p>	<p>Unauthorised transactions may occur where errors may go undetected</p>	<p>In accordance with the collaboration agreement 17.6, Redditch Payroll Team are reminded of the requirement to provide all reports at least 3 working days prior to salaries being paid.</p> <p><b><u>Management Comments:-</u></b>                      All reports are being received in a timely manner.</p> <p><b><u>Additional Audit Comments:</u></b>                      All reconciliations for 2011 were up to date as at 24<sup>th</sup> August 2011.</p>	<p><b>Responsible Manager:</b>                      Principal Accountant</p> <p><b>Recommendation to be actioned and completed by (Date):</b> August 2011</p>

**Quarter Report to the 30<sup>th</sup> September 2011**  
**Summaries of Follow up Reviews undertaken in the Quarter**

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

TITLE	SYSTEM TYPE <small>K=Key S=Subsidiary</small>	ASSURANCE LEVEL OF FINAL REPORT	IMPLEMENTATION STAGE PER CHIEF OFFICER AND/OR RESPONSIBLE MANAGER AT TIME OF FOLLOW UP REVIEW				Page No.
			No of Recommendations	No of Recommendations Implemented	No of Significant Recommendations	No of Recommendations Implemented	
<b>COMMUNITY &amp; PARTNERSHIP SERVICES</b>							
Cash to Bank (Worcestershire HUB) 2010~11	K	S	4	4	-	-	-
<b>RESOURCES</b>							
Bank Reconciliation 2010~11	K	S	1	1	-	-	-
Benefits ~ Reconciliation (R&B/ICT) 2010~11	K	S	5	5	-	-	-
Creditors Compliance 2010~11	K	S	21	14*	1	1	-

\*Of those recommendations yet to be implemented, these are currently in progress and being followed up as part of the 2011~12 annual review.

**SECTION 3**

<b>DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 30<sup>TH</sup> SEPTEMBER 2011</b>		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
<b>Legal &amp; Corporate Services</b>		
Elections and Electoral Registration 2010~11	06.09.11	~
Payroll Compliance/Establishment (Members 2010/11)	19.08.11	Response Received 05.10.11/Final Issued 19.10.11
<b>Resources</b>		
Budgetary Control 2010~11	06.09.11	Response Received 11.10.11/Final Issued 19.10.11

SECTION 4

**INTERNAL AUDIT**

**PERFORMANCE AGAINST ANNUAL PLAN FOR THE FINANCIAL YEAR 2011/12**

**Quarter ended 30<sup>th</sup> September 2011**

**Year to 30<sup>th</sup> September 2011**

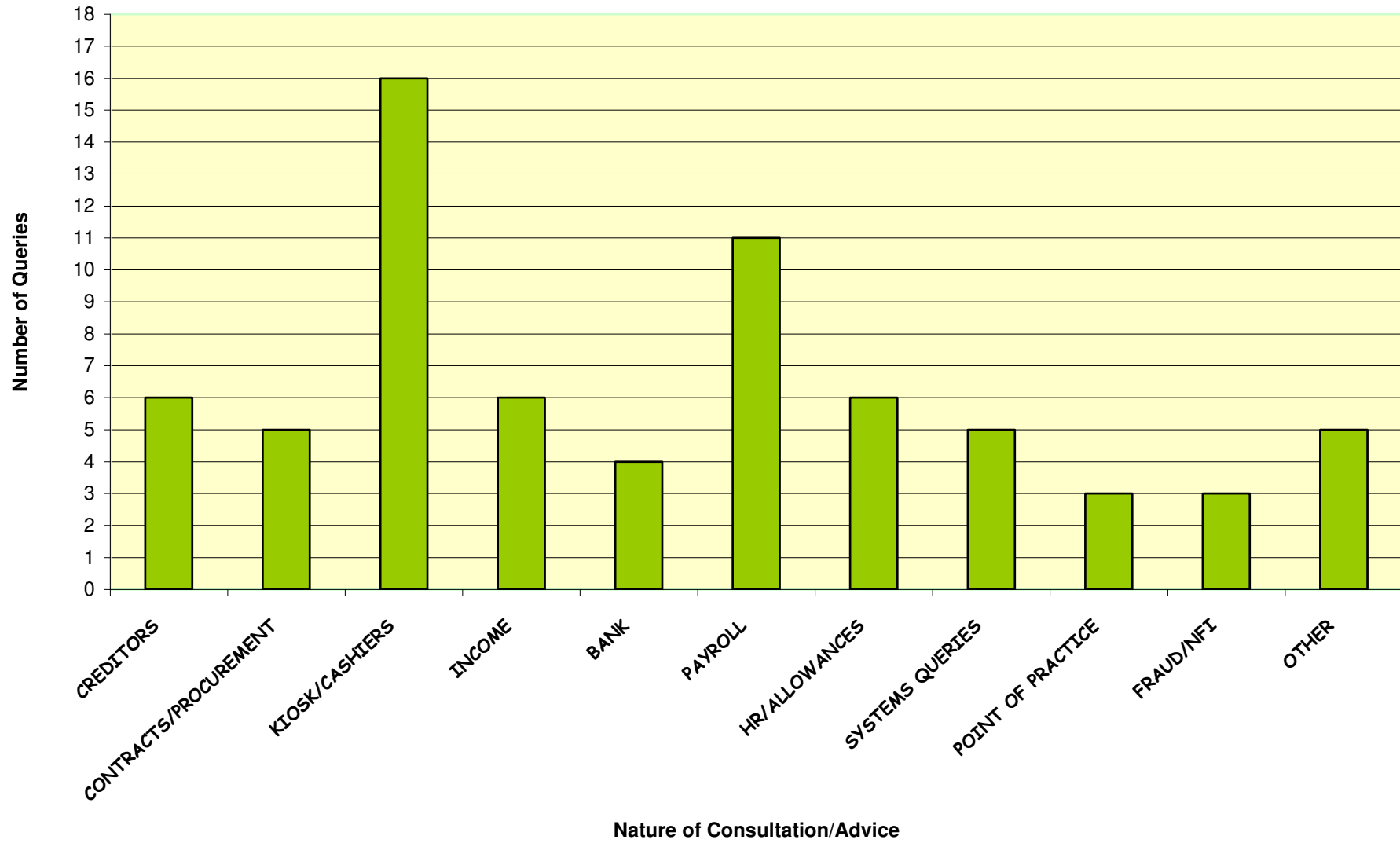
	<u>Quarter Actual</u>	<u>Quarter Plan</u>	<u>Quarter Actual as a % of Plan</u>		<u>Year Actual</u>	<u>Annual Plan</u>	<u>Year to Date Actual as a % of Plan</u>
	<u>Days</u>	<u>Days</u>	<u>%</u>		<u>Days</u>	<u>Days</u>	<u>%</u>
System and Probity	95.00	85.00	111.76%	System and Probity	199.50	340	58.68%
Computer Audit	16.50	16.25	101.54%	Computer Audit	20.50	65	31.54%
Contract Audit	4.50	10.00	45.00%	Contract Audit	6.25	40	15.63%
Consultancy and Advice	7.75	10.00	77.50%	Consultancy and Advice	25.75	40	64.38%
Irregularity	2.50	10.00	25.00%	Irregularity	4.50	40	11.25%
Specific Service Duties	3.50	3.75	93.33%	Specific Service Duties	11.50	15	76.67%
<b>Sub Total</b>	129.75	135.00	96.11%	<b>Sub Total</b>	268.00	540	49.63%

**TARGET                      95.00%**

**Audit Resource Statistics**

For the quarter to 30<sup>th</sup> September 2011 actual against plan is **96.1 %** compared to a target of **95%**. Within the time allocated in the above table, during this second quarter of 2011~12 the Internal Audit Team have responded to 70 requests for advice and consultancy as detailed below:-

### Summary of Audit Advice - July ~ September 2011



Nine Action Plans have been issued to Managers during the quarter. The table below shows the status of reviews currently in progress to cover the current on-going testing for required by the External Auditors for which formal reports will be presented to the Audit Committee in due course.

<b>WORK IN PROGRESS AS AT 30<sup>TH</sup> SEPTEMBER 2011</b>		
<b>AUDIT REVIEW</b>	<b>DATE OF ISSUE Action Plan No 1</b>	<b>DATE OF ISSUE Action Plan No 2</b>
<b>Community &amp; Partnership Services:</b>		
Cash to Bank (Worcestershire HUB) 2011~12	01.09.11	N/A
<b>Resources:</b>		
Bank Reconciliation 2011~12 (Quarter Testing)	04.08.11	07.09.11
Council Tax Benefits 2011~12 (Phase 1 Compliance Testing)	13.07.11	N/A
Council Tax 2011~12 (Phase 1 Compliance Testing)	29.09.11	N/A
NNDR 2011~12 (Phase 1 Compliance Testing)	29.09.11	N/A
Payroll Reconciliations 2011~12 (Accountancy W.F.D.C)	01.09.11	N/A
Payroll 2011~12 (Phase 1 Compliance Testing ~ Accountancy W.F.D.C)	14.09.11	N/A
Payroll 2011~12 (Phase 1 Compliance Testing ~ HR)	14.09.11	N/A
Payroll 2011~12 (Phase 1 Compliance Testing ~ Redditch BC)	20.09.11	N/A

WYRE FOREST DISTRICT COUNCIL

**AUDIT COMMITTEE**  
**12<sup>TH</sup> DECEMBER 2011**

**External Funding Position Statement – Quarters 1 and 2 : 2011/12**

<b>OPEN</b>	
<b>SUSTAINABLE COMMUNITY STRATEGY THEME:</b>	Multi-themed
<b>CORPORATE PLAN PRIORITY:</b>	Multi-themed
<b>CABINET MEMBER:</b>	Councillor J-P Campion
<b>DIRECTOR:</b>	Director of Planning and Regulatory Services
<b>CONTACT OFFICER:</b>	Matthew Barker - Ext. 2192 <a href="mailto:Matthew.barker@wyreforestdc.gov.uk">Matthew.barker@wyreforestdc.gov.uk</a>
<b>APPENDICES:</b>	Appendix 1 - External Funding Monitoring Report: Quarters 1 and 2 : 2011/12

**1. PURPOSE OF REPORT**

- 1.1 This report provides an update on the amount of external funding being attracted into the District during Quarters 1 and 2 of the 2011/12 financial year; and the variety of projects for which the funding is contributing towards for the benefit of the District and its residents.

**2. RECOMMENDATIONS**

- 2.1 The Committee is asked to NOTE the amount of External Funding being attracted to the District as attached in Appendix 1.**

**3. BACKGROUND**

- 3.1 The Wyre Forest District Council (WFDC) promotes and improves the economic, social and environmental well-being of the district in the best interests and for the greatest benefit of its residents, businesses and visitors.
- 3.2 The District Council is increasingly dependent on attracting external funding sources, in addition to its own budgets, to meet its own priorities as well of those of the community.
- 3.3 In April 2005 the District Council adopted its External Funding Strategy to establish protocol and aid development to all stakeholders and partner organisations that WFDC work with (on external funded projects) to be aware of their roles and responsibilities.

- 3.4 A review of this Strategy was completed in April 2009 in order to ensure that it is meeting its aims and objectives effectively, and that the protocol is relevant and up to date. As a result of this review, the Strategy was renamed the 'External Funding Monitoring Policy' to emphasise its primary role as a monitoring exercise.
- 3.5 External funding bid information is obtained and recorded on a quarterly basis to ensure that funding is reported and monitored regularly. This is reported in the form of position statements and is supplied to the Audit Committee. The Overview & Scrutiny Committee also receives an annual position statement detailing funding information for the whole year.

**4. KEY ISSUES**

- 4.1 Appendix 1 is the External Funding Position Statement for Quarters 1 and 2 of the 2011/12 financial year.
- 4.2 The information provided in the Appendix is externally funding projects which the District Council and its Officers have been directly involved with.
- 4.3 The information contains a mix of those projects where funding was actively bid for by the District Council, those instances where a grant has been allocated to the Council in order to provide a service, projects which the Council is leading on an attracting support from other organisations, and projects where the Council is working in partnership with other organisations and has contributed, but is not the accountable body.
- 4.4 This report includes news that Worcestershire County Council has provided £50,000 funding towards business grants across North Worcestershire until March 2013. This funding will allow the District Council, through the North Worcestershire Economic Development and Regeneration service, to continue to offer its New Business Start-up Grant and the Business Booster Grant.

**5. FINANCIAL IMPLICATIONS**

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

**6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 There are no legal or policy implications arising directly from this report.

**7. RISK MANAGEMENT**

- 7.1 Not applicable.



**8. EQUALITY IMPACT NEEDS ASSESSMENT**

8.1 Not applicable.

**9. CONCLUSIONS**

9.1 The provision of external funding continues to be an important part of Wyre Forest District Council delivery of its priorities.

**10. CONSULTEES**

10.1 Not applicable.

**11. BACKGROUND PAPERS**

11.1 External Funding Monitoring Policy (February 2009).

# Appendix 1 - External Funding Position Statement – Quarters 1 & 2 : 2011/12

Agenda Item No. 7  
Appendix 1

Name of Project or Service and Contact Officer	Acc Body WFDC?	Corporate Theme and Key Priority	Name of Funding Pot and Funding Provider	Amount of funding	Total funding required for project / service	Other monies provided and by whom	Use of Funding	Geographical Area	Sustainability of project / service once funding ceases
Summer Dance – Olympic Games 2012	No – Vestia on behalf of Horsefair, Broadwaters and Greenhill BIG lottery fund.		BIG lottery fund	£600	£600	WFDC Officer time.	2 Dance groups coming together to create an outdoor performance based on the 2012 Olympics  To increase physical activity in target areas, offer more opportunities to young people. To Promote BIG Horsefair, Broadwaters, and Greenhill Funding and see what local people would like the money spent on in the future.	Horsefair, Broadwaters, Greenhill ward	
KAF11	Yes		Grants for the Arts – from Arts Council England	£5,218	£10,218	£5,000 WFDC	To provide production support for the festival and street performances.	Kidderminster	Annual Event which requires ongoing funding
Subway Deluxe	No - KAF Creatives		InRoads	£1,000	£2,500	WFDC	To allow Comberton Hill Subway another painting project with workshops.		
Broadwaters Mill art project	Yes		King Charles School donated funding	£2,000	£2,250	Friends of Broadwaters Park	To deliver workshops and repaint artwork at Broadwaters Mill	Horsefair, Broadwaters, Greenhill ward	Task and finish
Play Day	Yes - WFDC		Positive Opportunities Worcestershire	£1,000	£2,000	WFDC	To deliver activities as part of National Play Day event	Lickhill – Stourport on Severn	Task and finish

# Appendix 1 - External Funding Position Statement – Quarters 1 & 2 : 2011/12

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Appendix 1

Feb Half Term activity to be confirmed	Yes - WFDC		Positive Opportunities Worcestershire	£500	£500	WFDC	To deliver an activity for children at half term	To be confirmed	Task and finish
Making Moves	No – Stafford County Council		Arts Council Grants for the Arts plus partner funding.	£69,950	£104,950	Staffordshire County Council - £10,000 Birmingham City Council - £5,000 Warwickshire County Council - £5,000 Dudley Borough Council £2,500	To deliver an artist in residence scheme which works in all partner areas and generates a touring exhibition over a 2 year period.	Wyre Forest and partner Counties	Task and finish
Disability Short Breaks	Yes		Worcestershire County Council	£5,227	£5,227		Funding to provide short breaks for carers of young disabled people.	District Wide	
New Business Grant	Yes		Worcestershire County Council	£25,000			Further funding for new business starting up in North Worcestershire. New businesses can apply for a £750 grant to help to progress their organisation.	North Worcestershire	Funding up until March 2013 – to be reviewed after this date.

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Business Booster Grant	Yes		Worcestershire County Council	£25,000			A grant of up to £2,000 match funding that aims to help young, growing businesses that have been trading between 18 months and 5 years, to make a step change in their development.	North Worcestershire	Funding up until March 2013 – to be reviewed after this date.
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