

Open

Audit Committee

Agenda

6 pm
Monday, 12th March 2012
The Earl Baldwin Suite
Duke House
Clensmore Street
Kidderminster



Audit Committee

Members of Committee:

Chairman: Councillor J Holden
Vice-Chairman: Councillor M A Salter

Councillor G W Ballinger
Councillor J A Hart
Councillor K H Prosser

Councillor P Dyke
Councillor M B Kelly
Councillor C Rogers

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

Wyre Forest District Council

Audit Committee

Monday, 12th March 2012

The Earl Baldwin Suite, Duke House, Clensmore Street, 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, 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.	
3.	Declarations of Interest 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.)	
4.	Minutes To confirm as a correct record the Minutes of the meeting held on the 12th December 2011.	6
5.	Certification of Claims and Returns – Annual Report 2010/11 To receive a report from the Audit Commission in relation to work undertaken on the certification of Claims and Returns on behalf of the Council.	8
6.	Audit Committee Update Report To receive a new report from the Audit Commission in relation to the audit progress and emerging national issues for noting.	19

7.	<p>Audit Commission Audit Plan 2011/12 Report</p> <p>To receive a report from the Audit Commission in relation to the Audit Plan for 2011/12.</p>	31
8.	<p>Internal Audit – Strategic Internal Audit Plan 2012-2015</p> <p>To receive a report from the Acting Section 151 Officer and the Principal Auditor which informs Members of the Audit Plan for 2012-2015.</p>	53
9.	<p>Internal Audit Monitoring Report Quarter Ended 31st December 2011</p> <p>To receive a report from the Acting Section 151 Officer and the Principal Auditor informing Members of the Internal Audit Monitoring Report Quarter ended 31st December 2011.</p>	72
10.	<p>Annual Governance Statement – Action Plan</p> <p>To receive a report from the Acting Section 151 Officer which presents to Members the current position in relation to the Action Plan, developed to address the weaknesses identified with the 2010/11 Annual Governance Statement.</p>	87
11.	<p>Risk Management – Corporate Risk Register</p> <p>To receive a report from the Acting Director of Resources which presents to Members the current position in relation to the Corporate Risk Register.</p>	94
12.	<p>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.</p>	
13.	<p>Exclusion of the Press and Public</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

14.	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.	
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WYRE FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

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

12TH DECEMBER 2011 (6.00 PM)

Present:

Councillors: J Holden (Chairman), M A Salter (Vice-Chairman), P Dyke, M B Kelly, K H Prosser, C Rogers and N J Thomas.

AUD.20 Apologies for Absence

Apologies for absence were received from Councillor G W Ballinger.

AUD.21 Appointment of Substitutes

Councillor N J Thomas was appointed as a substitute for Councillor G W Ballinger.

AUD.22 Declaration of Interests

No declarations of interest were made.

Before the meeting commenced, the Chairman thanked the Director of Resources who would be leaving the Council at the end of February 2012 to take up a position at Stratford-upon-Avon District Council. He was thanked for all the help and support he had given.

Members also thanked Zoe Thomas from the Audit Commission as she was moving to another district and would be replaced by Gill Edwards.

AUD.23 Minutes

Agreed: The minutes of the meeting held on 29th September 2011 be confirmed as a correct record of the meeting and signed by the Chairman.

The Chairman announced a revised running order for the agenda in that item 6 would be taken before item 5.

AUD.24 Internal Audit Monitoring Report Quarter Ended 30th September 2011

The Committee received a report from the S151 Officer that informed Members of the Internal Audit Monitoring Report for the Quarter ended 30th September 2011.

The Principal Auditor highlighted reports which had been finalised in the quarter, all of which had received "full" or "some" assurances.

Members had concerns that the transfer of the Payroll Section had resulted in paperwork not being produced as they had been led to believe that there would

Agenda Item No. 4

be no problems with the transfer. Members were reassured that the issue had been sorted out and was now in hand.

The final results of the Elections audit would be given at the next meeting of the Audit Committee.

Decision: The Internal Audit Monitoring Report for the Quarter ended 30th September 2011 as detailed in the Appendix to the report be considered.

AUD.25 Annual Audit Letter Wyre Forest District Council 2010/11

The Committee received a report from the Audit Commission that summarised the findings from the 2010/11 audit.

Liz Cave, the District Auditor drew Members' attention to the following:

- Although the Icelandic Supreme Court had judged that local authorities would have "preferred status" to their investments, the first repayment of funds had not yet been received but was expected by Christmas 2011.
- The Council were in an unusual position in that it had not had to borrow money up to the present time.
- The format of the Quarterly Scrutiny Briefing would be changed to a bi-monthly Members Forum to work with the Wyre Forest Forward programme.

In response to a Members' question, the Director of Resources advised that the new Financial Strategy for 2012/15 had been published and within the document it showed that 85% of capital receipts were earmarked for the Council's New Headquarters. It also referred to how the Council would dispose of some of its current properties.

Decision: The contents of the Annual Audit Letter for Wyre Forest District Council 2010/11 be noted.

AUD.26 External Funding Position Statement – Quarters 1 and 2: 2011/12

The Committee received a report from the Director of Planning and Regulatory Services that provided 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 was contributing towards for the benefit of the District and its residents.

Member's attention was drawn to funding of £50,000 that had been received from Worcestershire County Council to continue to offer new business grants.

It was also perceived that further funding may become available linked to the Olympics in 2012.

Decision: The information be noted.

The meeting ended at 6.30 pm.

Certification of claims and returns - annual report

Wyre Forest District Council

Audit 2010/11



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Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements and I did not undertake work;
- for claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data. An exception to this is the Housing and Council Tax Benefit Scheme Grant claim where the Certification Instruction (agreed with the grant paying body) requires auditors not to assess the control environment and to use the Audit Commission approach to testing regardless of the amount claimed by the Authority.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

Summary of my 2010/11 certification work

The Authority has performed well in preparing claims and returns.

My work gave rise to the qualification of one claim and the amendment of two claims out of the three claims and returns for the year ended 31 March 2011. The amendments relate to the Housing and Council Tax Benefits scheme grant (where I also issued a qualification letter) and the Disabled Facilities grant. As in previous years, the working papers provided in support of the claims and returns were of a good standard and officers responded quickly to questions asked. I was required by the Audit Commission to perform detailed testing on only 1 of the claims as I was able to place reliance on the control environment. The detail is shown in table 2.

Table 1: **Summary of 2010/11 certification work**

Number of claims and returns certified	
Total value of claims and returns certified	£63,633,126
Number of claims and returns amended due to errors	2
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	1
Total cost of certification work	£20,524 to date

Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

No significant issues arose from my 2010/11 certification work.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	37,672	N/A: The work programme is agreed with the DWP.	£165 reduction in subsidy	Yes - see foot of table for the qualifications issued.
National non-domestic rates return	27,519	Yes	0	No

The Housing and council tax benefit scheme was qualified on the following grounds.

Reconciliation - Difference of £279 between the amount recorded as being paid out to the amount included on the IBS system.

Rent Rebate (Non HRA) - Extrapolation of impact on the cell for 2 cases out of 60 tested where benefit was overpaid as a result of incorrect rent being used.

Rent Allowance -

- Extrapolation of impact on the cell for one case out of 60 tested where the benefits expenditure was misclassified as a case requiring referral to a rent officer.
- Extrapolation of impact on the cell for one case out of 60 where benefit was overpaid due to incorrect rent being used.
- Extrapolation of cell where benefit for three cases out of 60 was overpaid due to incorrect wage being used in the benefit calculation

The extrapolated errors identified did have a significant impact on the amount of the claim although the errors identified would not have had a material impact on the accounts.

The Head of Benefits carried out a significant amount of additional testing herself to understand how the errors had occurred. My work confirmed the results of this testing. She, along with the Director of Finance has already put in place further controls to mitigate the risk of these errors occurring in the future. This reflects officers' good approach to stewardship of monies received via grant claims. My work on the additional testing together with my work on the Qualification Letter means that the audit fee for the benefits grant claim has slightly increased this year.

Table 3: **Claims between £125,000 and £500,000**

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Qualification letter
Disabled facilities	492	4,100	No

Summary of progress on previous recommendations

I have not previously made any such recommendations.

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 4: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Ensure controls put in place to mitigate the risk of similar errors arising in Housing and Council Tax subsidy claims administration are effective.	H	Review to be undertaken of the impact of quality checking of claims processing	Immediate	Val Upton – Benefits Manager

Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 5: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	£19,231.25 to date	£17,237	Errors were detected which required me to do more work than was anticipated in setting the fee. This also resulted in more work in writing the qualification letter.
National non-domestic rates return	£868	£2,940	Reliance was placed on the control environment relating to this claim and as a result only Part A tests were completed.
Reporting on grant claims	n/a	£550	
AWM – Stourport-on-Severn canal basin	n/a	£1,317	
Disabled facilities	£425	£405	
Total	£20,524.25 to date	£22,449	

The Engagement Lead's Fee Letter dated 15 June 2010 stated that the planned fee for this work was £20,000. This was on the assumption that I would be able to place reliance on the control environments for all claims except the Housing and Council Tax Benefit scheme (where it is not required to assess the Control Environment as per the Certification Instruction), and that I would not encounter more errors that would entail further work.

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



Audit Committee Update

Wyre Forest District Council

Audit 2011/12



The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

- 1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.
- 2 This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit Committee. The paper concludes by asking a number of questions which the Committee may wish to consider in order to assess whether it has received sufficient assurance on emerging issues.
- 3 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.
- 4 Finally, please also remember to visit our website (www.audit-commission.gov.uk) which now enables you to sign-up to be notified of any new content that is relevant to your type of organisation.

Liz Cave

District Auditor

25 January 2012

Progress Report

Financial statements

5 We have significantly completed our work on systems to support the opinion. Our work on site is to be focussed in three tranches throughout the financial year. Our first visit was in December 2011 and by end of this visit we had:

- Refreshed our assessment of the control environment on which we will seek to place our reliance;
- Confirmed our understanding of the key financial systems by walking a transaction through each one to confirm our understanding and the key controls on which we will seek to place our reliance;
- Updated our review of the Board minutes; and
- identified areas where early substantive testing is possible.

6 We identified those systems where it was more efficient to test controls rather than substantively test transactions. We will also be placing reliance on the work of Internal Audit to eliminate potential duplication.

7 We also identified those systems where it is more efficient to substantively test transactions due to their nature (size and volume) and this work is currently ongoing. Additional testing if required will be undertaken post statement.

8 By the end of our second visit we will have:

- Refreshed our understanding of the control environment through updated minute reviews;
- Reviewed the work of Internal Audit for the key financial systems;
- undertaken any controls work we can; and
- identified any areas where controls testing will be required at year end (top up testing and year end control (e.g.) year end bank reconciliation.)

9 We agreed with the Council to undertake any possible substantive testing before the financial statements are prepared to ease the pressure on both sides at final accounts. We have also agreed an earlier final accounts timetable and will work closely with finance over the timing and provision of working papers to support the accounts.

10 Finance staff were also invited to attend the Audit Commission's Accounts Workshop in February 2012. This provided guidance over national accounts issues likely to impact upon NHS accounts. Early engagement on accounting issues is encouraged as it supports the audit process on an ongoing basis.

11 We have provided the Council with an external opinion plan which sets out our planned approach to the audit of the financial statements. Any issues arising from this update to our strategy we will bring to the attention

of the audit committee. We also plan to issue a working paper requirement document to identify working papers we anticipate will be required for the 2011/12 audit.

VFM conclusion

12 The statutory VFM conclusion requires us to assess an organisation against the following criteria

- The organisation has proper arrangements in place for securing financial resilience
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

13 A local programme of VFM work has been planned based on our audit risk assessment. We envisage that this will include a review of the Council's arrangements for delivering the Wyre Forest Forward Programme.

14 This work is currently ongoing. We will report the VFM conclusion and the key messages from our work including any areas for improvement to audit committee via the annual audit letter.

Other Matters of Interest

Dealing with the economic downturn

15 On 17 November 2011 the Audit Commission published 'Tough Times - Councils' responses to a challenging financial climate'.

16 The report draws heavily on the expertise of the external auditors of each council and also includes new analysis of councils' budget data.

17 The key findings in the report are:

- Most councils are managing well in the face of unprecedented reductions to their income, but services have been affected and a small number of councils may struggle to balance their books;
- Although councils face a real terms loss of total income of £4.7 billion (7.5 per cent) in 2011/12, auditors felt nine out of ten councils are well prepared for this and are on track to deliver their budgets;
- To meet the future challenge of cuts in government funding, some elements of councils' cost-reducing strategies will have to change and many councils will face difficult decisions about how to meet their funding shortfall in the next few years; and
- Councils are not planning to make significant withdrawals from their reserves this year - some even plan to increase them.

18 The report recommends that councils use the Audit Commission's Value for Money profiles to see how their council compares to the national picture set out in this report, identify councils facing similar challenges, and learn from others' approaches.

19 This report is available for review on the Audit Commission website. Click onto www.audit-commission.gov.uk and follow the links to national studies.

Procurement Fraud in the Public Sector

20 The National Fraud Agency has recently issued a report on public sector procurement fraud which examines new approaches to reduce fraud risk and make processes both quicker and simpler.

21 The report acknowledges that procurement fraud is a complex problem. It covers a wide range of illegal activities from bid rigging during the pre-contract award phase through to false invoicing in the post-contract award phase. It can be perpetrated by those inside and outside an organisation.

22 The report includes a number of case studies and details a number of actions that can be taken both immediately and in the medium term.

23 The report is available for review on the Home Office website. The link is attached for reference (www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/procurement-fraud-public-sector)

Protecting the Public Purse 2011

24 In November 2011 the Audit Commission published 'Protecting the Public Purse 2011 - Fighting Fraud against Local Government.'

25 This report is based on the Audit Commission's annual fraud survey - which is still the sole source of evidence about the levels of detected fraud in Local Government and related bodies.

26 The report reveals that England's councils have succeeded in detecting £185 million worth of fraud, an improvement of 37 per cent on last year's figure of £135 million. This is equivalent to a year's funding for around 700 libraries or the wages of up to 11,000 care workers.

27 The key areas where fraud was detected are:

- housing benefits and council tax benefits fraud, which accounted for more than half of the total fraud losses detected by councils;
- false claims for student and single person council tax discounts - £22million; and
- procurement fraud, with 145 cases amounting to £14.6 million.

28 The Audit Commission has therefore developed a single person discount comparator tool that allows local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average and this can be found on the Audit Commission's website.

29 The report found that counter-fraud professionals increasingly recognise abuse of personal budgets in adult social care as a fraud risk for councils and, in addition to the above, the National Fraud Authority estimates that housing tenancy fraud could cost up to £900 million each year.

30 The report concludes with a checklist that organisations may find it helpful to self-assess against. Covering a wide range of issues from procurement to recruitment, it will help provide Audit Committees with assurance over the arrangements in place.

The document is available for review on the Audit Commission website www.audit-commission.gov.uk. Follow the links to the Fraud tab. The single person discount comparator tool is also available on the link.

For information: Police Reform and Social Responsibility Act 2011

31 The Police Reform and Social Responsibility Act received Royal Assent on 15 September 2011.

32 This Act will abolish police authorities in England and Wales and replace them with directly elected police and crime commissioners.

33 The Act requires the police and crime commissioner for a policing area to hold the chief constable to account, while also safeguarding the chief constable's operational independence. A police and crime panel, established by the local authorities in a police area, will provide independent scrutiny of the police and crime commissioner.

34 The first elections of police and crime commissioners will take place on 15 November 2012 and police authorities will be abolished within a week of these elections. All staff and assets will transfer in the first instance to the office of the police and crime commissioner.

Localism Act 2011

35 On 15 November 2011 the Localism Bill received Royal Assent.

36 The Department for Communities and Local Government (DCLG) has published an updated plain English guide to the Localism Act to reflect the final legislation and this may be of interest to members of the Audit Committee.

37 Subject to commencement, key measures of the Act include:

- introducing a new general power of competence, giving councils freedom to work together to improve services and drive down costs. Councils are now free to do anything - provided they do not break other laws;
- giving communities the right to approve or veto - by way of a referendum - Council Tax increases higher than a limit determined by the Government.
- opening the door for the transfer of power to major cities to develop their areas, improve local services, and boost their local economies;
- abolishing the Standards Board;
- clarifying the rules on predetermination in order to free up councillors to express their opinions on issues of local importance without the fear of legal challenge;
- enabling councils to return to the committee system of governance, if they wish, regardless of their size;
- giving councils greater control over business rates. Councils will have the power to offer business rate discounts, which could help attract firms, investment and jobs;
- promoting openness regarding the pay of senior officers; and

- allowing councils to keep the rent they collect and use it locally to maintain social homes through the abolition of the housing revenue account.

38 Many of the measures in the Localism Act are expected to be in place by April 2012.

Openness and Accountability in Local Pay

39 The Localism Act referred to earlier requires local authority pay policies to be openly approved by democratically elected councillors.

40 On 16 February 2012 final guidance was issued by the Department for Communities and Local Government. This sets out the requirements for councils to publish their remuneration arrangements and approve larger salary packages in an open session of the full council.

41 Pay policy statements must be in place by 31 March 2012 and Ministers explicitly say in the guidance that consideration be given to the pay vote ceiling being set at £100,000.

42 There will be a requirement to publicly justify any big bonuses, above inflation annual pay rises, or hiring a person already in receipt of retirement or severance money and organisations should state in their pay policy statement whether or not they permit such practices.

Update on the externalisation of the Audit Practice

43 The Audit Commission's Chief Executive, Eugene Sullivan, wrote to clients on 21 September 2011 summarising the Department for Communities and Local Government's plans for externalising the Audit Commission's work that is currently undertaken by the Audit Practice.

44 The key points are:

- Contracts will be let from 2012/13 on a three- or five-year basis. The earliest you will be able to appoint your own auditors is therefore for the 2015/16 audit.
- The work is split into four regions, comprising ten 'lots'. Each lot will be awarded separately, but any individual bidder can only win a maximum of one lot in each region (i.e. four lots in total).
- The Commission is managing a fair and equitable procurement process to allow suitable private-sector providers the opportunity to bid.
- Bids are due in by mid-December 2011, with the contract awards planned for mid-February 2012, with formal Commission approval planned for late July 2012 following consultation.
- Appointments will start on 1 September 2012. As such, the Commission will extend the current audit appointment to allow any audit issues arising between 1 April 2012 and 31 August 2012 to be dealt with. The costs of this 'interim' audit role will be met by the Commission.
- Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

45 A further update was provided in Eugene Sullivan's letter to clients of 10 November 2011. Thirteen potential providers have now been invited to tender following the initial pre-qualification stage.

46 Further details are available on the Audit Commission's website. We will continue to keep you updated on developments.

47 Against this background, the Audit Practice's focus remains:

- Fulfilling our remaining responsibilities – completing our work for 2010/11 and delivering your 2011/12 audit - to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

Contact Details

48 If you would like further information on any items in this briefing, please feel free to contact either your District Auditor / Engagement Lead or Audit Manager.

49 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

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Audit plan

Wyre Forest District Council

Audit 2011/12



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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Accounting statements and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Authority to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering the financial performance of the Authority;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Authority's information systems.

Identification of key audit risks

I have considered the key risks that are relevant to the audit of the accounting statements and have set these out below along with our proposed audit response to them. In addition to work in response to assessed risks, I will also undertake audit procedures on all material areas of the accounts..

Table 1: Risks

Risk	Audit response
<p><u>Icelandic Investments</u></p> <p>The accounts contain some significant estimates and specific accounting entries in relation to the Icelandic Investments. Any errors in these assumptions could have a material impact.</p>	<p>Review the accounting entries in relation to the Icelandic investments and ensure that these are consistent with up to date guidance.</p>
<p><u>Payroll</u></p> <p>Payroll provision from 1st April 2011 is being provided by Redditch BC. We will need to ensure that transfer of data has occurred and that processing of transactions is in accurate.</p>	<p>Early testing (relying on Internal Audit) of the detailed transfer of balances to the new service provider to confirm figures have been transferred correctly</p> <p>Completion of systems documentation and walk through testing for the 11/12 financial year.</p>
<p><u>Property Plant and Equipment</u></p> <p>The Council have 2 major projects in the year. The building of the New HQ and the payment to Dignity Plc who are building the Wyre Forest Cemetery and Crematorium. Under FRS30 the Council also has to consider Heritage Assets. The risk is around the classification and disclosure of assets in the financial statements.</p>	<p>Review the accounting treatment of property, plant and equipment held by the Council to confirm this is in line with current accounting standards.</p>

Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors
- testing of the operation of controls
- reliance on the work of other auditors
- reliance on the work of experts and
- substantive testing of the detail of transactions and amounts.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
- maximise the work that can be undertaken before you prepare your accounting statements.

In order to support our work on the year end accounts we are required to document significant financial systems. At this stage we have identified these systems as:

- General ledger
- Fixed assets
- Payroll
- Council Tax
- Treasury management
- Accounts receivable
- Housing Benefits
- NNDR
- Accounts payable
- Cash receipting
- Cash and bank
- Disabled facilities

I seek to rely on controls testing where this is the most efficient audit approach. For the Council, this generally means that we seek to rely on controls over General Ledger, accounts payable, council tax, housing benefits, NNDR, cash receipting, and payroll. I carry out substantive testing in all other areas, and where possible undertake this testing early to reduce the level of year end testing necessary.

The nature and timing of our proposed work is set out in table 2 below.

Table 2: **Proposed work**

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
--	--------------------------	------------------	--	-----------------------------	---------------------

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	All systems	General Ledger Payroll			Property, Plant and Equipment Income
Final visit		General Ledger	Payroll system hosted by Redditch Borough Council Pension assets and liabilities hosted by Worcestershire County Council	Pensions liabilities and assets Valuation of PPE – your expert and Gerald Eve (Audit Commission expert)	All material accounts balances and amounts Year-end feeder system reconciliations

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

Value for money

I am required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

Identification of risks

I have considered the risks that are relevant to my value for money conclusion. I have identified the following risks that I will address through my work.

Table 3: **VFM Risks**

Risk	Audit response
Medium Term Financial Plan Financial Planning: There is a risk that the Council's financial planning may not be robust .	Review the medium term financial plans and the 2011/12 budgets to ensure that the Council has taken appropriate account of the current economic climate and that plans are supported by detailed and robust assumptions. The audit team will review your reporting on progress against these plans.
Savings Plan	

Risk	Audit response
<p>There is a risk that the Councils savings plans are not being properly managed and delivered.</p>	<p>Review the process for the identification, monitoring and reporting of your savings plans.</p>
<p>Service Transformation There is a risk that the Councils benefit service transformation is not being properly managed and delivered.</p>	<p>Review the work being completed by the Service Transformation team to ensure that outcomes are being achieved which will support the medium term financial strategy.</p>

Key milestones and deadlines

The Authority is required to prepare the accounting statements by 30th June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30th September 2012.

Table 4: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	January – March 2012	
Opinion: receipt of accounts and supporting working papers	30 th June	
Opinion: substantive testing	2 nd July 2012	
Value for money	January / February 2012	
Present Annual Governance Report at the Audit Committee	September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 5: **Audit team**

Name	Contact details	Responsibilities
Liz Cave District Auditor	l-cave@audit-commission.gov.uk 0844 798 7552	Responsible for the overall delivery of the audit including quality of reports, signing the auditor’s report and liaison with the Chief Executive.
Gill Edwards Audit Manager	g-edwards@audit-commission.gov.uk 0844 798 1189	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.
Kate Kenderdine Principal Auditor	k-kenderdine@audit-commission.gov.uk 07866 841986	Key point of contact for Finance officers

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission’s additional requirements for independence and objectivity as summarised in appendix 1.

I am aware of the following relationship that might constitute a threat to independence and that I am required to report to you. I have therefore put in place the following safeguard[s] to reduce the threat.

Table 6: **Threats and safeguards**

Threat	Safeguard
A friend of Kate Kenderdine works for the Care and Repair Agency who administers disabled facilities grants.	Kate Kenderdine will not undertake or review any work relating to the Disabled Facilities Grant.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The fee for the audit is £107,246, as set out in my letter of 31/03/2011.

The audit fee

The Audit Commission has set a scale audit fee of £107,246 which represents a five per cent reduction on the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

The fees for 2011-12 are those specified by the Audit Commission as part of its national approach to fee setting. Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Director of Finance and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. At this stage of the audit I have not identified any specific actions that the audit body could take. I will however work with staff to identify any specific actions that the Council could take and to provide ongoing audit support.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charges fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission’s advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 7: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	£107,246	£112,890	-5.3% reduction
Certification of claims and returns	£20,283	£21,799	-7% reduction
Non-audit work	£0		
Total	£127,529	£132,890	

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 8: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.</p>	<p>All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.</p>

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission’s policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission’s Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.

Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
 - internal controls are operating effectively;
 - I secure the co-operation of other auditors
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Authority provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements in agreement with the auditors by 02/07/2012;
 - other information requested within agreed timescales;
 - prompt responses to draft reports; and
- there are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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



WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
12TH MARCH 2012**Internal Audit – Strategic Internal Audit Plan 2012-2015**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Acting S151 Officer
CONTACT OFFICERS:	Tracey Southall, Ext. 2125 tracey.southall@wyreforestdc.gov.uk Cheryl Ellerton, Ext. 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Strategic Audit Plan 2012-2015

1. PURPOSE OF REPORT

- 1.1 To present for approval the Strategic Internal Audit Plan 2012–2015. The Plan has been prepared in accordance with the requirements of the CIPFA Code of Practice for Internal Audit in Local Government.

2. RECOMMENDATIONS

The Audit Committee is asked to:

- 2.1 **Consider and approve the Strategic Internal Audit Plan 2012 – 2015, attached at Appendix 1.**
- 2.2 **That approval be given for the Section 151 Officer to amend the plan in light of developments arising during the year as described in paragraph 3.6 of this report and in accordance with paragraph 3.3 (b) of the approved Terms of Reference for Internal Audit.**

3. BACKGROUND

- 3.1 The Management of the Authority are obliged to safeguard and use public funds in an efficient and effective way and so providing value for money. An effective internal audit service is vital in helping management to meet these important duties. It is an independent appraisal function for the review of the Council's internal control system.
- 3.2 The Internal Audit section operates in accordance with Chartered Institute of Finance and Accountancy (CIPFA) professional standards and guidelines outlined in the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. This document defines:

“Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and

reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.”

And adds:

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

- 3.3 The role played by Internal Audit is key in **assessing the internal controls** in operation and **making recommendations** for improvement working in partnership **with management**. Further the role assists in working with managers to the Council’s corporate plan striving for continuous improvement.
- 3.4 The CIPFA Code of Practice set out the definitions and principles (the **standards**) which establish how a professional internal audit service should operate in the modern local government context.
- 3.5 The Internal Audit Strategic Plan 2012 – 2015 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. The plan prioritises the areas to be audited over the period and allocates internal audit resource to each area based on an Internal Audit needs assessment evaluating the materiality and risk of the authority’s activities.
- 3.6 The strategic plan is viewed flexibly as issues may arise during the currency of the plan which divert Internal Audit away from planned work. The plan is therefore seen as a **statement of intent** that can be amended as necessary without having a damaging effect on the overall direction of the internal audit service. The strategic plan has been prepared in accordance with the approved Internal Audit – Terms of Reference.
- 3.7 Performance of the service will continue to be **monitored** against this plan during the year by way of a quarterly monitoring report to this committee, to the Corporate Management Team and to the external auditors.

4. KEY ISSUES

- 4.1 The approved Terms of Reference for Internal Audit require:

“3.3 The Section 151 Officer will:

- b) Prior to the beginning of each financial year, following consultation with the Corporate Management Team, provide:

a detailed operational plan showing how resources will be allocated in the coming financial year in order to meet the requirements of the strategic plan.”

- 4.2 As part of the preparations for the Strategic Internal Audit Plan the Section 151 Officer has discussed with each Director their requirements for the forthcoming year for consideration for inclusion within the plan.
- 4.3 In order to ensure that the audit service cost is minimised to the authority the Internal Audit Team work with External Audit to ensure full liaison of planned internal audit work.
- 4.4 The areas in the audit plan have been identified by an objective risk assessment. This has produced an overall revised needs assessment for the internal audit service of 550 days.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The Accounts and Audit (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 The Strategic Internal Audit Plan 2012-2015 has been prepared in accordance with the requirements of the CIPFA Code of Practice. This requires the plan to be informed by the Council’s risk management, performance management and other assurance processes. Where the risk management process is not fully developed or reliable an independent risk assessment is undertaken by the Principal Auditor in consultation with the Section 151 Officer.

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 Strategic Internal Audit Plan 2012 – 2015 summarises the work to be undertaken by the Internal Audit section and provides its overall direction. It is presented to members in accordance with the approved Terms of Reference for the Internal Audit section.

10. CONSULTEES

- 10.1 Corporate Management Team.
- 10.2 Cabinet Member for Resources & Transformation.

11. BACKGROUND PAPERS

- 11.1 29th June 2011~ Internal Audit Terms of Reference (Update).
- 11.2 Accounts & Audit Regulations (England) 2011 (SI 817).
- 11.2 29th June 2009 ~ Audit Committee ~ Compliance with Cipfa Code of Practice.



INTERNAL AUDIT SECTION

STRATEGIC AUDIT PLAN

2012 ~ 2015

WYRE FOREST DISTRICT COUNCIL
STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015

		Year 1	Year 2	Year 3
		<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
		<u>Days</u>	<u>Days</u>	<u>Days</u>
Systems and Probity	NOTE 1	375	375	375
Computer Audit	NOTE 2	50	50	50
Contract Audit	NOTE 3	30	30	30
Sub-total Planned Work		455	455	455
Consultancy and Advice		40	40	40
Irregularity Contingency		40	40	40
Specific Service Duties	NOTE 4	15	15	15
WORKLOAD		550	550	550
AVAILABLE DAYS	NOTE 5	550	550	550

NOTES

- 1 The days per service are shown on Pages 7-13
- 2 An analysis of the areas covered is shown on Page 14-15
- 3 An analysis of the areas covered is shown on Page 16
- 4 A breakdown of the specific service duties follows on Page 17
- 5 An analysis of the available days is shown on Page 18

OVERALL COMMENTS

The areas in this plan have been identified by an objective risk assessment as denoted by “**RA**” in the attached pages. The plan has been prepared in accordance with the CIPFA Code of Practice for Internal Audit. The Audit Risk Assessment evaluates each system to provide a weighted assessment as detailed in Schedule A.

**WYRE FOREST DISTRICT COUNCIL
STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015**

Directorate	2012/13 System Audit Days
Corporate systems	130
Community Well Being & Environment	40
Resources	135
Community Assets & Localism	40
Economic Prosperity & Place	20
Chief Executive	10
TOTAL	375

Directorate	2013/14 System Audit Days
Corporate systems	130
Community Well Being & Environment	30
Resources	145
Community Assets & Localism	20
Economic Prosperity & Place	30
Chief Executive	20
TOTAL	375

Directorate	2014/15 System Audit Days
Corporate systems	135
Community Well Being & Environment	35
Resources	135
Community Assets & Localism	25
Economic Prosperity & Place	30
Chief Executive	15
TOTAL	375

**WYRE FOREST DISTRICT COUNCIL
STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015
CORPORATE SYSTEMS**

		Year 1	Year 2	Year 3	
		2012/13	2013/14	2014/15	
	RA	Days	Days	Days	System Description
Car Loans	64	5	0	0	Cyclical review of the arrangements in place for the provision and administration of the Employee Car Loan Scheme.
Civil Contingencies Act & Business Continuity Planning	75	0	0	10	Cyclical review of the arrangements in place relating to the Council's Business Continuity Arrangements.
Corporate Governance	~	20	20	20	Assurance review of the Council's Governance Arrangements to include Anti Fraud & Corruption Strategies; Data Protection; Freedom of Information; Contract Procedure Rules; Financial Regulations; Constitution; Code of Conduct; Gifts & Hospitality.
Creditors	80	25	25	25	Assurance review of the system and procedures in place for the payment of invoices for services and supplies to the Council to cover all aspects including the weekly reconciliations of BACS and Cheques; Purchase Order Processing, Periodical Payments and Payment by Procurement Card.
Debtors	89	10	10	10	Assurance review of the system and procedures in place for the raising of accounts for services provided by the Council in respect of Miscellaneous Debts to include the monthly reconciliations and aged debt reports.
Flexible working Hours	~	0	10	0	Cyclical review to aid Business Improvement to cover all areas not just those relevant to HR.
Health & Safety	~	0	0	5	Cyclical review of the systems and procedures in place to manage the Council's Health & Safety arrangements.
Insurance	56	5	0	0	Cyclical review of the arrangements in place for Corporate Insurance Cover.
Petty cash payments	52	5	5	5	Assurance review of adherence to Financial Regulations and Guidance; to account for changes in working practices at the new HQ.
Post Opening Procedures	56	5	5	5	Assurance review of adherence to corporate guidance and the Benefit Fraud Inspectorate; to account for changes in working practices at the new HQ. Corporate arrangements with Birmingham City Council.
Procurement & Corporate Contracts	85	25	25	25	Assurance review of Corporate Contracts; adherence to the Procurement Strategy; to include the tendering and awarding of contracts; adherence to Contract Procedure Rules.
Fees & Charges	69	30	30	30	Cyclical reviews of Fees & Charges not covered elsewhere within the Plan but on a rolling basis. Includes setting of the charges, assurance that sections are complying with the approved charges~Open Spaces, Other Sports Facilities; Playschemes; Rangers; Air Pollution; Copy Documents, Minutes & Agendas; Building Control Fees; Food Safety Inspections; Licensing Income; Hackney Carriage Income; Pest Control.
TOTAL DAYS		130	130	135	

**WYRE FOREST DISTRICT COUNCIL
STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015
COMMUNITY WELL BEING & ENVIRONMENT**

Director of Community Well Being & Environment

	RA	Year 1 2012/13 Days	Year 2 2013/14 Days	Year 3 2014/15 Days	System Description
Bewdley Museum	49	0	5	0	Cyclical review of the systems and procedures in place to promote and offer the facilities to the general public, to include income collection, provision of craft units.
CCTV	37	0	5	0	Cyclical review of the arrangements with Bromsgrove DC for the provision of CCTV.
Garage & Vehicle Maintenance	54	0	0	10	Cyclical review of the arrangements in place for the maintaining and servicing of Council Vehicles, to cover Driver responsibilities, stock control and issue of fuel.
Garage~MOT Station	38	0	0	5	Cyclical review of the systems and procedures in place to promote and offer the facilities to the general public, to include income collection and compliance with VOSA.
Trade Waste	82	10	0	0	Cyclical review of the systems and procedures in place for the provision of a Trade Waste Service, to include the collection and banking of income, promotion of the Service.
Waste Collection & Recycling-Domestic	79	10	0	0	Cyclical review of the systems and procedures in place for the collections of domestic refuse and the provision of recycling. To include domestic bulking waste collections.
Worcestershire Hub	74	20	20	20	Assurance review of the systems and procedures in place to provide a front line service to customers. To include Cashiering, Cash to Bank, KIOSK's and the monitoring of the Hub Partnership Agreement.
TOTAL DAYS		40	30	35	

**WYRE FOREST DISTRICT COUNCIL
STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015
RESOURCES**

Director of Resources

	RA	<u>Year 1 2012/13 Days</u>	<u>Year 2 2013/14 Days</u>	<u>Year 3 2014/15 Days</u>	<u>System Description</u>
Accounting (Cash~Bank)	74	20	20	20	Assurance Review of systems and procedures around the Council's General Ledger to record financial transactions and produce the final accounts. To include Bank Reconciliation; Journals, Housing Act Advances and Miscellaneous Income Reconciliations.
Benefits	88	30	30	30	Assurance Review of systems and procedures to ensure entitlement to and payments in relation to Housing Benefit and Council Tax Benefit. To include Payments, Overpayments, Rent Referrals, Statistical and Subsidy Returns.
Budgetary Control & Monitoring	94	15	15	15	Assurance Review of systems and procedures around the Council Budget Cycle to record and monitor budgets to feed into the financial records and the final accounts.
Council Tax	82	15	15	15	Assurance Review for the systems and procedures in place to calculate liability, raise bills, collect payment and monitor arrears.
NNDR	84	15	15	15	Assurance Review for the systems and procedures in place to calculate liability, raise bills, collect income and monitor arrears.
Payroll Inclusive of Travel Claims and PAYE	61	20	20	20	Assurance Review of the systems and procedures in place at Wyre Forest District Council and Redditch BC to ensure accurate payments to bonafide employees, HMRC, Pensions and other deductions and allowances.
Risk Management	~	10	10	10	Assurance Review of the Risk Management Process to include the identification and managing risks to include the Strategic Risk Register (Covalent Computer Application)
Treasury Management	108	10	10	10	Assurance Review of the systems and procedures in place to manage the Council's Cash Flow and investments to maximise interest earned.
VAT	88	0	10	0	Cyclical review of the arrangements for the collection, payment and accounting for VAT.
TOTAL DAYS		135	145	135	

**WYRE FOREST DISTRICT COUNCIL
STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015
COMMUNITY ASSETS & LOCALISM**

Director of Community Assets & Localism

	RA	Year 1 2012/13 Days	Year 2 2013/14 Days	Year 3 2014/15 Days	System Description
Asset Management Plan/Property/Fixed Assets	~	10	0	0	Cyclical review of the system and procedures in place to record, manage and maintain the Council's physical assets and property portfolio.
Debt Recovery Procedures	79	10	10	10	Assurance review of the systems and procedures for the recovery of outstanding debts having regard to the Legal requirements for Court Action (exc. Council Tax and NNDR)
Electoral Registration & Elections	50	0	10	0	Cyclical review of the systems and procedures for the maintaining of the Electoral Register and administration of the Elections (Local, General & European) and the introduction of Individual Electoral Registration.
Human Resources	63	10	0	0	Cyclical review of the systems and procedures in place in respect of the Shared Service arrangements with Worcestershire County Council to include in house procedures for a detailed establishment reconciliation, processing of Staff Record Forms and the maintenance of any Training Budget.
Land Charges	47	5	0	0	Cyclical review of the systems and procedures for the recording of charges against properties and providing such information to Solicitors. To include the collection and banking of income.
Management of Town & Civic Halls	63	0	0	5	Cyclical review of the systems and procedures in place to promote and offer the facilities to the general public to cover income collection, grant aid and Performing Rights Payments.
Member Allowances	45	5	0	0	Cyclical review of the systems and procedures in place for the payment of approved allowances to include payments for travel and subsistence; authorisation checks.
Trading Estates & Property Debts	86	0	0	10	Cyclical review of the systems and procedures in place in respect of the arrangement for leases, licenses and rental agreements; calculation of income due, collection and banking of income and the monitoring and recovery of arrears.
TOTAL DAYS		40	20	25	

**WYRE FOREST DISTRICT COUNCIL
STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015
ECONOMIC PROSPERITY & PLACE**

Director of Economic Prosperity & Place

		RA	Year 1 2012/13 Days	Year 2 2013/14 Days	Year 3 2014/15 Days	System Description
Business Centres	Note 1	~	10	0	0	Cyclical review of the systems and procedures in place for the managing of the Business Centres.
Care & Repair Worcestershire Agency		73	0	10	0	Cyclical review as part of Strategic Housing to cover housing needs.
Car Parks		84	0	0	10	Cyclical review of the systems and procedures in place for amending the Car Parks Order, collection and banking of Income.
Development Control		54	0	0	10	Cyclical review of the systems and procedures in place for processing and approval of planning applications to include the collection and banking arrangements for fee income.
Housing Grants including DFG's		69	10	0	0	Cyclical review as part of Strategic Housing to cover housing needs specifically the Disabled Facilities Grant Budgets.
Litter Notices		49	0	0	5	Cyclical review of the systems and procedures in place for the issuing of notices, the collection and banking of income, monitoring of non payments; appeals and write offs.
Markets	Note 1	62	0	10	0	Cyclical review of systems and procedures in place for the managing of the Markets.
On Street Parking		81	0	0	5	Cyclical review of the systems and procedures in place for the issuing of notices, the collection and banking of income, monitoring of non payments having regard to the arrangements with Wychavon DC.
CHG Agency Including Homeless		68	0	10	0	Cyclical review as part of Strategic Housing to cover housing needs specifically the arrangements with the Community Housing Group under contract.
TOTAL DAYS			20	30	30	

Note 1
North Worcestershire Economic Development & Regeneration Shared Service hosted by Wyre Forest District Council to include Redditch BC and Bromsgrove DC.

**WYRE FOREST DISTRICT COUNCIL
STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015
CHIEF EXECUTIVE**

Chief Executive

		Year 1 2012/13	Year 2 2013/14	Year 3 2014/15	
	RA	Days	Days	Days	System Description
Data Quality & Performance Management	28	0	20	0	Cyclical review of the procedures in place for monitoring the Council's performance and Data in the public domain.
Equality & Diversity	~	10	0	0	Cyclical review of the system and processes in place to ensure compliance with legislation.
Partnerships, Joint Working & Shared Services	~	0	0	15	Review of the arrangements for working in partnership/joint working with others to include governance arrangements and management procedures.
TOTAL DAYS		10	20	15	

WYRE FOREST DISTRICT COUNCIL

STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015

ICT Audits and Assistance (40 Days Per Annum)

		<u>Year 1 2012/13 Days</u>	<u>Year 2 2013/14 Days</u>	<u>Year 3 2014/15 Days</u>
Application Control Reviews:				
Civica	Fraud Benefits	5		
Agresso	Financial Management System		10	
Cairo	Minutes	5		
Radius	Cash receipting to Include KIOSKS			5
IBS	Open Revenues Benefits		5	
IBS	Open Revenues Council Tax		5	
	Open Revenues			
IBS	NNDR		5	
Innogistic	Planning	10		
MVM	Environmental Health	5		
One Serve	e-shop		5	
Xpress	Elections			5
GGP		10		
Info @work		5	5	5
Wireless Technology				10
Network Security	ICT Main Controls			10
Internet, Email Access & Usage				5
Land Charges	MisPlus6		5	
TOTAL		40	40	40

WYRE FOREST DISTRICT COUNCIL

STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015

Assistance & Advice (10 Days Per Annum)

Areas	Reason
<p>Social Media – Facebook Twitter</p>	<p>To ensure that the Council regularly updates the pages. The sites are monitored. To ensure queries are dealt with appropriately. To ensure the sites are accessible to all. Compliance with a privacy policy, social media policy, risk policy, Freedom of Information and Data Protection policies. Ensure internal policy include the employees use of social media.</p>
<p>Council Use of Cookies</p>	<p>To ensure the Council comply with regulations Records are maintained, updated and reviewed.</p>
<p>IT Governance~ Physical Security</p>	<p>To ensure that physical security is in place and that protocols are adhered to.</p>
<p>IT Governance ~ Access Control</p>	<p>To ensure that system access is recorded and appropriately granted. To ensure that System administrators are appropriately trained. To ensure Roles and Permission are monitored To ensure employee starter, leaver and transfers access right set up and amendments are controlled and recorded.</p>
<p>IT Governance ~ Back up</p>	<p>To ensure system back ups are controlled and secure. To ensure back ups are tested and the tests are recorded. To ensure back up equipment is working appropriately.</p>
<p>IT Governance ~ Audit Trails</p>	<p>To ensure Audit trails are switched on, show an accountable trail, are retained for an appropriate length of time and the time stamps are accurate. To ensure significant events have been recorded.</p>
<p>IT Governance ~ Contingency Plans</p>	<p>To ensure contingency plans are in place and include security arrangements (including physical). To ensure off site arrangements have been tested.</p>
<p>IT Governance ~ Inventories</p>	<p>To ensure inventories are in place for both computer software and hardware. To ensure inventories are regularly reviewed and updated.</p>
<p>Payments on Line ~ Procurement/Paypal</p>	<p>To ensure that the Council procurement cards are secure and appropriately used. To ensure that the procurement cards are being used inline with Council policies when used on line. To ensure that purchases and payments are appropriately controlled.</p>

WYRE FOREST DISTRICT COUNCIL

STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015

Contract Audit (30 Days Per Annum)

Contract Audit includes:

- Contract Specifications
- Tendering Process including opening & recording
- Award of Contract
- Contract Monitoring
- Contract payments
- Contract register
- Final accounts as appropriate
- Post contract reviews

On contracts selected from the approved Revenue & Capital budgets.

New Headquarters
Disposal of Council Assets
Community Asset Transfers
Cash Flow Support

WYRE FOREST DISTRICT COUNCIL

STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015

Specific Service Duties – (15 Days Per Annum)

- Monitoring of the Issue and Control of Cheques
- National Fraud Initiative
- Year End Reconciliation of Petty Cash Balances
- Monitoring of Salaries/Wages BACS Limits
- Collation and Distribution of Authorised Signatory Lists

WYRE FOREST DISTRICT COUNCIL

STRATEGIC INTERNAL AUDIT PLAN 2012 TO 2015

	Principal Auditor (37 hrs)	Senior Auditor (PT) (22.5 hrs)	Auditor (Part-time) (30 hrs)	Auditor (Part-time) (30 hrs)	TOTAL Per Annum	TOTAL %
GROSS	260	156	208	208	832	100
Less:						
Bank Holidays	10	6	8	8	32	3.8
Annual Leave	30	17	17	23	87	10.5
Sick/Special Leave	5	3	3	3	14	1.7
Training	5	3	3	3	14	1.7
Less:						
Audit Admin	40	15	5	5	65	7.8
Audit Management	40	10			50	6.0
Risk Management	15	5	0	0	20	2.4
Available audit days	115	97	172	166	550	66.1

TOTAL AVAILABLE DAYS

550

INTERNAL AUDIT SYSTEM RISK ASSESSMENT

SYSTEM

Assessed by: _____ Date: _____

Reviewed by: _____ Date: _____

SUMMARY:	
High Priority Risk Assessment (Maximum)	111
Tolerable/Low Priority Risk Assessment	27
Difference	84

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

Agenda Item No. 8

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

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
12th MARCH 2012**Internal Audit Monitoring Report**
Quarter Ended 31st December 2011

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Acting S151 Officer/Resources
CONTACT OFFICER:	Cheryl Ellerton, Extension 2116 cheryl.ellerton@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Internal Audit Monitoring Report for the Quarter ended 31 st December 2011

1. PURPOSE OF REPORT

- 1.1 To inform members of the Internal Audit Monitoring Report for the Quarter ended 31st December 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 31st December 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.

- 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 30th 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.
- 10.2 Cabinet Member for Resources and Transformation.

11. BACKGROUND PAPERS

- 11.1 29th September 2011 ~ Audit Committee ~ Revised Annual Audit Plan 2011~2012.
29th June 2011 ~ Audit Committee ~ Internal Audit Terms of Reference ~ Update.
14th March 2011 ~ Audit Committee ~ Annual Audit Plan 2011~2012.
16th 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
31st December 2011**

INTERNAL AUDIT
QUARTERLY AUDIT REPORT
QUARTER ENDED 31ST DECEMBER 2011

INDEX	PAGE
SECTION 1 Final Audit Reports issued in the Quarter	78
SECTION 2 Follow up Reviews undertaken in the Quarter	82
SECTION 3 Draft Audit Reports issued in the Quarter	83
SECTION 4 Performance against Annual Plan for the Financial Year 2011/12	84
SECTION 5 Work In Progress	86

DAVID BUCKLAND
SECTION 151 OFFICER

3RD FEBRUARY 2012

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.

FINAL AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31ST DECEMBER 2011		
	ASSURANCE	PAGE
CORPORATE		
Subsidiary Systems		
Birmingham City ~ Postal Delivery Contractual Arrangements	F	~
LEGAL & CORPORATE SERVICES		
Key Systems		
Payroll Compliance & Establishment ~ Members 2010~11	S	8
RESOURCES DIRECTORATE		
Key Systems		
Bank Reconciliations 2011~12	F	~
Benefits Compliance Testing 2011~12	S	9
Budgetary Control & Monitoring 2010~11	S	10

Agenda Item No. 9

AUDIT REPORT TITLE: Payroll Audit 2010/2011 (Compliance & Establishment) BUDGET: £6,790,101 (Net Payroll 10~11) REF: VARIOUS	DRAFT REPORT DATE ISSUED: 19th August 2011 FINAL REPORT ISSUED: 19th October 2011	SERVICE: Legal & Corporate Services ~ Members RESPONSE RECEIVED: 7th/11th October 2011
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview:

The corporate payroll 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 payments are made correctly with statutory and voluntary deductions calculated accurately and all payments made are bona fide without risk of loss or theft and that there is a system in place to monitor the Establishment including the election of Members. The review comprised examination of the records maintained by the Human Resources and Payroll Teams.

Testing was carried out on a sample of employee’s salary payments over the financial year 2010~11 to include members,. All statutory and voluntary deductions and allowances were tested for accuracy. A check was made to ensure that there is an independent review of exceptions based on pre-determined parameters for the CHRIS payroll system to include Member Allowances. Following the testing, action plans were issued to the Democratic Services Manager in respect of those areas concerning payments to Members. The aim of the action plans being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken. Of the observations arising from the testing and included within the Action Plan issued to the Democratic Services Manager, it was found that the Staff Record Forms were not being authorised for newly elected Members or Termination Forms being completed for those Members at the end of their term in office to ensure accurate amendments to the Member Establishment and Payroll records. For these matters arising (detailed below for completeness), prompt action was taken by the Democratic Services Manager with evidence of remedial action to Internal Audit. In addition, Members were not being asked to provide details of their Business Use Insurance or other documentation to support any travel allowances reimbursed.

Conclusion:

On the basis of the work undertaken, the review has concluded that the systems in place for the monitoring of the Member Establishment and updating of the payroll records on the CHRIS system are operating effectively

The overall conclusion therefore is that **SOME** assurance can be currently be given on the internal controls in place, however, implementation of the following recommendations will ensure that the controls are further strengthened to enable full assurance to be given.

Agenda Item No. 9

AUDIT REPORT TITLE: Benefits Compliance Testing 2011/12 BUDGET: £42,249,640 Estimated Benefit Payments 11/12 REF: A280 BENEFIT PAYMENTS	ACTION PLANS ISSUED: 1 st July 2011/13 th July 2011 DRAFT REPORT DATE ISSUED: N/A FINAL REPORT DATE ISSUED: 6 th December 2011	SERVICE: Resources Directorate (Revenues & Benefits) RESPONSE DATE: N/A
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weakness identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview

This Audit forms part of the annual reviews undertaken to assist the Council's External Auditors in their annual audit. The review was undertaken to ensure that Benefits payments for both rent allowance claims and council tax benefit claims and any overpayments that occur are assessed appropriately and calculated accurately. A random sample of accounts with Housing Benefit and Council Tax Benefit entitlement was selected and examined in detail to ensure there is adequate proof of income and / or valid Department of Works and Pensions notification; adequate proof of capital and any income from capital is correctly calculated; that the level of disregards against income, non-dependant income and allowances and premiums have been assessed and applied correctly. There is a signed benefit application form and evidence of proof of identity. Additional testing for Housing benefit included verifying the benefit is based on the correct eligible rent. Additional testing for Council Tax Benefit included confirming that the Civica Council Tax records were appropriately updated, that the property is not void and the claimants are the liable people to pay Council Tax. A random sample of accounts with a Housing Benefit overpayment and Council Tax Benefit overpayment was selected and examined in detail to ensure that the overpayment was appropriately assessed. The detailed testing included verifying that the original benefit assessment was calculated accurately, the revised assessment was calculated accurately and the overpayment was correctly stated in the subsidy and overpayment reports produced by the Civica (Benefits) computer system, and being recovered in accordance with legislation.

The detailed compliance testing has been undertaken to cover a full calendar year. The initial samples were selected from claims paid in January ~ March 2011 as "top up" testing for the fourth quarter of 2010/11 and the first quarter of 2011/12 to cover the period to June 2011 after which Action Plans were issued directly to Managers. The aim of the action plans being to advise of any matters arising during the period of testing in order that they can be addressed promptly and remedial action taken. From the initial testing, there were no matters arising in respect of Housing Benefit entitlement/overpayments. With regard to the testing for entitlement to Council Tax Benefit, clarification was sought in relation to a claimant's capital. This did not affect the entitlement to benefit and no further action was taken. The second phase of testing was carried out on a sample of claims taken over the second and third quarters to cover the period July ~ November 2011. Within the sample tested for entitlement to Housing Benefit it was found that for one claimant an input error of a State Benefit had resulted in an underpayment; for a second claimant an incorrect number of rent weeks had been used in the entitlement calculation which had resulted in an overpayment. In respect of those claims examined for Council Tax Benefit, incorrect employment details had resulted in an underpayment to one claimant. For all matters arising, prompt remedial action was taken by the Revenues and Benefits Manager and all accounts were amended accordingly with assessors reminded to ensure accurate data input and verification.

Conclusion

On the basis of the work undertaken, the review has concluded that within the procedures in operation for assessing entitlement to and payment of both Housing and Council Tax Benefits along with the recovery of overpayments there are opportunities for improvement. However the matters arising, detailed below for completeness, are for a small element of the overall Benefits assessment process and therefore reasonable assurance can be given that other elements of the system are well managed. In view of the prompt action taken by the Revenues and Benefits Manager, the overall conclusion therefore, is that **SOME** assurance can be given in that the internal controls in place within the system for the assessment of Housing and Council Tax Benefits are operating effectively within this key system.

Agenda Item No. 9

AUDIT REPORT TITLE: Budgetary Control & Monitoring 2010/11 BUDGET: VARIOUS REF:	DRAFT REPORT DATE ISSUED: 6th September 2011 FINAL REPORT ISSUED: 19th October 2011	SERVICE: Resources Directorate RESPONSE RECEIVED: 11th October 2011
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Assurance Levels	Definition	Recommendation Rankings	Definition
Full	Robust framework of controls, any recommendations are advisory – provides substantial assurance.	Advisory	Low risk – recommendation for consideration
Some	Sufficient framework of controls but some weaknesses identified – provides adequate assurance.	Other	Medium risk - action required but not urgent
Limited	Significant lapses/breakdown in individual controls – at least one significant recommendation – provides partial assurance.	Significant	High risk – urgent action needed
Unsound	Significant breakdown in the overall framework of controls with a number of significant recommendations – provides little or no assurance.		

Overview

The Audit was undertaken to ensure that the budget process within the Council is clearly defined and based upon justifiable assumptions. That the monitoring process is delegated to budget holders, is undertaken on a regular basis i.e. monthly, and that any variances are investigated and where necessary reported to Members. That all risks have been identified and entered into the Corporate risk register and are being monitored.

The audit concentrated on the budget process from the financial point of view as regards the issuing of budget control reports and the involvement of members in the budget setting and monitoring process. The audit did not include any detailed examination of budget control and monitoring reports from the point of view of the Cost Centre Managers but as part of the testing ensured that reports are generated from the Financial Management System (Agresso) and distributed to those employees responsible for monitoring budgets and monitored. It was established that reports are generated on a timely basis (ie monthly) and distributed to Cost Centre Managers for verification of income and expenditure to date ensuring targets within budget for known commitments. Any variation to planned expenditure/income is analysed, investigated and explained. The audit found that the budget monitoring reports issued each month are in line with and reflect the preset budget for 2010/11. The actual figures to date could be traced to the main ledger from the reports.

Members were involved in the budget setting process scrutinising the proposals for the Financial Strategy / Budget Reports via the Budget Review Panel and Corporate Services Scrutiny Committee. Members have received regular monitoring reports throughout the year which detail the progress of the Council in achieving the Council's Budget Proposals for 2010-13.

During 2010/11 budget issues reports have been reported to Cabinet highlighting the major issues to be considered in the forthcoming budget cycle (2011-14) which also included the impact of the Spending Review. The Three year Budget & Policy Framework 2011/14 was presented to Cabinet in January 2011 which included a range of measures that the Council could meet to keep solvent in the medium to long term.

Conclusion:

The review concluded that there were areas within the key controls for budgetary control and monitoring with opportunities for improvement in the areas of updating of Financial Regulations and Budget Risks where although not exposing the Council to increased risk need to be taken into account. Therefore, the conclusion is that **SOME** assurance can be given in that the internal control processes in place are operating as intended. The implementation of the advice given and the following recommendations has given and will continue to give opportunities for improvement, to further strengthen the system in place and raise the level of assurance.

Quarter Report to the 31st December 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	
CORPORATE							
Debtors 10~11	K	S	3	2	-	-	-
COMMUNITY & PARTNERSHIP SERVICES							
Performance Management & Data Quality 10~11	K	S	3	1	-	-	-
RESOURCES DIRECTORATE							
Agresso (FMS) Computer Application 10~11	K	S	9	6	-	-	-
Benefit Reconciliations (Accountancy)10~11	K	S	5	3	-	-	-
MOT Testing Station 10~11	K	S	3	3	-	--	-
Payroll Reconciliations (Accountancy) 10~11	K	S	4	4	1	1	-

<u>DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 31st DECEMBER 2011</u>		
TITLE	DATE OF ISSUE	CURRENT STATUS OF REPORT
Management of Town & Civic Halls 2011~12	08.11.11	Response 24.11.11&01.02.12/Final Issued 20.02.12
Trading Estates & Property Debts 2011~12	14.12.11	Response 03.02.12/Final Issued 20.02.12
<u>DRAFT AUDIT REPORTS ISSUED IN THE QUARTER ENDED 30TH SEPTEMBER 2011</u>		
<u>Legal & Corporate Services</u> Elections and Electoral Registration 2010~11	06.09.11	Response Received 13.01.12/Final Issued 17.01.12

INTERNAL AUDIT

PERFORMANCE AGAINST ANNUAL PLAN FOR THE FINANCIAL YEAR 2011/12

Quarter ended 31ST December 2011

1st April to 31st December 2011

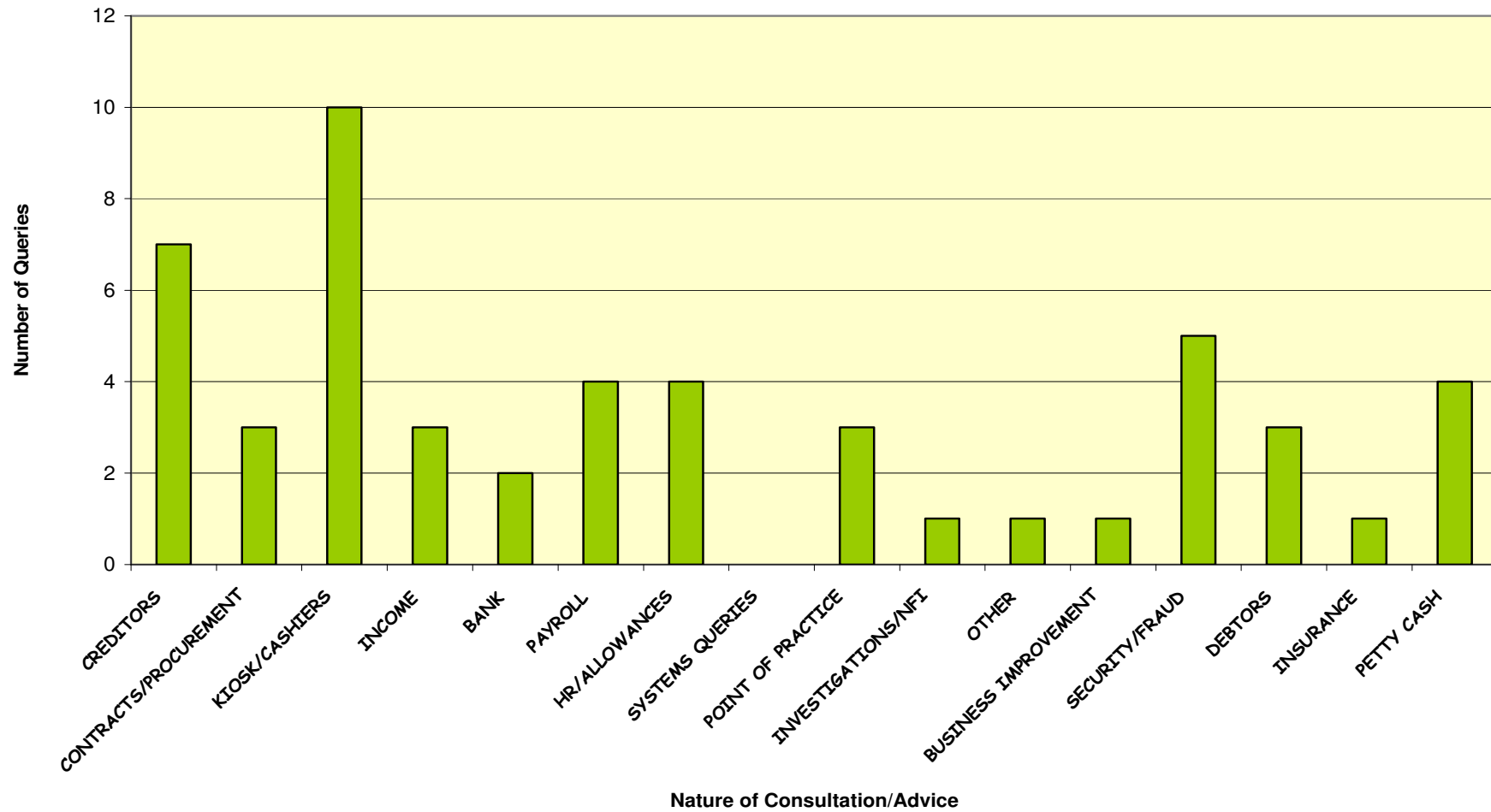
	<u>Quarter Actual</u>	<u>Quarter Plan</u>	<u>Quarter Actual as a % of Plan</u>		<u>Year Actual</u>	<u>Annual Plan</u>	<u>Year to Date Actual as a % of Plan</u>
	<u>Days</u>	<u>Days</u>	<u>%</u>		<u>Days</u>	<u>Days</u>	<u>%</u>
System and Probity	95.75	85.00	112.65%	System and Probity	295.25	340	86.84%
Computer Audit	4.25	16.25	26.15%	Computer Audit	24.75	65	38.08%
Contract Audit	8.00	10.00	80.00%	Contract Audit	14.25	40	35.63%
Consultancy and Advice	10.50	10.00	105.00%	Consultancy and Advice	36.25	40	90.63%
Irregularity	7.00	10.00	70.00%	Irregularity	11.50	40	28.75%
Specific Service Duties	4.00	3.75	106.67%	Specific Service Duties	15.50	15	103.33%
Sub Total	129.50	135.00	95.93%	Sub Total	397.50	540	73.61%

TARGET 95.00%

Audit Resource Statistics

For the quarter to 31st December 2011 actual against plan is **95.9 %** compared to a target of **95%**. Within the time allocated in the above table, during this third quarter of 2011~12 the Internal Audit Team have responded to 52 requests for advice and consultancy to include 2 investigations as detailed below:-

Summary of Audit Advice ~ October ~ December 2011



SECTION 5

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.

WORK IN PROGRESS AS AT 31ST DECEMBER 2011		
AUDIT REVIEW	DATE OF ISSUE Action Plan No 1	DATE OF ISSUE Action Plan No 2
Community & Partnership Services: Cash to Bank (Worcestershire HUB) 2011~12	~	02.12.11
Resources: Council Tax 2011~12 (Reconciliations)	07.10.11	N/A
NNDR 2011~12 (Reconciliations)	20.10.11	N/A
Corporate Debtors 2011~12 (Compliance Testing Phase 1)	07.11.11	N/A

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
12TH MARCH 2012**Annual Governance Statement – Action Plan**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together With Less
CABINET MEMBER:	Councillor N J Desmond
DIRTECTOR:	Acting Director of Resources
CONTACT OFFICER:	Tracey Southall Ext 2125 tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 - Annual Governance Statement Action Plan - 2010/11

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the current position in relation to the action plan which was developed to address the issues identified within 2010/11 and any outstanding issues from the previous Annual Governance Statement.

2. RECOMMENDATIONS

- 2.1 **Audit Committee is asked to approve and to note the current position of the Annual Governance Statement Action Plan for 2010/11.**

3. BACKGROUND

- 3.1 Regulation 4 of the Accounts and Audit Regulations 2011 states:

4. Responsibility for financial management

- (1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.
- (2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.
- (3) The findings of the review referred to in paragraph (2) must be considered -
- (a) in the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and
- (b) in the case of a smaller relevant body, by the members of the body meeting as a whole, and following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.
- 3.2 Further statutory guidance received by the Council requires the authority to widen the scope of the Statement on Internal Control to include further governance issues. CIPFA/SOLACE prepared guidance for Local Authorities in response to this move

which now results in Councils being required to prepare an Annual Governance Statement which is to be included within the Statement of Accounts.

- 3.3 Full details were provided to the Audit Committee in March 2008 on these requirements in relation to the Annual Governance Statement. The Annual Governance Statement itself this was presented and approved at the June 2011 meeting of the Audit Committee.
- 3.4 In determining the Annual Governance Statement to the Council is required to take into account all relevant information. In relation to the Statement that was approved in June the following sources of evidence were used. In establishing the draft documents the following pieces of evidence were considered within the current Assurance Framework:
- Internal Audit reports;
 - External Audit reports;
 - Assurance Statements completed by senior staff;
 - Strategic Risk Register;
 - External Inspection findings including;
- 3.5 Following consideration by the Corporate Management Team the Annual Governance Statement was approved by the Audit Committee at the meeting in June 2011.

4. KEY ISSUES

- 4.1 The Annual Governance Statement identified areas of Corporate Governance which needed to be addressed during in 2011/12. An action plan has been developed and is attached at Appendix 1, which identifies these areas and the progress that has been made in addressing these points.
- 4.2 Members are requested to review and approve the action plan and to note the current progress in relation to the delivery of the necessary improvements.

5. FINANCIAL IMPLICATIONS

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

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 It is a requirement under the Accounts and Audit Regulations 2011 that the Council prepares an Annual Governance Statement.

7. EQUALITY IMPACT NEEDS ASSESSMENT

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

8. RISK MANAGEMENT

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

9. CONCLUSION

- 9.1 From 2007/8 the Authority has been required to complete an Annual Governance Statement which is required to:
- Consider the arrangements required for gathering assurances for the preparation of the annual governance statement;
 - Consider the robustness of the Authority's governance arrangements;
 - Monitor any actions arising from the review of arrangements.
- 9.2 This report identifies the progress that has been made to date in relation to the Annual Governance Statement approved on 25th June 2011.

10. CONSULTEES

- 10.1 Corporate Management Team.
10.2 Cabinet Member for Resources and Transformation.

11. BACKGROUND PAPERS

- 11.1 Audit Committee – 17th March 2008 – Annual Governance Statement.
23rd June 2008 – Annual Governance Statement 2007/08.
10th November 2008 – AGS Action Plan.
29th June 2009 – AGS Action Plan 2007/08.
29th June 2009 – Annual Governance Statement 2008/09.
09th November 2009 – AGS Action Plan.
28th June 2010 – Annual Governance Statement 2009/10.
14th March 2011 – AGS Action Plan.
25th June 2011 – Annual Governance Statement 2010/11.

Annual Governance Statement 2010/11 –Action Plan as at 29 February 2012

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
<p>Completion of the New Headquarters project to ensure that the Council achieves Value for Money in its accommodation requirements</p>	<p>2010/11 No. 1</p>	<p>Award of Contract</p>	<p>March 2011 Completed</p>	<p>Chief Executive</p>	<p>Contract was approved by Cabinet in March 2011, subsequently contract agreed and</p>
		<p>Monitoring of Construction Period</p>	<p>June 2012</p>	<p>Chief Executive</p>	<p>The Council has retained RLB to assist with Project Management regular internal project meetings to ensure progress is maintained. Regular reporting to Transformation Board and now to Group Leaders and Members Forum</p>
		<p>Preparations for occupation</p>	<p>June 2012</p>	<p>Director of Legal & Corporate Services</p>	<p>Internal working group Preparing You for New HQ has been established and Directorate reps feed back to individual Management Team meetings to ensure smooth transition. The established Focus Group is making good progress on getting ready for occupation.</p>
		<p>Completion and Occupation</p>	<p>July 2012</p>	<p>Chief Executive</p>	<p>Scheduled to hold July Council in New HQ.</p>

Annual Governance Statement 2010/11 –Action Plan as at 29 February 2012

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
Continued priority to be given to the on-going recovery of the Council's "Icelandic" investments	2010/11 No. 2	Continue to monitor and keep Members briefed on the recovery of Icelandic Investments	On-going	Director of Resources	To date over 60% recovered from investments with the Heritable and Kaupthing Singer and Friedlander. In December 2011 the Council's "priority" status in Landsbanki was confirmed by the Icelandic Supreme Court and settlement agreements lodged with the Winding Up Board. The first Landsbanki Dividend has now been received of £930,000 in late February 2012. In relation to monitoring and updating Members, Iceland is featured in all Budget Monitoring reports, Updates to Council and inclusion within the Financial Strategy and Final Accounts reports.

Annual Governance Statement 2010/11 –Action Plan as at 29 February 2012

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
Full implementation of the review of the Council's Corporate Risk Register;	2010/11 No. 3	Review Risk Register and report to the Audit Committee	March 2012	Director of Resources	The Corporate Risk Register has been reviewed with the assistance of Zurich Municipal. This is monitored by CMT will reported to the March meeting of the Audit Committee.

Annual Governance Statement 2010/11 –Action Plan as at 29 February 2012

Issue:	Action No:	Action:	By when?	Person(s) Responsible	Update:
Implementation of the Wyre Forest Forward programme and associated Transformation projects.	2010/11 No. 4	To develop programme and implement.	March 2012	CMT	<p>Council approved new Financial Strategy on 23 February 2011. However, given the scale of reduction in funding work to commence on Wyre Forest Forward to assist with the production of the Financial Strategy 2012/15.</p> <p>WFF programme includes the System Thinking methodology which is being implemented within Revenues and Benefits and will be used in different service areas including Financial Services.</p> <p>Work is progressing with members and Senior Management on developing “purposes” for the Council in line with Corporate Plan priorities. Group Leaders regularly consider the WFF programme.</p>

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
12TH MARCH 2012**Risk Management – Corporate Risk Register**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together With Less
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Acting Director of Resources
CONTACT OFFICER:	Tracey Southall Ext. 2125 tracey.southall@wyreforestdc.gov.uk
APPENDICES:	Appendix 1 -Corporate Risk Register

1. PURPOSE OF REPORT

- 1.1 To inform members of the Audit Committee of the current Corporate Risk Register, attached as Appendix 1. This follows the approval of a fundamental review of the Risk Register requested by the Audit Committee.

2. RECOMMENDATIONS

- 2.1 **The Audit Committee are asked to CONSIDER AND NOTE the Corporate Risk Register and the associated mitigating actions.**

3. BACKGROUND

- 3.1 Council approved a Risk Management policy statement and strategy in February 2008. The approved Risk Management strategy requires that the risk register entries for the Council, both strategic and operationally are considered by the Audit Committee. The risk register was reported to the Audit Committee in June 2009, at which time it was agreed that a Corporate Review of the current register was required.
- 3.2 The authority manages a corporate risk register for the significant organisational risks, and a more detailed register for Directorates to manage operational risks within Service Plans. The risk registers are held within the Covalent computer system. Arrangements are in place to ensure that access is available to those who require it.
- 3.3 The Corporate Risk Register was reviewed during 2011, this review was undertaken by the Corporate Management Team and the Cabinet in discussions facilitated by Zurich Municipal Management Services. The current Risk Management Policy Statement and the Risk Management Strategy are both currently being reviewed by the Council's Business Improvement Group, these will be presented for consideration to a future meeting of the Audit Committee.

4. KEY ISSUES

4.1 Risk Management is embedded within the Council through the Corporate Risk Register, Operational Risk Registers (within Service Plans), any report considered by Councillors or through specific registers for individual project such as New Headquarters.

4.2 The Audit Commission has recognised the work which the Council has achieved in this area, however, are keen that the Council still makes further improvements. Within the Annual Audit Letter considered by the Audit Committee in December 2011 was the recommendation:

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.

4.3 Given this recommendation and the review undertaken last year it is therefore appropriate for the Audit Committee to consider the current Corporate Risk Register attached at Appendix 1. It is suggested that the Corporate Risk Register be reported on a 6 monthly basis to the Audit Committee, following consideration by the Corporate Management Team.

5. FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising from this report.

6. LEGAL AND POLICY IMPLICATIONS

6.1 Regulation 4 of the Accounts and Audit Regulations 2011, state that:
“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk”

6.2 In addition Regulation 5 of the Accounts and Audit Regulations 2011 also state that:
“The accounting 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 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.

8. CONCLUSION

- 8.1 Further progress and actions on taking forward the corporate risk management process have been made. It is felt that the Corporate Risk Register attached at Appendix 1 provides a realistic overview of the major risks affecting the Council.
- 8.2 The Corporate Risk Register should be regularly reviewed and reported to the Corporate Management Team and the Audit Committee.

9. CONSULTEES






- 9.1 Corporate Management Team.
- 9.2 Cabinet Member for Resources and Transformation.

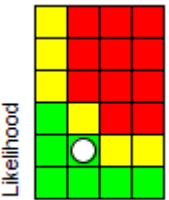
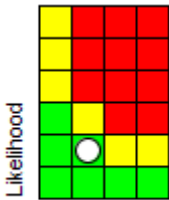






10. BACKGROUND PAPERS

- 10.1 None.

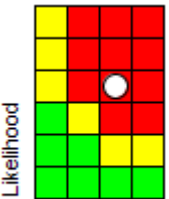
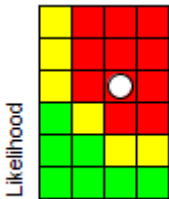
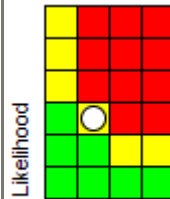



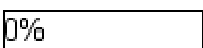



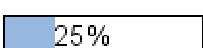





Corporate Risk Reports



Key:

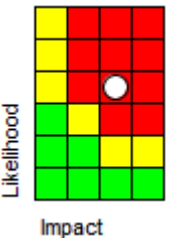
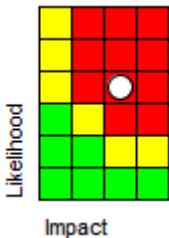
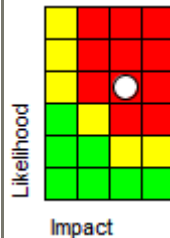



- Action Status
-  Cancelled
 -  Overdue;
 -  Unassigned; Check Progress
 -  In Progress;
 -  Completed



CORP 01		Regular change in the political balance /direction of the Council. The Council has a history of being hung and the current political situation is finely balanced. Having elections by thirds does not help to provide political stability. This has led to consensus politics			
Original Risk	Current Risk	Target Risk	Assigned To	Status	
 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	CMT		
Linked Actions	Due Date	Progress	Latest Note		
CAP BP11 CDI13b	Corporate Plan priorities -six monthly briefing session between LSP Board, Cabinet Members and Group Leaders	30-Sep-2011		04-Oct-2011 Briefing session held on 12 September which was attended by Partners, Cabinet, Group Leaders and their deputies.	
CAP RA 05b	Ensure Members are regularly updated on corporate plans and proposals including Wyre Forest Forward.	31-Mar-2012		24-Feb-2012 Regular updates provided at Group Leaders and CMT/Cabint monthly meetings and at Overview and Scrutiny and via Members Forum. Members Bulletin and Wyred Weekly contain regular updates on Wyre Forest Forward.	

CORP 02		Unable to implement and embed change and new ways of working. The Council is undergoing major transformational change that embraces EDRMS, mobile and flexible working, cultural and behavioural change, increased standards of delivery etc.			
Original Risk	Current Risk	Target Risk	Assigned To	Status	
<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	CMT		
Linked Actions		Due Date	Progress	Latest Note	
CAP BP11 CDI24		31-Dec-2011		13-Jan-2012 Plan of action for system thinking reviews completed. Significant work progressed with revenues, benefits and the Hub. Workshops held with WF20 and Members.	
RES RA02		31-Mar-2012		12-Jan-2012 On-going procurement exercise for Route Optimisation complete and collective agreement from Unions obtained for 4 day working.	

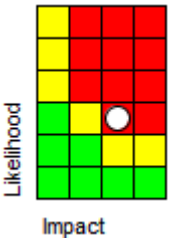
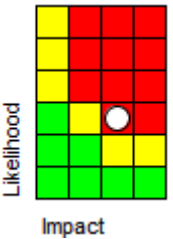
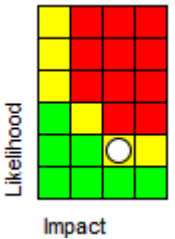





CORP 03		Unable to improve the economic prosperity of the district. Lack of vitality in the local economy – although the District is holding up reasonably well in the current economic conditions it still aims to stimulate growth to support the economic recovery.			
Original Risk	Current Risk	Target Risk	Assigned To	Status	
 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	Ken Harrison; Mike Parker		
Linked Actions	Due Date	Progress	Latest Note		
PRS BP11 PR33	To successfully implement the North Worcestershire Economic Development and Regeneration Service	30-Jun-2011			
PRS BP11 PR41	ReWyre Initiative (management): Develop a Business Plan for the ReWyre Board and Management Team.	31-Dec-2011		18-Oct-2011 Awaiting outcome of Rewyre Conference on 4th November. 	
PRS BP11 PR42a	ReWyre Initiative (Implementation): • Develop Master Plan and Strategy for the former British Sugar factory	31-Dec-2011		16-Jan-2012 A consultation undertaken by site owners following Rewyre conference. In discussions with Local Enterprise Partnerships on infrastructure delivery options. 	
PRS BP11 PR42b	ReWyre Initiative (Implementation): • Prepare Kidderminster Town Centre Design Framework	31-Dec-2011		18-Oct-2011 Work progressing on Eastern gateway plans. 	
PRS BP11 PR42c	ReWyre Initiative (Implementation): Secure a Development Partnership of private sector partners for STC.4 (Lloyd's Garage), Stourport-on-Severn	31-Dec-2011		18-Oct-2011 Interviews held - approval expected imminently. 	
PRS BP11 PR42d	ReWyre Initiative (Implementation): Develop and implement a Place Marketing strategy to promote the District to investors including potential future	31-Mar-2012		16-Jan-2012 Consideration of this now merged into North Worcestershire Economic Development & Regeneration. 	


	businesses, residents and visitors - Develop Strategy by October 2011 - Complete implementation by March 2012				
PRS BP11 PR42e	ReWyre Initiative (Implementation): • To establish and promote a virtual trail for residents and visitors to local industrial heritage sites of interest within the Wyre Forest District	31-Mar-2012		16-Jan-2012 Owner changed to Steve Singleton. Proposals worked up in partnership with Heritage Group.	

CORP 04		Unable to deliver increased supply of good quality, affordable homes. The need for good quality, decent and affordable homes in the district is increasing but supply is decreasing.			
Original Risk	Current Risk	Target Risk	Assigned To		Status
			Kate Bailey; Mike Parker		
Linked Actions	Due Date	Progress	Latest Note		
PRS BP11 HS21	Consult on, finalise and implement the Worcestershire Housing Strategy • Consultation with stakeholders and members by April 2011 • Strategy finalised by July 2011 • Implementation of first year actions finalised by March 2012	31-Mar-2012		12-Jan-2012 Strategy action plan and monitoring underway.	
PRS BP11 HS22	Implement Year One of Housing Services Improvement Plan by March 2012 • Monitor social lettings established by April 2011 • Investigate high number of approaches to acceptances of	31-Mar-2012		13-Oct-2011 Strategy completed	

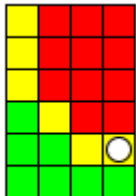
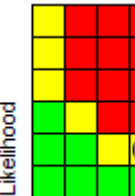
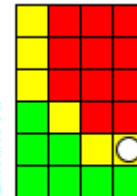

	stat homeless by July 2011 • Develop a new empty homes strategy by November 2011				
PRS BP11 HS28	Implement Year One actions of the Private Sector Action Plan • Develop Disabled facilities grant service through; - Improving communication by December 2011 - maximizing funding opportunities by March 2012 - reducing costs for level access showers by July 2011 • Tackling Fuel Poverty through targeted insulation measures promotion. Promotion commences April 2011 Scheme completes March 2012	31-Mar-2012		12-Jan-2012 Majority of actions completed or underway.	


CORP 05 Do not meet achieve savings targets. Plans are in place to achieve savings to achieve the budget but these must be achieved for the budget to balance.

Original Risk	Current Risk	Target Risk	Assigned To	Status
			CMT	
Linked Actions	Due Date	Progress	Latest Note	
RES BP11 ACC08	To participate in the Efficiency Strategy and the Service Reviews to generate savings and to monitor and report on these proposals on a quarterly basis to Cabinet. 31-Mar-2012		10-Jan-2012 On Target.	
RES BP11 ACC15	Ongoing annual Procurement savings target of £50k - monitored monthly 31-Mar-2012		10-Jan-2012 On Target.	

RES RA06	Business case to be presented to Cabinet regarding the identification of savings in order to deliver savings of £170,000.	31-Mar-2012	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #4F81BD; color: white; text-align: center; line-height: 15px;">50%</div>	12-Jan-2012 Session with all Group Leaders/Cabinet and Scrutiny Committee Chair undertaken to inform work on purpose. Systems Thinking being implemented within Revenues and Benefits.	
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CORP 06	Unable to deliver a sustainable budget for the long term. Reserves are being used in the short term to meet shortfalls but increased savings are required so that the budget becomes sustainable from 2014 onwards.
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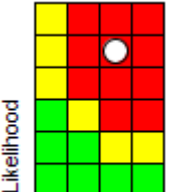
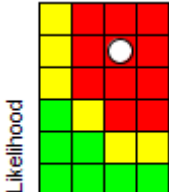
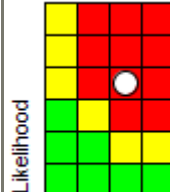

Original Risk	Current Risk	Target Risk	Assigned To	Status
 <p style="font-size: small; text-align: center;">Likelihood</p> <p style="font-size: small; text-align: center;">Impact</p>	 <p style="font-size: small; text-align: center;">Likelihood</p> <p style="font-size: small; text-align: center;">Impact</p>	 <p style="font-size: small; text-align: center;">Likelihood</p> <p style="font-size: small; text-align: center;">Impact</p>	CMT	

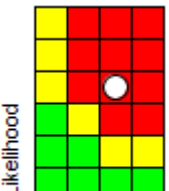
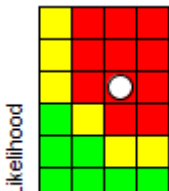



Linked Actions	Due Date	Progress	Latest Note		
RES BP11 ACC01	31-Mar-2012	Prepare budgets in accordance with the Local Government Finance Act 2003 and the Council's Finance Strategy	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #4F81BD; color: white; text-align: center; line-height: 15px;">65%</div>	10-Jan-2012 Financial Strategy approved Cabinet 20th December 2011.	


CORP 07		Council 'misses' important issues and/ or is in breach of a requirement. The Council is a small organisation but it is still expected to respond to, and comply with, new legislation, strategies, audit requirements etc.			
Original Risk	Current Risk	Target Risk	Assigned To	Status	
			CMT		
Linked Actions		Due Date	Progress	Latest Note	Status
LCS BP11 LS50		31-Mar-2012		11-Jan-2012 Currently involved in various projects.	
LCS RA 03		31-Mar-2012		23-Feb-2012 Completed for Planning Committee	
CORP 08		Fully formed IT strategy is not developed and implemented. The technology at the Council is outdated and at times no longer supported – cheap and cheerful. There has been general lack of investment that leaves us trailing other authorities. We are at a critical stage in the development of technology with the move to a single site			
Original Risk	Current Risk	Target Risk	Assigned To	Status	
			David Buckland; Dave Johnson		
Linked Actions		Due Date	Progress	Latest Note	Status
RES RA03		31-Mar-2012		12-Jan-2012 Ongoing major project relates to new email system due to go live 31st March 2012.	

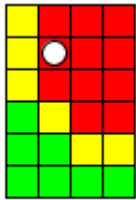
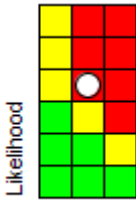
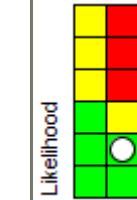





CORP 09		Ineffective joint working. Joint working and the sharing of services is being encouraged by Government and is required to make efficiencies and savings. It is the second part of the Council's transformation efforts following th new HQ. However there are always risks around the management of such arrangements whether the work is being led by another organisation or led by the Council.				
Original Risk	Current Risk	Target Risk	Assigned To		Status	
<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	CMT			
Linked Actions		Due Date	Progress	Latest Note		
CAP BP11 CSP12a	Review partnership representation by WFDC employees	31-May-2011		30-Jun-2011 Completed and updated on COLIN.		
CAP BP11 CSP12b	Monitor and evaluate partnership working through the six monthly partnership return forms in April and September 2011.	30-Sep-2011		13-Oct-2011 30 Sept 2011 Exercise completed for September timetable.		
CORP 10		Not able to maintain a skilled and motivated workforce. Against the background of the erosion of staff conditions the Council needs to continue to maintain a workforce with adequate capacity, skills, experience and motivation – so still being see by staff as a good employer.				
Original Risk	Current Risk	Target Risk	Assigned To		Status	
<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	CMT			
Linked Actions		Due Date	Progress	Latest Note		
LCS BP11 HR33	Develop a Wyre Forest Management Development Programme	31-Mar-2012		11-Jan-2012 Met with OD Business Partner, discussed programme including Insights, Customer Service Challenge, Leading your People and		





				Remote Working. Regular HR breakfast meetings for managers.	
LCS BP11 HR34	Continue to meet WF20 Managers to support on a bi monthly basis	31-Mar-2012	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #4f81bd; color: white; display: flex; align-items: center; justify-content: center;">75%</div>	11-Jan-2012 Continued regular meetings.	
LCS BP11 HR45	Develop initiatives to support workforce through organisational change	31-Mar-2012	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #4f81bd; color: white; display: flex; align-items: center; justify-content: center;">60%</div>	11-Jan-2012 This will form part of the training programme.	

CORP 11					
Capacity to do everything is insufficient. A flexible resource is required to do everything that the Council has committed itself to – transformation, core service review, review of partnerships					
Original Risk	Current Risk	Target Risk	Assigned To	Status	
 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	CMT		
Linked Actions	Due Date	Progress	Latest Note		

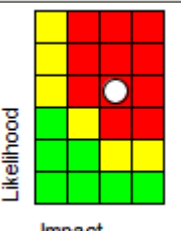
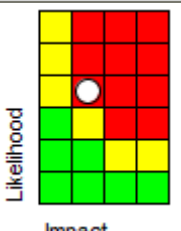
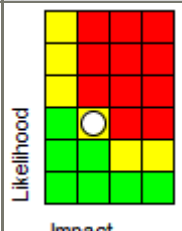

CORP 12					
Projects not delivered effectively. To deliver projects effectively (time, quality and cost) effective project management skill and processes need to be embedded within the Council.					
Original Risk	Current Risk	Target Risk	Assigned To	Status	
 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	CMT		
Linked Actions	Due Date	Progress	Latest Note		
CAP RA 01a	Enlist project officer and support services and/or	31-Mar-2012	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #4f81bd; color: white; display: flex; align-items: center; justify-content: center;">90%</div>	24-Feb-2012 Friends of Parks project nearing completion, Memorandum of Understanding	
					



	external resources to support delivery of high profile cultural service reviews and asset transfer projects.			completed. Leisure Review Completed February 2012. Project support now terminated due to redundancy.	
LCS BP11 LS50	Support and advise on major strategic projects to ensure sound and robust arrangements.	31-Mar-2012	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #4f81bd; color: white; display: flex; align-items: center; justify-content: center;">75%</div>	11-Jan-2012 Currently involved in various projects.	

CORP 13						
Unable to effectively manage the Council's reputation. The Council's reputation is extremely important so needs to be preserved. Effective consultation and communication ad stakeholder management are key to preserving this - along with good service delivery.						
Original Risk	Current Risk	Target Risk	Assigned To	Status		
 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	Linda Collis			
Linked Actions	Due Date	Progress	Latest Note			
CAP BP11 CSP01a	Communication - Produce two Wyred In on line magazines per year in July and December	31-Dec-2011	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #4f81bd; color: white; display: flex; align-items: center; justify-content: center;">100%</div>	12-Jan-2012 Published on schedule.		
CAP BP11 CSP01c	Communication - Collate and generate features and editorial for Wyred Weekly a weekly publication and Wyred In twice yearly	31-Mar-2012	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #4f81bd; color: white; display: flex; align-items: center; justify-content: center;">75%</div>	12-Jan-2012 Progressing to schedule.		
CAP BP11 CSP02	Revise and merge the Brand Strategy, Consultation Strategy and Corporate Communications Strategy	31-Aug-2011	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #4f81bd; color: white; display: flex; align-items: center; justify-content: center;">100%</div>	12-Jan-2012 New strategy drafted with Linda Collis to be approved by CMT January 2012.		
CAP BP11 CSP04	To implement agreed Media Plan to promote the benefits of the Council HQ to employees, members , partners and residents. * Action Plan milestones to be confirmed.	31-Mar-2012	<div style="border: 1px solid black; width: 50px; height: 15px; background-color: #4f81bd; color: white; display: flex; align-items: center; justify-content: center;">75%</div>	13-Jan-2012 Progressing to schedule.		

CAP RA 05a	Updates on corporate issues by Chief Executive and Leader at Corporate Briefing sessions to employees.	31-Mar-2012		24-Feb-2012 Continued and regular briefings held across Council sites. Attendances at briefings continuing to increase, increased suggestions via the intranet suggestion scheme, positive movement in employee satisfaction with internal communications.	
CAP RA 05c	Regular WyredIn and Wyred Weekly updates about corporate issues including Wyre Forest Forward.	31-Mar-2012		24-Feb-2012 Continued updates are provided across all Council communication channels.	

CORP 14 **Member skills and/or competencies are inadequate** All political groups sometimes struggle to find suitable candidates to stand. Member training takes place but is not universally attended. Increased pressure on members to develop specialist roles and devote more time.

Original Risk	Current Risk	Target Risk	Assigned To	Status
			Caroline Newlands	

Linked Actions	Due Date	Progress	Latest Note
CAP RA 05b	31-Mar-2012		24-Feb-2012 Regular updates provided at Group Leaders and CMT/Cabint monthly meetings and at Overview and Scrutiny and via Members Forum. Members Bulletin and Wyred Weekly contain regular updates on Wyre Forest Forward.
LCS BP11 DS02	31-Mar-2012		06-Jan-2012 Worcestershire Elected Member Programme has commenced and the launch is 25th January 2012 @ County Hall. Discussions are underway with the Leader and a report will go to Group Leaders in January to update Members on the project and nominate Cllr's to take part in the action learning sets and to agree a project for Members to investigate.